BEAUMONT CHERRY VALLEY WATER DISTRICT
WORKSHOP AGENDA
Thursday, July 23, 2009 at 5:30 PM
560 Magnolia Avenue, Beaumont, CA 92223

CALL TO ORDER, PRESIDENT BALL

PLEDGE OF ALLEGIANCE, DIRECTOR ROSS

INVOCATION, DIRECTOR MAGEE

ROLL CALL, BLANCA MARIN

PUBLIC INPUT

PUBLIC COMMENT: Anyone wishing to address the Board of Directors on any matter not on the agenda of this meeting may do so now. Anyone wishing to speak on an item on the agenda may do so at the time the Board considers that item. All persons wishing to speak must fill out a "Request to Speak" form and give it to the Secretary at the beginning of the meeting. The forms are available on the table at the back of the room. There is a three (3) minute limit on public comments. Sharing or passing time to another speaker is not permitted. Please do not repeat what was said by a previous speaker except to note agreement with that speaker. Thank you for your cooperation.

ACTION ITEMS

1. **ADOPTION OF THE AGENDA**

MAGEE	M	S	A	N
PARKS	M	S	A	N
ROSS	M	S	A	N
WOLL	M	S	A	N
BALL	M	S	A	N

2. **SELECTION OF PROPOSAL FOR WATER RATE AND FEE STUDY****

MAGEE	M	S	A	N
PARKS	M	S	A	N
ROSS	M	S	A	N
WOLL	M	S	A	N
BALL	M	S	A	N

3. **GENERAL MANAGER-REPORTS FOR DISCUSSION AND POSSIBLE ACTION**
    a. Water Use Efficiency Ordinance
    b. CWSRF Contract Administrator
    c. Memorandum from Director Magee**

ACTION LIST

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4. ADJOURNMENT

MAGEE	M	S	A	N
PARKS	M	S	A	N
ROSS	M	S	A	N
WOLL	M	S	A	N
BALL	M	S	A	N

** Information included in the agenda packet

Assistance for the Disabled: If you are disabled in any way and need accommodation to participate in the meeting, please call Blanca Marin Executive Assistant, at (951) 845-9581 Ext. 23 for assistance so the necessary arrangements can be made.

The agenda material for this meeting is available to the public at the District's Administrative Office which is located at 560 Magnolia Avenue, Beaumont, CA 92223. If any additional material related to an open session agenda item is distributed to all or a majority of the board of directors after this agenda is posted, such material will be made available for immediate inspection at the same location.

Water Rate and Fee Study

Proposal

Beaumont Cherry Valley Water District

July 2009

Kennedy/Jenks Consultants
Engineers & Scientists

Kennedy/Jenks Consultants
Engineers & Scientists

2355 Main Street, Suite 140
Irvine, California 92614
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2 July 2009

Ms. Julie Salinas
Business Manager
Beaumont Cherry Valley Water District
560 Magnolia Avenue
Beaumont, CA 92223

Subject: Proposal for Water Rate and Fee Study

Dear Ms. Salinas:

In response to the Request for Proposal, dated 10 June 2009, Kennedy/Jenks Consultants (Kennedy/Jenks) is pleased to submit to the Beaumont Cherry Valley Water District (District) our proposal for professional services for the Water Rate and Fee Study. We are committed to serve the District in this effort and meet your key project objectives to develop a rate structure that will provide the necessary funds for water delivery, operation and maintenance of your water system, and achieve mandated water conservation goals.

The Kennedy/Jenks team is uniquely qualified to complete this work. Based on our firm's record of performance, which dates back to 1919, and the specialized experience and continuity of our project team, we are confident that our expertise will benefit the District with:

- ***Local Knowledge.*** Our Irvine office has served Southern California water agencies for several decades. We have completed numerous studies and designs for agencies that are similar in type and size to your District, including the West Valley Water District, San Gorgonio Pass Water Agency, City of El Paso de Robles, and the Elsinore Valley Municipal Water District. As a result, we are very familiar with the types of local issues that may affect this rate study. Our unique ability to integrate local issues, technical analyses, and communication is the key reason why Kennedy/Jenks is the best-qualified firm for this work.
- ***A Fresh Look.*** Our team will bring a fresh look and new insights to the complex and interrelated issues of rate setting, reserve funding, and costs of operations, maintenance, and capital project funding. Our approach will include strategies to meet the requirements of Proposition 218, Assembly Bill 2882, water conservation mandates, and other legal requirements. Our focused approach will give you the solutions you need in an economical and timely fashion while addressing the community's concerns regarding rate control and meeting the needs of a growing population.
- ***Experienced Key Personnel and Project Management.*** We believe that Kennedy/Jenks is uniquely qualified to assist the City with this study and in consideration of the project requirements, Kennedy/Jenks has selected a small, focused team, led by an experienced, hands-on Project Leader, Mr. Roger Null. Roger has more than 30 years of experience in administrative and management activities for both private and municipal clientele, has managed over 60 utility financial planning projects, and serves as the Management Consulting Practices Service Leader for Kennedy/Jenks. The Management Consulting Practices group is a collection of individuals within Kennedy/Jenks that focuses on solutions to management challenges facing municipalities and special districts, including rate setting, master planning, and regulatory compliance.

- ***Proactive Consulting that Achieves a Cooperative Team Approach.*** We plan to work closely with you and other key District staff to fully address issues of concern. Our team will initially solicit raw data input from your staff, work collaboratively to develop a focused and effective scope of work, and review our draft work product with the District to build consensus. With ongoing coordination and open discussion, surprises and impractical recommendations can be avoided.
- ***Technical Depth.*** Our project team has extensive relevant experience, specifically in the preparation of rate and revenue studies (water, wastewater, and stormwater); utility staffing evaluations and operation plans; municipal ordinance experience; and master planning projects.

Our project team combines recognized water technical expertise with local service. We are committed to provide you with a quality rate study on time, within budget, and to your satisfaction. We eagerly look forward to the opportunity to work with you on this project. Should you have any questions or comments please contact me via email at rogernull@kennedyjenks.com or by telephone at (949) 261-1577 or (949) 463-2437.

Very truly yours,

KENNEDY/JENKS CONSULTANTS

Roger Null
Vice President/Project Leader

Enclosure

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Information Page

Beaumont Cherry Valley Water District
Water Rate and Fee Study

Submitted By:

Kennedy/Jenks Consultants
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Description of Study Understanding

Background

Community water supply and distribution in the Beaumont and Cherry Valley communities began in the late 1800's with Mr. F.P. Sigler providing domestic and irrigation water from surface water diversions and groundwater wells. In 1919, the same year that Kennedy/Jenks was formed, the Beaumont Irrigation District was formed and continues providing for the water needs of the area. In the early 1970's the District changed its name to Beaumont Cherry Valley Water District, but retains the rights and powers of a California irrigation district formed under the Wright Act of 1897.

Today the District serves over 14,000 residential, commercial and irrigation customer accounts. The District has three water supplies, Beaumont Storage Unit, Edgar Canyon and State Water Project. The District participated in the Beaumont Basin adjudication in the early 2000's and will be faced with the termination of the temporary groundwater management surplus in 2014.

In addition to managing water supplies consisting on both surface and groundwater, and treatment and distribution systems, the District also operates recycling and groundwater recharge facilities.

Study Understanding

Based on the District's Request for Proposal (RFP) for the water rate and fee study, and our experience in performing these studies, we will:

- Review the District's capital budget and master plan of facilities.
- Review the District's current and forecasted operating and maintenance expenses, along with the projected costs of capital improvements and the costs associated with expanding the District to serve new development.
- Assess the impacts of water conservation mandates.
- Take into account the Beaumont Basin adjudication and its cost impact on District water supplies.
- Develop rates and fees that reflect the costs of providing high quality and reliable water service to the communities of Beaumont and Cherry Valley.
- Assist the District in implementing the new rates and fees in compliance with Proposition 218, Assembly Bill 2882 and other water conservation mandates including the implications of Assembly Bill 1881.

The goals of the study will include:

- Developing equitable rates and charges that recover the cost of operating the District's water system. This includes assessing the cost of service to the various classes of District customers (residential, commercial, and irrigation) as well as developing rates that recover the cost of providing these services. Ensuring compliance with California's Proposition 218 and Assembly Bills 2882 and 1881 are important considerations of rate setting. AB 2882, signed into law this year, allows

water agencies to use water rates to meet water conversation goals mandated by the State. Though it does not change the basic requirements of Proposition 218, AB 2882 does clarify that a water utility may charge higher rates for water use over and above what is considered normal and reasonable.

- Reviewing and recommending facilities (impact) fees that reflect the cost of providing water service to new customers without impacting the cost of service to the existing customer base. This will include developing the nexus between the facilities fees and the cost of providing service as required by California statutes.
- Assessing the impacts of the various water conservation measures going into effect in 2010 to ensure that the proposed rates and charges meet the requirements of these measures and help the District meet water conservation goals. One such example is AB 1881, which requires the development and adoption of new landscape management provisions to improve water use efficiency. An element of this code establishes the need to consider a landscape water budget and the use of economic incentives to promote efficient water use.

The Kennedy/Jenks team brings substantial experience in conducting comprehensive evaluations of communities' water rates. Our history with clients such as the City of Oxnard, California (seen here) has involved similar tasks such as cost of service analysis and rate/fee development.

Methodology

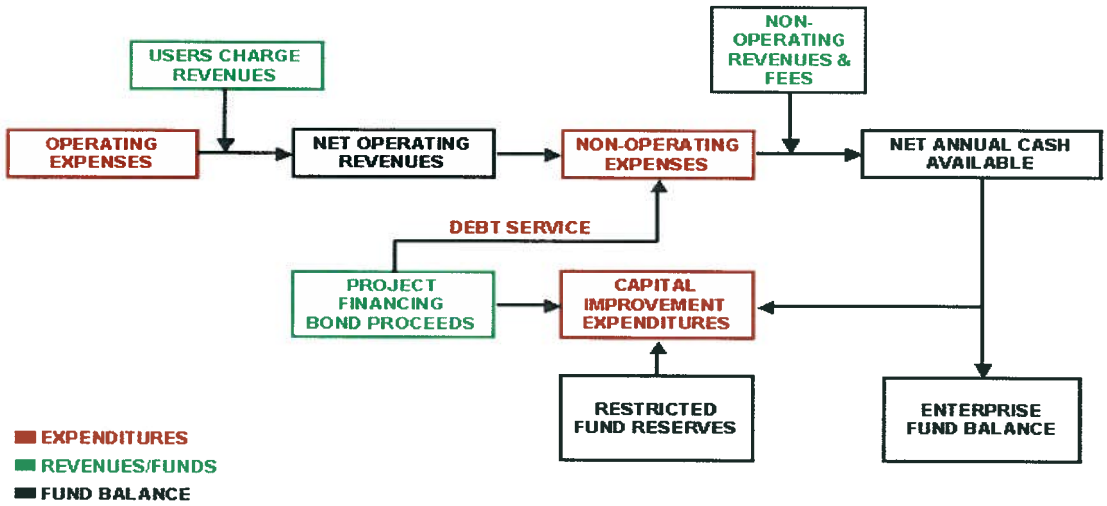
Kennedy/Jenks' general approach to this analysis evaluation is to maximize the use of our extensive experience in the performance of similar utility financial evaluations in California.

Efficient accomplishment of the study is dependent on a well-organized project approach, defined by work tasks, which are responsive to the needs of the District. The project approach establishes the definition of the study, provides a simple means of keeping track of project status, and affords a means of documentation and review of project elements.

Our approach for this evaluation is to maximize the use of our extensive experience in performing similar utility financial evaluations in California. To successfully execute this approach for the District, as we have in many other communities, we have assigned Mr. Roger Null as the Project Leader to provide the senior-level financial consulting for the proposed evaluations. Roger has served in this capacity for over 60 utility financial plans and over 40 utility system master plans in California. A representative listing of financial planning projects he has managed is provided in the Representative Study Descriptions and Client References section of our proposal. Roger is supported by an experienced team of water and financial consultants who will effectively and efficiently perform the study.

Given this level of experience, our approach to projects of this nature is well defined. As a process, the cornerstone of our approach is our commitment to interact with the District on an ongoing basis. Through the contracting process and a subsequent project kick-off meeting, we will consult with the District to identify and resolve any data and policy issues so that our work effort is focused and well-defined in accordance with the project objectives. A flow diagram of our proven financial planning process is shown below.

FINANCIAL PLANNING PROCESS
ANNUAL SOURCES AND USES OF FUNDS



Preliminary and draft work products will be documented and presented to the District throughout the project. For projects of this nature, these work products are generally provided in the form of tabular spreadsheet analysis. These analytical documents will provide an effective means of communicating our work progress and obtain ongoing input from the District. This approach has served our project team on numerous similar studies. The success of these assignments is reflected in the fact that many of our clients have re-contracted with Kennedy/Jenks to perform an update of their utility charges and perform financial evaluations of other utilities systems.

Kennedy/Jenks employs proven tools and work products to highlight study findings, such as this sample table that summarizes annual budget costs and user fee calculations.

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Operation & Maitenance Budget						
Beginning Cash Balance	$ 1,617,356	$ 1,299,201	$ 815,678	$ 569,638	$ 499,922	$ 734,116
Revenue						
Interest	$ 19,587	$ 9,744	$ 12,249	$ 16,789	$ 14,998	$ 22,023
Sanitation Services - Operations Charge	$ 553,248	$ 960,680	$ 965,380	$ 1,238,400	$ 1,288,400	$ 1,298,400
Sanitation Services - Maintenance Charge	$ 94,901	$ 176,560	$ 176,560	$ 220,700	$ 224,700	$ 228,700
Pasture Rent	$ 2,620	$ 2,620	$ 2,620	$ 2,620	$ 2,620	$ 2,620
Total Revenue	$ 670,379	$ 1,149,804	$ 1,156,809	$ 1,478,509	$ 1,510,718	$ 1,551,743
Total Funds Available	$ 2,287,744	$ 2,449,005	$ 1,973,397	$ 2,038,147	$ 2,010,639	$ 2,285,858
Expenditures						
Operations	$ 888,344	$ 867,771	$ 906,759	$ 1,108,626	$ 1,307,908	$ 1,353,685
Maintenance	$ 79,637	$ 81,623	$ 84,072	$ 86,594	$ 215,521	$ 223,064
Class IV & V	$ 89,177	$ 2,833	$ 2,918	$ 3,006	$ 3,096	$ 3,204
Subtotal	$ 857,158	$ 952,227	$ 993,749	$ 1,198,225	$ 1,526,525	$ 1,579,953
District Contribution for WWTP Upgrade from Reserves	$ 131,385	$ 680,000	$ 420,000	$ 340,000	$ (250,000)	$ -
Total Expenditures	$ 988,543	$ 1,632,227	$ 1,413,749	$ 1,538,225	$ 1,276,525	$ 1,579,953
Ending Balance	$ 1,299,201	$ 816,678	$ 559,638	$ 499,922	$ 734,116	$ 705,905
(Operating, Contingency, & Capital Reserves)						
Target Reserve (5/12's of O&M Budgets)	$ 357,149	$ 396,761	$ 414,062	$ 499,260	$ 636,052	$ 658,314
Increase (Decrease) in Reserve Balance		$ (482,623)	$ (256,940)	$ (59,716)	$ 234,193	$ (28,210)
Operation Charge (All Connected Units)	$ 272	$ 470	$ 470	$ 600	$ 600	$ 600
No. of EDUs	2,034	2,044	2,054	2,064	2,114	2,164
Revenue Generated	$ 553,248	$ 960,680	$ 965,380	$ 1,238,400	$ 1,268,400	$ 1,298,400
Maintenance Charge (All Connected & Standby Unit	$ 43	$ 80	$ 80	$ 100	$ 100	$ 100
No. of EDUs	2,207	2,207	2,207	2,207	2,247	2,287
Revenue Generated	$ 94,901	$ 176,560	$ 176,560	$ 220,700	$ 224,700	$ 228,700
Capital Budget						
Beginning Cash Balance	$ 454,333	$ 493	$ 1,876	$ 6,933,634	$ 1,067,935	$ 1,007,390
Revenue						
Capital Charge	$ -	$ -	$ 750,380	$ 750,380	$ 750,380	$ 750,380
Connection Fees	$ -	$ -	$ -	$ -	$ 388,000	$ 388,000
Interest	$ 4,517	$ 15	$ 56	$ 56	$ 32,038	$ 30,222
Bond Proceeds	$ -	$ -	$ 12,540,000	$ -	$ -	$ -
	$ 135,902	$ 680,015	$ 13,710,436	$ 1,090,436	$ 920,418	$ 1,168,602
District Contribution for WWTP Upgrade from Reserves		$ 680,000	$ 420,000	$ 340,000	$ (250,000)	$ -
Total Revenue		$ 1,360,015	$ 14,130,436	$ 1,430,436	$ 670,418	$ 1,168,602
Total Funds Available	$ 590,236	$ 680,508	$ 13,712,312	$ 8,024,071	$ 1,988,353	$ 2,176,992
Expenditures						
WWTP Capital Expenditures	$ -	$ -	$ -	$ -	$ -	$ -
Debt Service	$ -	$ -	$ -	$ 980,963	$ 980,963	$ 980,963
Total Expenditures	$ 589,742	$ 678,632	$ 6,778,678	$ 6,956,135	$ 980,963	$ 980,963
Ending Balance	$ 493	$ 1,876	$ 6,933,634	$ 1,067,935	$ 1,007,390	$ 1,196,029
Debt Service Ratio - Revenue / Expenditures					1.19	1.19
Capital Charge (All Units)		$ -	$ 340	$ 340	$ 340	$ 340
No. of EDUs		2,207	2,207	2,207	2,207	2,207
Revenue Generated		$ -	$ 750,380	$ 750,380	$ 750,380	$ 750,380
Connection Fee		$ 9,700	$ 9,700	$ 9,700	$ 9,700	$ 9,700
No. of EDUs		0	0	0	40	40
Revenue Generated		$ -	$ -	$ -	$ 388,000	$ 388,000
Annual Fees						
Connected Units	$ 315	$ 550	$ 890	$ 1,040	$ 1,040	$ 1,040
Standby Units	$ 43	$ 80	$ 420	$ 440	$ 440	$ 440

The Kennedy/Jenks' approach will focus on the development of an organized comprehensive project method through which the proposed tasks meet the objectives of the project. Following is a discussion of our understanding of the required services and proposed approach to the Water Rate and Fee Study for the Beaumont Cherry Valley Water District.

Scope of Work

The following description of tasks has been developed by our proposed project team as the approach for performing the District's Water Rate and Fee Study, according to the project objectives as we understand them. These tasks are based upon our discussions with District staff, the Request for Proposal, our understanding of the project needs, and our extensive experience on similar projects. Through this understanding, we have also included optional tasks for the District to consider.

Task 1 - Project Management and Communication

Project execution for the District's study will include the use of management control tools and will emphasize client communication. Prior to the implementation of the project, an initial project management and control plan will be developed. This plan will include:

- Project instructions, which establish the project goals, schedule, task assignments, and communication protocol.
- A project work plan, which merges the scope of services with project milestones and individual task assignments for schedule and budget, and defines the project quality control requirements.
- A project cost control program which establishes the benchmark and reporting methodology for the ongoing assessment of project completion and budget.

Client communication will be maintained by our proposed Project Leader, Roger Null. The Project Leader will be responsible for the completion of the various tasks, the development of interim submittals, and will attend coordination meetings with the District, as appropriate.

Task 2 - Establish Project Goals

To enhance project efficiency, the study will commence with an orientation meeting prior to conducting the work. This meeting with the District staff will validate project goals, objectives, and the focus of the study. The issues discussed will include the use and development of fund reserves, revenue stability and fixed rates goals, bond-financed capital expenditure policies, water user class criteria, meter service cost ratios, projected water demands and annual growth estimates, conservation rate structure discussions, water rate discussions, and other rate structuring goals. This meeting will also serve to facilitate the availability of appropriate data and establish departmental contacts. The results of this meeting will then be incorporated into our detailed project work plan.

Task 3 - Conduct Data Collection and Review

In Task 3, we will collect and review the relevant data necessary for the successful completion of this project. In addition, we will further review the District's utility billing system to assess the system capability and flexibility of accommodating alternative water rate structures, as appropriate. A preliminary list of data required for this project is provided below. This list will be refined after discussions with District staff and review of the provided information.

- Fiscal Year (FY) 2007, 2008, and 2009 audits and final adopted budgets.
- FY 10 adopted budget.
- Previous five years' records of:
  - Water production data by source and existing cost per unit for each source.
  - Number of customers by meter size and customer class.
  - Water consumption by customer class and by customer account (if the latter can be provided in a spreadsheet format). This is to include summaries of average day, peak day, and peak hour demand estimates by meter size and customer class.
- Proposed capital improvements plan with schedule and costs.
- Summary of existing utility billing system and capabilities to implement alternate rate structures.
- Most recent water rate analysis (April 2007) and facility fee analysis (September 2007).
- Existing growth projections and general plan zoning information for the District's service area.

Based on our proven project approach, detailed scope, and conversations with your staff, Kennedy/Jenks will facilitate an efficient and comprehensive work product.

Task 4 - Assess Revenue Requirements

In Task 4, Kennedy/Jenks will perform a financial projection to assess the revenue and funding requirements for the District's water enterprise by performing the following subtasks:

1. **Historical Financial Statements and Budgets.** In concert with audited financial statements and other documents provided by the District, we will restate in summary form a three-year historical record of revenue and expenditure activities. Using the FY 2009-10 budget (or FY 2008-09 budget if new budget is not available), we will construct a financial projection that will be populated with the findings of the following elements. This approach will contrast the District's financial position during the last three years with a 5-year future revenue projection developed herein.
2. **Annualized Growth Projections.** In close coordination with District staff, we will project customer annual water use by extrapolating current utility demands and customers into annualized growth projections for the

projected planning period. Existing growth projections for the service area will be reviewed to assess their appropriateness in today's economy.

3. **Operation and Maintenance Expenses.** We will project the utility operation and maintenance expenses based on the projected level of utility service, any changes in utility operations, and increased unit costs. We will include in the projection the operational labor, chemicals/supplies, power, billings, depreciation, general administration, and overhead costs. Particular emphasis will be placed on the potential impacts of the Beaumont Basin adjudication and the termination of the temporary groundwater management surplus in 2014. If appropriate, we will consider the inclusion of additional regulatory costs that may be imposed on the District and recovered by customer fees.

4. **Non-Operating Revenues and Expenses.** We will project the utility non-operating revenues and expenses including any sources of other revenues such as capital facility charges, miscellaneous fees and charges, and other income/funds presently in use by the District, including the projected utility reserve funds availability and probable interest earnings.

5. **Capital Improvements Program Future Debt Service Requirements.** We will review the District-prepared Capital Improvement Program (CIP) and integrate the proposed improvements, including normal system additions and replacements and extraordinary capital projects as identified by the District on the revenue requirements of the water fund. We will review the existing debt service coverage requirements and covenants, if any. In conjunction with subsequent reserve funding and cash/debt based financing strategies, we will develop future financing proceeds requirements as applicable.

6. **Reserve Funds.** We will review and discuss the District water reserve fund requirements and goals. We will assess annual operating cash requirements and the need for capital reserve funds, and define short and long-term needs to adjust revenues to maintain appropriate reserve balances in accordance with the District's annual capital expenditure program.

7. **Projected Financial Plan.** Based on the results of the preceding subtasks, we will prepare a financial projection that reflects annualized revenue sources and uses for the five-year projection period (through FY 2013-14). We will project the utility financial condition under current rates, identify the sources and levels of additional revenues required for financial adequacy, and project the utility financial condition under proposed rates.

The financial projection will provide the basis for developing a time-phased financial plan for the District's water system in which amounts and timing of user charge revenue adjustments are defined. The plan will also establish the utilization of other sources of funds and financing to be employed to supplement user charge revenues, as required.

Task 5 - Conduct Water System Cost of Service Analysis

To support the development of updated utility charges, we will perform a water cost of service evaluation which allocates system costs to restructured user classes by water use characteristics, determines the fairness and equity of rates charged each user class, and derives unit costs useful in developing appropriate water rates and charges. We will:

1. Classify investments in water facilities and operating/non-operating expenses to flow and customer-related cost components.
2. Utilize District utility billing information to develop the water customer account and customer class information. We will supplement available District-provided usage-related customer class data with available typical customer class values published by other water or regulatory agencies, if appropriate.
3. Derive unit costs of service for the cost parameters of base usage, peaking, and customer or equivalent meter factors that will be useful in developing proposed rates.
4. Contrast the unit cost of service findings with the current rates as to the reasonableness of the existing water rate relationships. Meet with the District staff to present these task findings, discuss alternative rate concepts, and obtain consensus on rate structure revisions.

The findings of the cost of service evaluation will explain the development of water rates which are fair and equitable to each user class and assist in final ratemaking decisions.

Task 6 - Evaluate Ratemaking Concepts

In this task, we will evaluate alternative ratemaking concepts which could be incorporated into the recommended water rate structure. The alternatives and administrative issues to be evaluated are summarized in the following subtasks:

1. **Billing System Review.** We will review the District's current utility billing system to assess the system's capability and flexibility for accommodating alternative rate structures.
2. **Water Rate Restructuring.** We will utilize the cost of service findings and discussions with staff to develop appropriate changes in user class rates to enhance equity and promote simplicity.
3. **Miscellaneous Fees and Charges.** We will review and evaluate other fees and charges including water meter fees, late payment fees, damaged meter fees, and other fees charged by the District.

The evaluation of alternative rate structures and concepts will have a significant impact on the desired rates and rates structures. The financial and administrative impacts of these issues or programs will be discussed with District staff and incorporated into the recommended rate structure strategy.

Task 7 - Develop Proposed Capital Facility Charges

The focus of this task is the development of capital facility charges. The capital facility charges will be prepared through the execution of the following task elements:

1. **Review Current and Historical Capital Facility Charges.** We will conduct a detailed review and summary of the current facility charge fees and fee structure and, as necessary, prior documents and information regarding the estimation of these charges.
2. **Develop Unit Costs of Capacity.** We will review the District's Water Master Plan for the allocation of CIP costs between existing and future customers. We will integrate the additional capacity provided by these costs and develop a unit cost of capacity by dividing the costs allocated to future customers by the incremental demands from future new connections.
3. **Develop Proposed Capital Facility Charges.** We will discuss the unit cost of capacity findings with the District and integrate the cost of capacity with the desired rate structure for cost recovery. We will formalize this finding in the development of proposed capital facility charges and submit to the District for review. We will consider inclusion of automatic inflationary increases as appropriate. We will integrate District's comments and finalize the proposed capital facility charges and schedule of charges.

Task 8 - Develop Proposed Water Rates

In this task, we will use the results from the preceding tasks to develop proposed water rates that can be adopted by the District. The subtasks to be performed in this task are:

1. **Review Current and Historical Rate Schedules.** We will conduct a detailed review and summary of the current water rates and rate structure.
2. **Perform a Fixed/Variable Cost/Revenue Assessment.** We will review the District's budget and cost data to develop an allocation of costs to fixed and variable components. We will evaluate the short-term revenue instability levels, and assess an appropriate level of variable revenue risk for the District. We will discuss the different approaches to stabilization of revenues, including increasing the fixed service portion of customer bills and the use of a rate stabilization fund approach, with District staff and make recommendations for fixed/variable revenue revisions or reserve requirements.
3. **Perform a Water Rate and Fee Survey.** We will perform a survey of water rates and fees from a set of similar agencies of similar size in Riverside and San Bernardino Counties. We will compare the District's rates and fees with the other agencies and discuss the findings of the rate review. We will also compile the rate and fee information
4. **Recommended Rate Restructuring.** We will recommend water ratemaking concepts and cost of service adjustments as developed in previous tasks and herein.

5. **Develop Proposed Rates.** We will discuss the findings with District staff to obtain direction and consensus, and then develop the proposed rates.

This task will develop, propose, and obtain consensus regarding the water rate structure and user charges which can be adopted by the District to provide funds required to continue water operations on a financially sound basis.

Task 9 - Meetings, Draft/Final Reports, and District Ordinance Support Services

In addition to the tasks described herein, Kennedy/Jenks will perform the following subtasks:

1. Prepare a preliminary draft spreadsheet analysis of the rates study findings derived from the previous tasks. This preliminary findings analysis will be in the form of a spreadsheet analysis of the rate study work products. Following submittal of the spreadsheet analysis, we will meet with the District staff to discuss the preliminary findings and receive comments.
2. After receipt of District comments to the draft spreadsheet analysis, we will prepare and submit a Draft Report to reflect comments by District Staff.
3. After receipt of District comments to the Draft Report, we will prepare and submit a Final Report to reflect comments by District staff and Board of Directors, along with input from community groups as appropriate. To support the distribution of the report by the District, the final submittal shall include: one unbound original, six bound originals, and a digital copy of the total submittal in Adobe .pdf file format. The report will also be submitted in Microsoft Word format and the spreadsheet analysis in Microsoft Excel.
4. Develop a draft of the District Ordinance to address the proposed water rates and connection fees as derived herein. The focus of these services will be to update the current District ordinance. We will submit the draft District Ordinance in Microsoft Word format to support Ordinance finalization by the District staff and legal counsel. We will also assist the District in the preparation of the Proposition 218 notice.
5. Attend up to five meetings with District staff during the course of this study. These include the kick-off meeting, cost of service findings meeting, rate restructuring meeting, preliminary findings and policy assessment meeting, and a meeting to discuss the draft report. These meetings have been scheduled to ensure that the evaluation remains on track and satisfies the District's expectations for the depth and range of evaluation, as well as the quality of the work products.

Kennedy/Jenks brings a proven track record of client advocacy – a practice evidenced by our regular communication protocols and on-site support during District Board and community group meetings.

In addition to the five meetings discussed above, we will attend up to three meetings with the District Board, community groups, and building industry groups during the course of the study to secure their input. We assume that we will actively participate in these meetings, but that they will be scheduled and led by the District staff.

Optional Services

Upon review of the District's RFP, we believe there are additional services the District may want to execute in conjunction with the Water Rate and Fee Study scope of service elements. We believe these elements may provide additional value to the District in support of this financial planning and conservation management effort. Should Kennedy/Jenks be selected and the District decide to pursue these additional services, a comprehensive scope, schedule, and budget can be prepared for discussion as part of the contract negotiations. A brief summary of the potential optional services follows.

Assist the District in Developing Mandated Water Conservation Ordinances

There are several state mandated water conservation ordinances and measures that must be adopted by water agencies in 2010. Kennedy/Jenks would assist the District in developing these ordinances.

The first of these ordinances addresses landscape water use efficiency. A model ordinance has been developed, and Kennedy/Jenks would work with the District to implement this ordinance. Our experience with other agencies and this model ordinance has led us to believe that the ordinance could be adopted in parallel with the District's rate making process, but that the rate making process does not necessarily have to be completed prior to the adoption of the ordinance.

Kennedy/Jenks' portfolio of successful water rate studies for communities such as Tracy, California provides a solid foundation for the Beaumont Cherry Valley Water District Water Rate and Fee Study. Common project elements such as water conservation analysis and impact fees reviews are directly relevant to this assignment.

Project Schedule

Kennedy/Jenks understands the need for timely completion of this important project. Personnel can be assigned to the project and work can begin immediately after execution of an agreement and receipt of a Notice to Proceed (NTP). Based on our understanding of the work to be provided, we have developed our proposal to meet the milestones derived in the District's RFP. Additional project milestone submittals have also been developed.

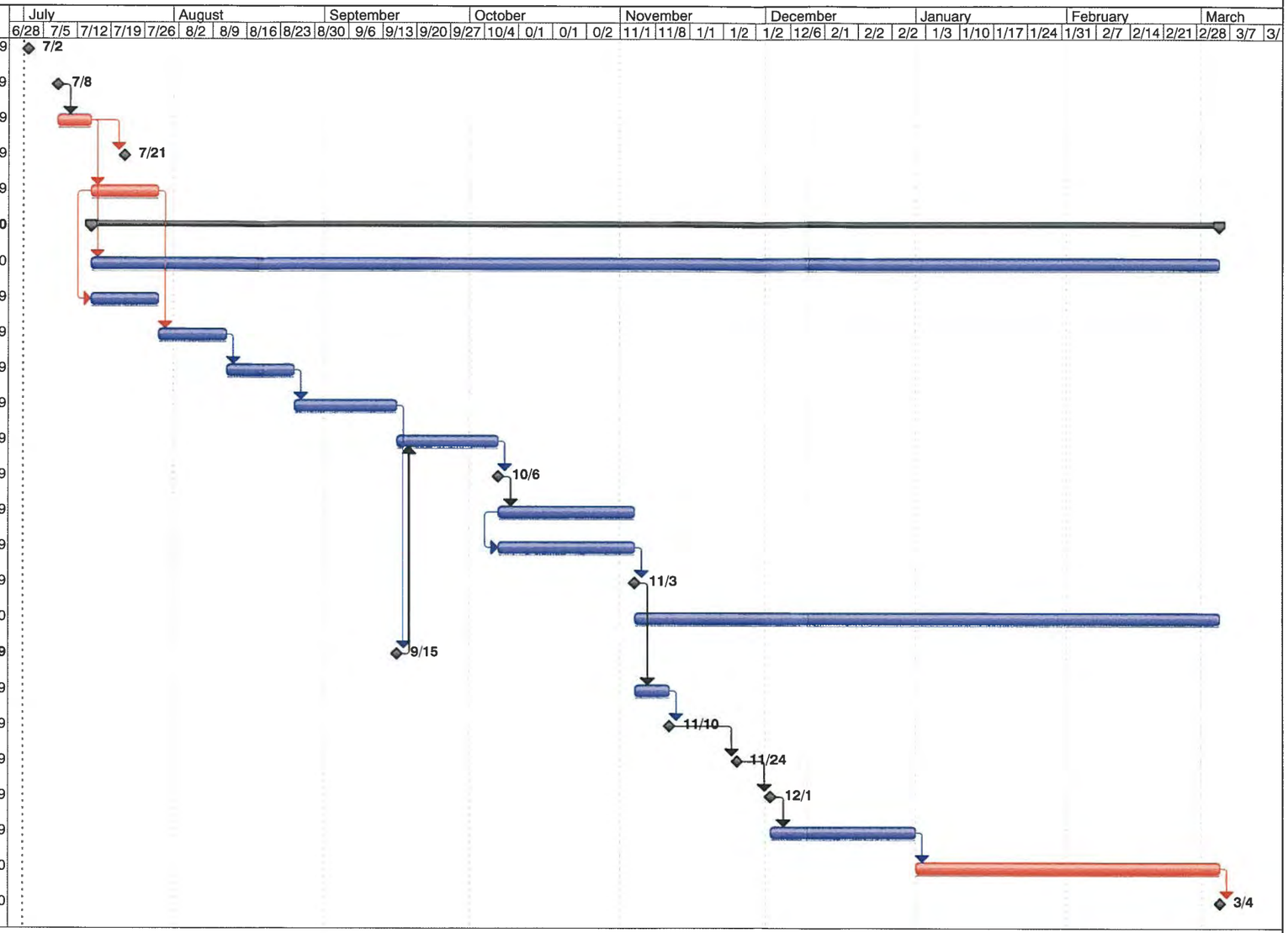
The attached project schedule conforms to the dates provided in the RFP and our understanding of the project. Kennedy/Jenks will work with the District to compress or expand the schedule to meet the District's goals and constraints.

Please note that the proposed schedule for project completion is dependent upon several factors outside of our control, including the availability of the required data, District review of interim submittals, and the inclusion of additional optional tasks. Unanticipated delays by these outside factors will prolong the schedule accordingly, but Kennedy/Jenks is committed to working with the District to complete the project in a timely manner.

The notice requirements for Proposition 218 also contribute to potential delay in the adoption of the new rates before January 2010. Public notice of the preliminary and final rate hearings along with a mandatory 45-day public comment period can delay the rate adoption process. Kennedy/Jenks will work collaboratively with District staff and elected officials to minimize the schedule impacts of Proposition 218.

Beaumont Cherry Valley Water District | **Preliminary Schedule** | **Water Rate and Fee Study**

ID	Task Name	Duration	Start	Finish
1	Proposals Due	0 days	Thu 7/2/09	Thu 7/2/09
2	Award by District Board	0 days	Wed 7/8/09	Wed 7/8/09
3	Contract Execution	5 days	Wed 7/8/09	Tue 7/14/09
4	Project Kickoff Meeting	0 days	Tue 7/21/09	Tue 7/21/09
5	District to Provide Background Data	10 days	Wed 7/15/09	Tue 7/28/09
6	Draft Report	**167 days**	**Wed 7/15/09**	**Thu 3/4/10**
7	Project Management	167 days	Wed 7/15/09	Thu 3/4/10
8	Establish Project Goals	10 days	Wed 7/15/09	Tue 7/28/09
9	Conduct Data Collection and Review	10 days	Wed 7/29/09	Tue 8/11/09
10	Assess Revenue Requirements	10 days	Wed 8/12/09	Tue 8/25/09
11	Conduct Water System Cost of Service Analysis	15 days	Wed 8/26/09	Tue 9/15/09
12	Evaluate Ratemaking Concepts	15 days	Wed 9/16/09	Tue 10/6/09
13	Meeting w/ District Staff	0 days	Tue 10/6/09	Tue 10/6/09
14	Develop Proposed Capital Facility Charges	20 days	Wed 10/7/09	Tue 11/3/09
15	Develop Proposed Water Rates	20 days	Wed 10/7/09	Tue 11/3/09
16	Meeting w/ District Staff	0 days	Tue 11/3/09	Tue 11/3/09
17	Reports, and City Ordinance Support Services	87 days	Wed 11/4/09	Thu 3/4/10
18	Meeting w/ District Staff	**0 days**	**Tue 9/15/09**	**Tue 9/15/09**
19	Draft Report	5 days	Wed 11/4/09	Tue 11/10/09
20	Meeting w/ District Staff	0 days	Tue 11/10/09	Tue 11/10/09
21	Meeting w/ District Board	0 days	Tue 11/24/09	Tue 11/24/09
22	Meeting w/ Community Groups	0 days	Tue 12/1/09	Tue 12/1/09
23	Final Report	22 days	Wed 12/2/09	Thu 12/31/09
24	Prop 218 Notice Period	45 days	Fri 1/1/10	Thu 3/4/10
25	Public Meeting for Rate Adoption	0 days	Thu 3/4/10	Thu 3/4/10

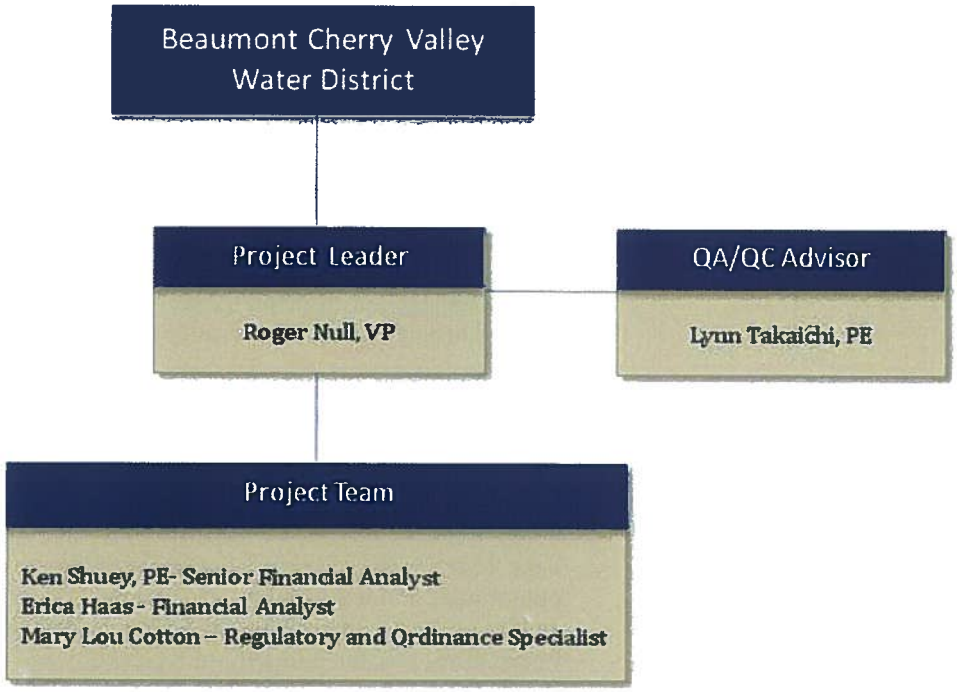


Task | Progress | Summary | External Tasks | Split
SplitFT21,1 | Milestone | Project Summary | External MileTask

Kennedy/Jenks Consultants

Organization Chart

Considering this project's requirements, we have assembled a qualified and experienced team with extensive financial planning experience and ability to meet the project schedule over the duration of the study. A project organization chart is presented below, followed by brief biographies of all team members. Detailed resumes of the project team members assigned to this project are provided in the Appendix. Other financial planning experts are available within the firm, but we believe that this small, focused team will provide the required services in a timely and cost effective manner.



Project Management

Kennedy/Jenks proposes a Project Leader who is an *experienced, hands-on leader* with many years of technical experience in the development of wastewater and water rate and fee studies.

Roger D. Null, VP - Project Leader

As Project Leader, Roger Null will perform administrative and management activities for the preparation of the Water Rate and Fee Study for the Beaumont Cherry Valley Water District on an ongoing basis and will be available for discussions with District staff. Roger's 30-year career spans a broad range of management consulting and engineering activities. He has conducted, managed, and directed projects requiring investigation of systems, procedures, and services for both private and municipal clientele. Roger has performed a variety of consulting-related method/task evaluations, development of work standards

Roger Null brings lessons learned from a multitude of similar projects in Southern California. He has managed over 60 utility financial plans and more than 40 utility master plans in California.

and job descriptions, cost/benefit analysis for capital expenditures, price/cost analysis for miscellaneous operating fees, billing system analysis, work place efficiency design, staffing evaluations, and life cycle economic analysis. He has specialized municipal experience in infrastructure planning and control systems, fixed asset inventory and depreciation studies, financial planning, asset management, capital improvement planning, cost allocation and recovery evaluations, utility rate studies, economic alternative analysis, and operational procedures, staffing, and efficiency studies.

Roger has a wide-range of project management experience in preparing financial studies, utility master plans as well as water/wastewater rate and connection fee studies. He has extensive experience with state requirements for developing facilities charge programs as well as Proposition 218. Through these projects, Roger has developed, administered, and facilitated public participation programs and public workshops to promote community understanding, consensus, and acceptance.

Lynn Takaichi, PE –QA/QC Advisor

Lynn Takaichi is a senior consultant and Chairman of the Board for Kennedy/Jenks. Lynn will perform the QA/QC review of the work in progress. He has managed or directed numerous utility rate/revenue plans and financial studies throughout his career and has served in these roles on numerous projects.

Lynn is experienced with the many issues involved in long range planning such as development of capital and operational costs, development of utility rate and revenue/financial plans, legal authority issues, water resources and reclaimed water evaluations, marginal cost pricing, and the preparation of ordinances for utility management and administration. As the Agency Engineer for the Castaic Lake Water Agency, he has extensive experience with the management, operational, and legal issues facing many California special districts. Both Lynn and Roger Null have worked together on many similar water and wastewater financial studies, including those for the Cities of Santa Barbara, Manhattan Beach, Santa Monica, Tracy, Port Hueneme, and the Hi-Desert Water District.

Project Specialists

In consideration of the project requirements, we have assembled a team of project specialists to provide analytical services for the study. All of our team members have worked with Roger on numerous similar studies. Additional staffing will be assigned as required to support the District's needs for this project.

Ken Shuey, PE – Senior Financial Analyst

Ken Shuey will support the project leader as the lead financial analyst on the project and will be instrumental in the technical development of the study findings and recommendations. Ken is a registered engineer in California and has over 31 years of experience in the design, construction management, and operation of water and wastewater projects. His experience includes master

planning, feasibility and planning studies, permitting, design and construction management of water and wastewater conveyance and treatment systems. He has assisted clients with securing project funding, rate studies and operating rules and regulations. He has also served as District Manager for a water and sanitation district and was the first City Manager for the Village of Taos Ski Valley, New Mexico, where he was responsible for preparing annual operating budgets and utility rate analyses over a nine-year period.

Erica Haas - Financial Analyst

Erica Haas will be assisting the project team in the conduct of the financial planning elements for this project. Erica has over 10 years of experience working with the project leader providing clients with similar studies. She has gained valuable experience in water and sewer rate analysis and utility system valuations. Several of these utility system valuations have been used as a negotiation tool for system acquisition by public agencies.

Mary Lou Cotton – Regulatory and Ordinance Specialist

Mary Lou Cotton has over 15 years of water resource experience, specifically in conducting water resource planning and management programs, including surface water and groundwater investigations; water conservation planning and management; utility infrastructure management (water, recycled water, wastewater, and stormwater); master planning and design studies; water quality and hazardous waste investigations; and supporting the preparation of CEQA Compliance documents and obtaining project permits.

About Kennedy/Jenks

Established in 1919, Kennedy/Jenks is in its ninth decade of providing water, recycled water and wastewater system engineering services to California water agencies. A full service multi-discipline engineering and environmental science consulting firm, Kennedy/Jenks provides planning, engineering, financial management, and construction management services in water systems, water resource management, drinking water quality, recycled water, and wastewater delivery and treatment.

With a proven track record of planning and engineering performance throughout Southern California, Kennedy/Jenks has earned a reputation for excellence and innovation. We serve clients throughout the western United States. Our California offices are located in: Irvine, Ventura, Los Angeles, Bakersfield, San Diego, Temecula, Palo Alto, Oakland, Santa Rosa, Sacramento, Chico, and San Francisco. Kennedy/Jenks is a 550-member employee-owned professional California corporation, and is consistently ranked among the top third of engineering firms by Engineering News Record.

Based upon our proposed staffing plan, project management, and the majority of the technical work, this effort will be performed from our Irvine office at the address listed below.

Kennedy/Jenks Consultants
Irvine Project Office
2355 Main Street, Suite 140
Irvine, California 92614
T: 949-261-1577 / F: 949-261-2134

Meeting the Water Management Needs of California Communities for 90 Years

Our commitment to a sustainable water industry is a core value of Kennedy/Jenks. Celebrating 90 years of practice, Kennedy/Jenks continues as a prominent environmental consulting firm assisting California communities with their water management needs.

To this end, we heartily welcome this opportunity to serve the Beaumont Cherry Valley Water District, as your consultant for the Water Rate and Fee Study. We offer you our expertise, an innovative "fresh look," and a well-defined approach to project execution that is focused upon sound financial planning.

Firm Resources

Commitment of Kennedy/Jenks' technical resources is essential to achieving our schedule for this project. In Southern California, we have a staff of 100 to call upon to support our project team if needed. Our multi-disciplined staff has a solid background of experience in all phases of system planning, design and construction management for water, wastewater, and civil infrastructure projects. Kennedy/Jenks' staff includes:

- Economists, Financial Analysts, and Funding Assistance Experts
- Civil, Sanitary, Chemical, Mechanical, Electrical, and Structural Engineers
- Architects
- Chemists/Biologists
- Geologists/Hydrogeologists
- Air Quality Scientists
- Toxicologists and Public Health Specialists
- Environmental Scientists
- Technical and administrative staff to support these professionals

Kennedy/Jenks also recognizes that clients may need assistance on work that runs the gamut from the routine to those requiring cutting edge solutions. To help clients resolve technologically challenging problems, Kennedy/Jenks' Advanced Technologies Group offers a team comprised of scientists and engineers who have led major research initiatives which have resulted in the acceptance of new technologies in the water and wastewater fields.

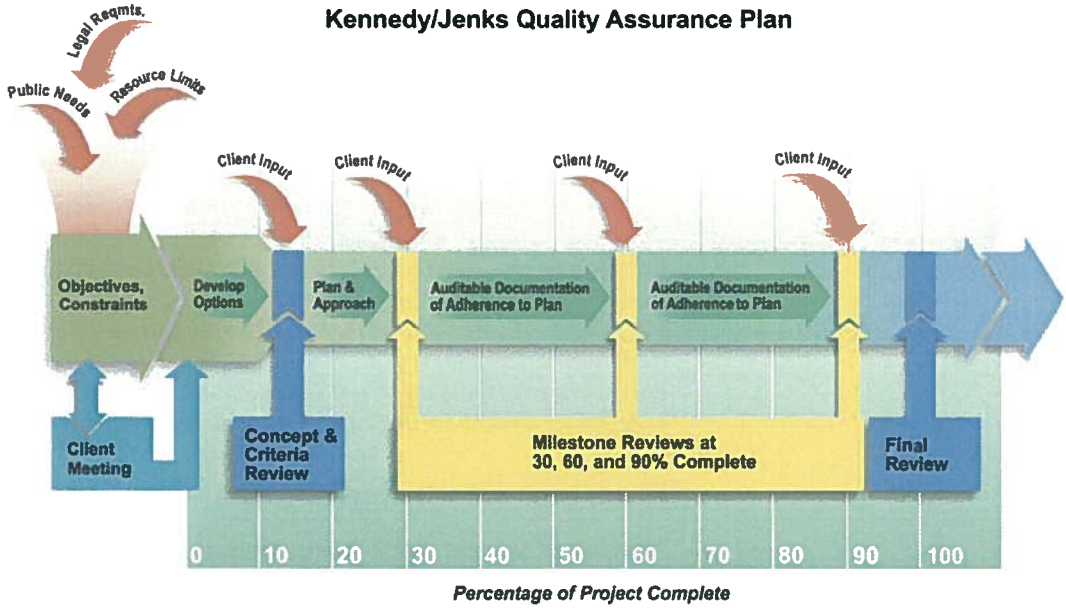
Rate and Revenue Projects

The staff of Kennedy/Jenks is experienced in the development of utility rates, cost of service allocation, the design of revenue programs and the establishment of new utility enterprises. This experience includes determination of revenue and funding requirements, financial projections, utility demand forecasting (including user class growth, utility conservation programs, and pricing impacts), allocations of costs of services (capital costs and operating expenses) to user classes, rate return analysis, analysis of alternative ratemaking concepts including water conservation, development of user charge systems and rates, review of allocation procedures for common support costs, development of capital facility charges (connection fees), billing systems implementation support and assistance with financial bonding, and municipal code modifications. Our firm has completed over 100 of these projects for our clients. Team members proposed for your project have completed over 60 of these projects during their careers. Several utility projects that have included these services are listed in the following section.

Quality Assurance/Quality Control

Kennedy/Jenks maintains a formal in-house quality control/quality assurance (QA/QC) program to ensure that project work meets professional standards of quality. Prior to initiating any project assignment, the project team develops a formal project memorandum outlining specific project tasks, assignment of responsibility to team members, and establishes QA/QC milestones. These concepts will be incorporated into this project.

Our quality control procedures result in a proactive approach to quality control that starts with the review of this proposal and will be completed with the final documents. Some of the major activities are associated with a review of peer-reviewed material. As a result, much of this type of information has already gone through a QA/QC process.



Declaration/Affirmative Statement

Kennedy/Jenks has no personal or organizational conflicts of interest relative to this job. Our firm's policy is to maintain the highest standard of professional ethics, and as part of this policy, we take particular care to avoid potential conflicts of interest. We are aware of and conduct our operation in compliance with the Code of Standards of Conduct regarding conflict of interest.

Kennedy/Jenks does have a relationship with and is currently working on various projects for the San Gorgonio Pass Water Agency; however, this work is not financial in nature and does not constitute a conflict of interest for this project. Rather, we believe that this working relationship will be of additional benefit to the District because of our understanding of water supply issues in the area.

Representative List of Client Entities

Kennedy/Jenks performs consulting services for a wide variety of clients. Following is a sample list of the types of local, state, and federal entities we currently serve and have served over the past 5 years.

Local (S. Cal)

- City of Corona
- City of El Paso de Robles
- City of Riverside
- Elsinore Valley Municipal Water Agency
- San Gorgonio Pass Water Agency
- West Valley Water District

State

- Association of California Water Agencies
- California State Lands Commission
- California State University at:
  - San Jose
  - San Diego
  - Sonoma
- Counties of:
  - Butte
  - Madera
  - Mariposa
  - Nevada
  - Orange
  - San Luis Obispo
  - San Mateo
  - Santa Barbara
  - Santa Cruz
  - Ventura
  - Western Riverside
  - Yuba
- Golden State Water Co.
- University of California at:
  - Berkeley
  - Davis
  - Merced
  - San Francisco
  - Santa Cruz

Federal

- California Air National Guard
- U.S. Army Corps of Engineers
- U.S. Dept Agriculture - Forest Services
- U.S. Dept of Health & Human Services.
- U.S. Dept of Interior – National Park Service
- U.S. Navy, Pacific Division
- U.S. Public Health Service

Representative Study Descriptions/ Client References

References/Experience

Kennedy/Jenks provides the following list of representative client references with brief project descriptions. We encourage you to contact any of these references to validate our qualifications to provide various utility system services.

Client	Period of Association	Services Provided
West Valley Water District Ms. Debbie Sousa (909) 875-1804	♦ 2006 - Present	♦ Water Rate Study, Financial Support Services
City of El Paso de Robles Mr. Doug Monn (805) 237-3850	♦ 2007 - Present	♦ Water and Wastewater Financial Planning and Rate Studies
Elsinore Valley Municipal Water District Ms. Margie Armstrong (951) 674-3146, Ext 8306	♦ 2005	♦ Water and Wastewater Rate and Revenue Plan
San Gorgonio Pass Water Agency Mr. Jeff Davis (951) 845-2577	♦ 2006 - Present	♦ Evaluations for Potential Water Transfer Opportunities, Water Supply Reliability, and Potential Wheeling Charges

Additional Project Experience

In addition to the references and brief project descriptions provided above, we have included our recent experience in the development of water rate and revenue programs. Although we firmly believe that the success of this assignment will depend primarily on the key individuals assigned to your project, we also believe that the collective body of experience of the firm provides an invaluable resource to the project team.

Water Rate Study
West Valley Water District, California

Kennedy/Jenks was selected by the West Valley Water District to perform financial consulting services related to the conduction of a water rate study. The main objectives of the project were to prepare a financial plan that assists the District for funding its increasing operation, water treatment, water supply and litigation costs, and to provide a feasible funding strategy for its Capital Improvement Program. An additional aspect of the project was to reevaluate the District's out-of-District rates, charges, irrigation rates, and miscellaneous charges.

Representative Study Descriptions/Client References

Water Rate Study
City of El Paso de Robles, California

Kennedy/Jenks was retained by the City of El Paso de Robles to perform financial consulting services related to a water rate study and revenue plan update. The services included the development of a revenue plan, evaluation of alternative ratemaking structures and concepts, and development of proposed rates. The findings of the study were presented for adoption to the City Council. The City recently selected Kennedy/Jenks on a sole source basis to perform their wastewater rates and connection fee study.

Wastewater and Water Rate Study
Elsinore Valley Municipal Water District, California

Kennedy/Jenks was requested by the Elsinore Valley Municipal Water District to perform financial consulting services related to the conduct of water and sewer rate study. The scope of services for this project included the development and projection of capital and operational costs, future demands and changes in customer base, the development of a ten-year revenue plan, the development of new fixed and variable water and sewer rates, and rate restructuring to support water conservation. In the area of conservation, a residential demand analysis was performed and alternative tiered rates were developed and presented to the Board. The adopted tiered rates had focused tiers at key demand shift points and double the price of water for the highest tier. A 10% reduction in the District's residential demand was projected in the revenue planning requirements.

Customer Classification and Water Rate Study
Montecito Water District, California

Kennedy/Jenks prepared a Customer Classification and Water Rate Study for the Montecito Water District. The study evaluated the District's existing customer classification and water rate structure and recommended modifications, as appropriate. The study incorporated rate making concepts that encouraged water conservation and recommended a rate structure derived from a cost-of-service analysis based on adequate revenues for the District's short- and long-term revenue requirements. The scope of this study included financial data collection and review, a five-year revenue plan assessment, rate making concepts evaluation emphasizing water conservation, a cost-of-service analysis to determine fair and equitable rates, and report preparation. Best Management Practices for utility rate making were integrated into the rate recommendation.

Representative Study Descriptions/Client References

Water Rate and Revenue Plan
City of Tustin, California

Kennedy/Jenks was requested by the City of Tustin to perform financial consulting services related to the conduct of a water rate study. The scope of services for this project included the development and projection of capital and operational costs, future demands and changes in customer base, the development of a seven-year revenue plan, and the development of new fixed and variable water rates. The project also included a review of the water rate structure for fixed and variable cost recovery as well as user class equity, an assessment of converting to a monthly billing cycle, and a review of outside City surcharge. Final water rates were developed and presented to the City for adoption.

Kennedy/Jenks has prepared over 100 Financial Plans in California alone.

Water Rate Study and Revenue Plan
City of Tracy, California

Kennedy/Jenks completed a water rate study and revenue plan for the City of Tracy's water utility with a primary focus of the development of water conservation oriented rates and the assessment of revenue impacts associated with mandatory water conservation. The study included the development of an inverted block rate structure that accommodated winter and summer seasonal rates based on the City's water use characteristics, the development of water conservation penalty surcharges and the assessment of a low income lifeline rate. The block rate structure targeted seasonal conservation goals to support the City's reduced surface water allocation and the subsequent need for a 25% reduction in water usage. Additionally, the City retained Kennedy/Jenks to update this revenue plan to incorporate changing growth conditions and supply costs.

Water Rate and Revenue Plan
City of Oxnard, California

Kennedy/Jenks was retained by the City of Oxnard to perform a comprehensive evaluation of the City's water rates. The major elements of this evaluation included a review of existing revenues, expenses, and debt service; performance of a cost of service analysis; evaluation of rate making concepts; development of the commodity and fixed components of the proposed water rates; preparation of a survey of bills from comparable surrounding communities; and review of the City ordinances and municipal codes to effect the proposed changes. In addition, water capital facility charges (connection fees) were adjusted to reflect the necessary reimbursement for planned capital improvements. Public workshops were conducted with the City's Water Task Force and City Council as part of the approval process.

Representative Study Descriptions/Client References

Water Rate Study
San Antonio Water Company, California

Kennedy/Jenks was selected by the San Antonio Water Company to perform financial consulting services related to the conduct of a water rate analysis. The scope of services for this project included the development and projection of capital and operational costs, future demands and changes in customer base, the development of a seven-year revenue plan, the development of new fixed and variable water rates, and rate restructuring considerations in support of water conservation.

Water Rate and Revenue Plan
City of Santa Barbara, California

Kennedy/Jenks was retained by the City of Santa Barbara to conduct a comprehensive financial evaluation of the water enterprise. The primary elements of this study included: development/projection of new source of supply expenses; price elasticity assessment of the impact of rates on demands; a projected revenue and fund reserve plan with bond covenant requirements; a focused evaluation of rate equity for the agricultural accounts; a cost of service analysis; the development of a new inverted block rate structure; an assessment of revenue shortfall risk associated with the recommended fixed and variable rates; outside City charges and, the development of proposed rates. The project was conducted through an ongoing and interactive public participation program that included focused mailing material, the development of an advisory group, and public workshops with the Water Commission and City Council.

Water Rate Study and Connection Fee Design
City of Santa Paula, California

Kennedy/Jenks was requested by the City of Santa Paula to perform financial consulting services including the preparation of a water rate study. The scope of this study included data collection and review, assessment of revenue requirements, development of future water rates, support services for the issuance of a $29.4 Million bond sale, and submittals of draft and final reports. During the conduct of this study, Kennedy/Jenks served as the Rate Consultant as a member of the City's Bond Financing Team. Kennedy/Jenks has a long history of conducting utility financial plans for the City, including revenue projections, cost of service analyses, utility billing alternatives, development of rates and rate structures to balance rate structuring goals and revenue stability requirements, and development of utility connection fees in compliance with current Government Code.

Representative Study Descriptions/Client References

Kennedy/Jenks provides a full-range of engineering and environmental services – our broad range of expertise demonstrates a comprehensive knowledge that can be applied to the financial planning process.

Marginal Cost of Water Evaluation
Castaic Lake Water Agency, California

Kennedy/Jenks provided evaluation services for the development of unit costs of service associated with current and projected demands and incorporation of future water treatment expansion programs to support Agency water pricing strategies.

Hi-Desert Water District's Water Rate Study and Revenue Plan
Yucca Valley, California

Kennedy/Jenks produced revenue projections of growth and conservation scenarios, a cost-of-service study for the development of user classes, and the development of a new water rate inverted block structure for conservation, a lifeline rate, an elevation/zone surcharge and water capital facility charges. A supplemental project was conducted to assist in assessing the financial impact, and the incremental costs associated with the acquisition of the Yucca Water Company. The project also included public presentations/workshops.

North Coast County Water District's Connection Fee Study
Pacifica, California

Kennedy/Jenks conducted a study that included the development of a utility asset inventory, calculation/update of the "replacement cost new less depreciation" asset values, an evaluation of water demand characteristics, and the development of capital facilities charges in compliance with current Government Code.

Water and Wastewater Rate Study - Santa Barbara Airport
City of Santa Barbara, California

Kennedy/Jenks was selected by the Airport Authority to develop a five-year revenue plan for the Airport's water and sewer utilities by integrating current and projected operating and capital requirements, evaluating modifications to the rate structures, and developing proposed rates to meet revenue requirements, rate restructuring objectives, and meet prescribed fund performance.

Water, Sewer and Solid Waste Rate and Revenue Plans
City of Ontario, California

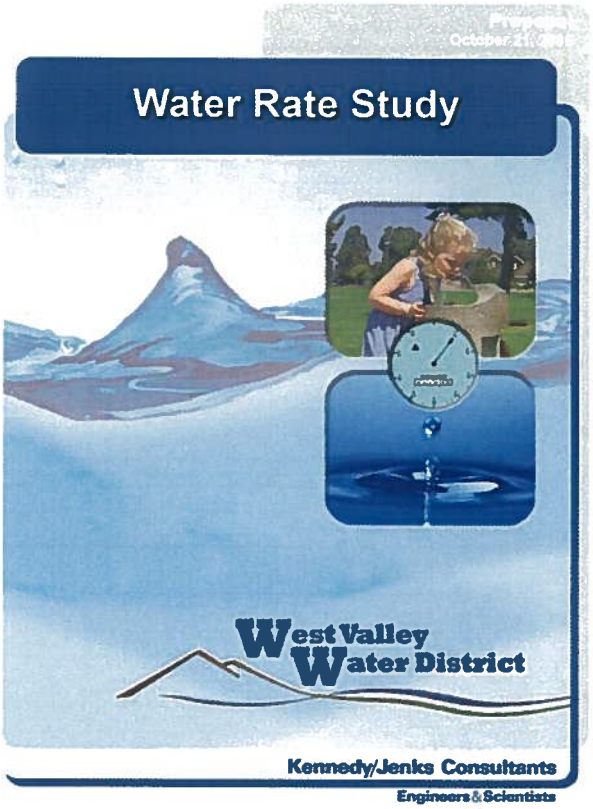
Kennedy/Jenks was retained by the City to develop comprehensive water, sewer, and solid waste rate and revenue plans. The sewer financial plan included the development of annual growth projections, annual discharge characteristics, the development of a ten-year revenue plan, a cost of service study, the assessment of alternative rate structures and EDU evaluations, an assessment of enterprise financial risk associated with the proposed fixed and variable rates, the development of user class based charges, sewer connection

fees in compliance with California Government codes, and the assessment of appropriate levels of capital reserve funds.

Water, Wastewater, and Storm Drain Rate and Revenue Plans City of Manhattan Beach, California

Kennedy/Jenks was retained by the City of Manhattan Beach to conduct comprehensive financial evaluations of the City water, wastewater, and storm drains. The primary elements of these studies included development of a projected revenue under alternative capital funding strategies for each utility service; a cost of service analysis; the development of new conservation-oriented water and wastewater rate structures; an assessment of revenue shortfall risk associated with the alternative/recommended fixed and variable rates; assessment of reclaimed water cost/revenue impact on the water fund; development of a new parcel and land use based storm drain charge; a monthly billing cycle analysis; development of fire service charges, installation fees, and capital facility charges; development of a fixed asset inventory; and the development of proposed water, wastewater, reclaimed water, and storm water rates. The project was conducted through an ongoing and interactive interdepartmental study program that included public workshops with the City Council. The results of the study were incorporated into the City's Official Statement for a bond issuance of $4.6 million for facility improvements.

Kennedy/Jenks' rate study experience with communities such as the West Valley Water District provide a sound foundation for the Beaumont Cherry Valley Water District's project.



Representative Study Descriptions/Client References

KENNEDY/JENKS CONSULTANTS
REPRESENTATIVE FINANCIAL
PLANNING PROJECTS

	Revenue Requirements	Rate Structure Design	Demand Forecasting	Public Presentations	Supply Cost Projection	Cost of Service Calc's	Debt Financing Plan	Connection Charges	Ordinance Support	Billing System Review	Enterprise Formation
WATER UTILITY											
City of Santa Barbara	●	●	●	●	●	●	●			●	
City of Paso Robles	●	●	●	●	●	●	●		●	●	
City of Santa Monica	●	●	●	●	●	●		●		●	
City of Tustin	●	●	●	●	●	●	●				
Montecito Water District	●	●	●		●	●	●			●	
City of Santa Paula	●	●	●		●		●		●		
City of Oxnard	●	●	●	●	●	●		●		●	
Elsinore Valley MWD	●	●	●	●	●	●	●			●	
City of Manhattan Beach	●	●	●	●	●	●	●	●		●	
San Antonio Water Company	●	●	●	●	●	●		●			
City of Calexico	●	●	●	●	●		●				
N. Amer. Dev. Bank - Calexico	●	●				●	●				
N. Amer. Dev. Bank - Heber	●	●				●	●				
North Coast County Water Dist.	●	●	●	●	●	●		●		●	
City of Tracy	●	●	●	●	●	●	●	●		●	
Board of Water Supply, Honolulu	●						●		●		
West Valley Water District	●	●	●	●	●	●	●				
Lakehaven Utility District, WA	●		●				●	●			
Hi Desert Water District	●	●	●	●	●	●	●	●		●	
Yucca Water Company	●	●	●	●	●	●	●	●		●	
Washoe County, Nevada	●	●	●		●		●	●			
WASTEWATER UTILITY											
City of Simi Valley	●	●	●			●	●				
City of Glendale	●	●	●	●		●	●	●	●	●	
City of Santa Monica	●	●	●	●		●	●	●		●	
City of Solana Beach	●	●		●		●	●	●		●	
City of Santa Barbara	●	●	●			●	●		●	●	
Elsinore Valley MWD	●	●	●	●		●	●	●		●	
City of Redondo Beach	●	●		●		●	●	●	●	●	●
City of Huntington Beach	●	●		●		●		●	●	●	●
City of Manhattan Beach	●	●	●	●		●	●	●		●	
City of Burbank	●	●				●		●	●	●	
N. Amer. Dev. Bank - Calexico	●	●	●				●				
N. Amer. Dev. Bank - Heber	●	●	●			●	●				
City of Ontario	●	●				●	●	●	●	●	
City of Colton	●	●		●			●	●		●	
City of San Jacinto	●	●		●						●	
Washoe County, Nevada	●	●	●				●	●		●	
Douglas County, Nevada	●	●		●			●	●	●	●	
Susanville Cons. San. District	●	●		●		●	●	●		●	
STORMWATER UTILITY											
City of Santa Monica	●	●		●		●			●	●	●
City of Glendale	●	●				●	●		●	●	
City of Santa Cruz	●	●		●		●	●		●	●	●
City of Richmond	●	●					●				
City of Ontario	●	●				●			●	●	●
City of Colton	●	●		●		●			●	●	●
City of Manhattan Beach	●	●		●		●			●	●	●

Cost Estimate and Insurance Provisions

Budget

Pursuant to the District's RFP, we have prepared a cost estimate for the Scope of Services provided. This budget has been provided in a separate sealed envelope. In addition, we have included a copy of our 2009 Schedule of Charges (hourly fee schedule). Our cost proposal shall remain in effect for 90 days.

Insurance Provisions

Kennedy/Jenks carries full insurance coverage including general liability, automobile, worker's compensation and professional liability coverage. We are confident that we can meet the insurance requirements of the District. For your information, attached is a specimen certificate of insurance that reflects the general insurance provisions of Kennedy/Jenks Consultants. Our professional liability is insured by Security Insurance Company of Hartford, which as a best rating of A-:XIV.

Client#: 229 KENNECONS1

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YY) 09/26/08

PRODUCER
Dealey, Renton & Associates
P. O. Box 12675
Oakland, CA 94604-2675
510 465-3090 David C. Eckman

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE

INSURED
Kennedy/Jenks Consultants, Inc.
303 Second Street, Suite 300 South
San Francisco, CA 94107

INSURER A: Zurich American Insurance Co.
INSURER B: American Automobile Ins. Co.
INSURER C: Steadfast Ins. Co.
INSURER D:
INSURER E:

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY	GLO921166603	10/01/08	10/01/09	EACH OCCURRENCE	$1,000,000
	X COMMERCIAL GENERAL LIABILITY				FIRE DAMAGE (Any one fire)	$1,000,000
	CLAIMS MADE X OCCUR				MED EXP (Any one person)	$5,000
	X XCU Included				PERSONAL & ADV INJURY	$1,000,000
					GENERAL AGGREGATE	$2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:				PRODUCTS - COMP/OP AGG	$2,000,000
	POLICY X PRO-JECT LOC					
B	AUTOMOBILE LIABILITY	MZA80270208	10/01/08	10/01/09	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
	X ANY AUTO				BODILY INJURY (Per person)	$
	ALL OWNED AUTOS					
	SCHEDULED AUTOS				BODILY INJURY (Per accident)	$
	X HIRED AUTOS					
	X NON-OWNED AUTOS				PROPERTY DAMAGE (Per accident)	$
	GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	$
	ANY AUTO				OTHER THAN AUTO ONLY: EA ACC	$
					AGG	$
	EXCESS LIABILITY				EACH OCCURRENCE	$
	OCCUR CLAIMS MADE				AGGREGATE	$
						$
	DEDUCTIBLE					$
	RETENTION $					$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	WZP80966380	10/01/08	10/01/09	X WC STATUTORY LIMITS OTHER	
	Stop-Gap Liab.	State of Washington			E.L. EACH ACCIDENT	$1,000,000
					E.L. DISEASE - EA EMPLOYEE	$1,000,000
					E.L. DISEASE - POLICY LIMIT	$1,000,000
C	OTHER Professional & Contractor's Pollution Liab	PEC921166303	10/01/08	10/01/09	$1,000,000 per Claim $1,000,000 Annl Aggr.	

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS
GENERAL LIABILITY POLICY EXCLUDES CLAIMS ARISING OUT OF THE PERFORMANCE OF PROFESSIONAL SERVICES.

CERTIFICATE HOLDER

ADDITIONAL INSURED; INSURER LETTER:

SPECIMEN CERTIFICATE OF INSURANCE

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

ACORD 25-S (7/97) 1 of 1 #M238522 DAC

Appendix

Team Resumes

Roger Null

Project Leader

Education
B.S., Industrial Engineering, University of Oklahoma

Memberships/Affiliations
American Public Works Association
American Water Works Association

Project Experience
Mr. Roger Null's 30-year career spans a broad range of management consulting and engineering activities. He has conducted, managed, and directed projects requiring investigation of systems, procedures, and services for both private and municipal clientele.

Roger has performed a variety of consulting-related method/task evaluations, development of work standards and job descriptions, cost/benefit analysis for capital expenditures, price/cost analysis for miscellaneous operating fees, billing system analysis, work place efficiency design, staffing evaluations, and life cycle economic analysis. He has specialized municipal experience in infrastructure planning and control systems, fixed asset inventory and depreciation studies, financial planning, asset management, capital improvement planning, cost allocation and recovery evaluations, utility rate studies, economic alternative analysis, and operational procedures, staffing, and efficiency studies. He has managed over 100 utility system master planning, financial planning, and utility staffing planning projects for local communities. Through these projects, he has developed, administered, and facilitated public participation programs and public workshops to promote community understanding, consensus, and acceptance.

Project Experience

- Project Manager for the Conduct of Water Utility Rate Studies, Revenue Plans, Financing Programs, Cost of Service Analyses, Rate Design and Capacity Charge Studies for the Cities of Santa Barbara, Tustin, Santa Paula, Paso Robles, Santa Monica, Tracy, Ontario, Manhattan Beach, San Jacinto, Calexico, Port Hueneme, Oxnard, the Santa Barbara Airport Authority, the Elsinore Valley Municiapal Water District, Montecito Water District, West Valley Water District, Rincon Del Diablo Water District, Hi-Desert Water District, Westborough Water District, North Coast Water District, Honolulu Board of Water Supply, the San Antonio Water Company, and the Yucca Water Company. Most of these studies included a review/assessment of utility billing system capabilities and the development and conduct of public participation workshops.
- Project Manager for the Conduct of Wastewater Utility Rate Studies, Revenue Plans, Financing Programs, Cost of Service Analyses, Rate Design and Capacity Charge Studies for the Cities of Glendale, Santa Barbara, Solana Beach, Redondo Beach, Huntington Beach, Manhattan Beach, Santa Monica, Tracy, Ontario, Colton, San Jacinto, Calexico, Burbank, Pasadena, Simi Valley, Richmond, the Santa Barbara Airport Authority, the Elsinore Valley Municiapal Water District, Susanville Sanitary District, East Palo Alto Sanitary District, Goleta West Sanitary District, Westborough Water District, and for NadBank (Calexico and Heber communities). Most of these studies included a review/assessment of utility billing system capabilities and the development and conduct of public participation workshops.

- Project Manager for the Conduct of Stormwater Utility Rate Studies, Revenue Plans, Financing Programs, Rate Design and Assessment Analyses for the Cities of Santa Monica, Glendale, Santa Cruz, Ontario, Colton, and Manhattan Beach. Projects included the identification of appropriate BMP programs, the development of cost estimates for NPDES-related services, the assessment of parcel level costs, and the development of new land use and parcel size based user charges.
- Project Manager for the Development of Comprehensive Fixed Asset Inventories and/or Depreciation Expense Studies for the Cities of Manhattan Beach-Water, Wastewater, and Stormwater, Redondo Beach-Wastewater, Tracy-Water and Wastewater, Glendale-Stormwater and Wastwater, Huntington Beach-Wastewater, Chino-Water, Wastewater, and Stormwater, Burbank–Stormwater, Pasadena-Wastewater, and the North Coast Water District-Water. Fixed asset inventories were developed in accordance with accepted accounting practices and were utilized to document the original cost of utility assets, estimate annual and cumulative account-level depreciation, and support the development of capital facility charges. For most of these studies, an estimate of replacement cost new less depreciation was also prepared to support asset management funding requirements.
- Project Manager for the Development of Comprehensive Capital Improvement Plans for the Cities of Glendale-Wastewater and Stormwater, Burbank-Wastewater and Stormwater, Pasadena-Wastewater, Redondo Beach-Wastewater, Huntington Beach-Wastewater, Colton-Wastewater, Chino-Water, Oxnard-Wastewater and Water, Upland-Water, Monrovia-Water, Ontario-Wastewater, Manhattan Beach-Water, Wastewater, and Stormwater. Projects also included an infrastructure age/reliability assessment for the development of a prioritized infrastructure rehabilitation program.
- Technical Consultant for the Development or Evaluation of Municipal Industrial Waste Pretreatment Programs for the Cities of Ontario and Glendale, California, Encina Water Pollution Control Authority, and Vallecitos Water District, California, and Las Vegas, Nevada. Administrative programs, user charges (cost recovery), and municipal code were developed in conformance with 40 CFR 403.
- Financial Consultant for the appraisal and valuation of three private water companies for acquisition by a nearby public agency. The agencies included the City of Santa Paula, the Hi-Desert Water District, and a confidential client's potential acquisition of a large Class A water utility in Los Angeles County.
- Project Manager for the Development of New Utility User Charges and/or Enterprises for the Cities of Redondo Beach, Huntington Beach, Santa Monica, Manhattan Beach, Ontario, Santa Paula, Santa Cruz, and Colton.
- Project Manager for the Conduct of Utility Energy Efficiency Evaluations for the Cities of Manhattan Beach-Water and Wastewater and Ontario-Water.
- Project Manager for a Bond Covenant Compliance Study for the City and County of Honolulu and the Seattle Public Utilities District.
- Project Manager for the Conduct of Utility Staffing Analyses for the Cities of Glendale Wastewater Operations, Engnieering, Customer Services Departments and Stormwater Operations, Redondo Beach Wastewater Operations and Engineering Departments, Santa Cruz-Stormwater Operations, Huntington Beach-Wastewater Operations, and Western MWD – Water and Wastewater Operations..

- Project Manager for the Development of Municipal Water, Wastewater, and Stormwater Management Ordinances and Resolutions for the Cities of Glendale, Santa Monica, Ontario, Redondo Beach, Huntington Beach, Manhattan Beach, Santa Paula, Santa Cruz, Colton and Las Vegas, Nevada. This municipal support focused on developing new and revising existing local government codes to comply with new regulations, create and manage new enterprise funds, develop, manage, monitor, and enforce new utility standards, and incorporate new charges in current code.
- Project Manager for the preparations and integration of parcel-level cost allocations and charges in association with a benefit assessment cost recovery program for the Cities of Manhattan Beach, and Colton. For the City of Colton, annual cost allocation services are provide to support the inclusion of these fees on the annual property tax bills, generating approximately $500,000 per year.
- Project Manager for the Development of New Utility Geographic Information Systems (GIS) for the Cities of Glendale-Wastewater, Stormwater, and Land Base, Burbank-Wastewater, Redondo Beach-Wastewater, Manhattan Beach-Water, Wastewater, and Stormwater, Burbank-Wastewater and Stormwater, Pasadena-Wastewater, Monrovia-Water, and Ontario-Wastewater.
- Project Manager for the Conduct of Contractual Review and Historical Billing Audit for the Cities of Santa Monica-Wastewater, Glendale-Wastewater, and Burbank-Wastewater. For the City of Glendale, ongoing financial and contractual negotiation services are provided to assist the City in the development of new and amended contractual elements for wastewater treatment and disposalservices.
- Project Manager for the Conduct of an Institutional and Economic Analysis of Water Resource Alternatives for the Cities of Manhattan Beach and Chino and the Castaic Lake Water Agency's Marginal Cost of Water Evaluation.
- During his employment with Dallas Water Utilities, Mr. Null was a member of the engineering and rate group and was responsible for both water and wastewater analyses. He performed analysis and documentation of the costs associated with miscellaneous water and sewer utility services and operation, assessment of utility billing and collection procedures, conduct of an audit of internal administrative practices, develop a residential water meter change-out program through the analysis and development of a mathematical optimization model to minimize costs and maximize revenues from meter accuracy degredation.

Publications

"Recovery Stormwater Costs Through User Fees," California Water Pollution Control Association Bulletin

"Creating a Stormwater Enterprise," Flood Plain Management Association Workshop

Lynn Takaichi, PE

Quality Assurance/Quality Control

Education

MS in Civil Engineering (Sanitary), University of California, Berkeley, 1972
BS in Civil Engineering, University of California, Berkeley, 1971
Special Study in Environmental Impact Assessment, University of California
Study in City and Regional Planning, University of California
Study in Water Resources Planning Civil Defense Preparedness Agency, Certificate of Achievement in Multi-Protection Design, University of Hawaii

Registrations

Professional Civil Engineer, California

Memberships/Affiliations

American Society of Civil Engineers
American Water Works Association
National Society of Professional Engineers
Society of American Military Engineers
Water Environment Federation

Project Experience

Utility Financial Evaluations

- Economic evaluation of assumption proposals for the Coal Creek Utility District (WA) by the City of Bellevue and for the Lakehaven Utility District (WA) by the City of Federal Way.
- Comprehensive water rate studies and financial plans for the City of Santa Monica, City of Santa Barbara, City of Tracy, City of Chino, City of Manhattan Beach, City of Santa Paula, City of Port Hueneme, Hi-Desert Water District, and Lakehaven Utility District (WA), and Coal Creek Utility District (WA).
- Development of water and wastewater financial models for the Lakehaven Utility District (WA).
- Evaluation of annual assessments for the Lemoore Canal & Irrigation Company.
- Water rate review for potential bond financing for the City of Coachella, City of Santa Paula, City of Santa Monica, and Cambria Community Services District.
- Wheeling rates for the North Coast County Water District, Coal Creek Utility District, Castaic Lake Water Agency, City of Bellevue (WA), and San Gorgonio Pass Water Agency.
- Cost allocation evaluations for the Port Hueneme Water Agency and Castaic Lake Water Agency.
- Revenue plans and source control ordinances for Simi Valley CSD and City of Las Vegas.
- Comprehensive wastewater rate studies and revenue plans for the Coal Creek Utility District (WA), Lakehaven Utility District (WA), City of Santa Monica, City of Colton, City of Redondo Beach, City of Manhattan Beach, City of Huntington Beach, and Ventura Regional Sanitation District.
- Wastewater rate review for the Linda County Water District.
- Cost-of-Service Study to provide new wastewater service to the BP Cherry Point Refinery for the Birch Bay Water and Sewer District.

- Connection fee evaluations for the Castaic Lake Water Agency, Lakehaven Utility District (WA), City of Santa Paula, City of Santa Maria, City of Tracy, and City of Oxnard.
- Revenue plan for the City of Simi Valley's hazardous materials program.
- Evaluation of water system ownership transfer alternatives for the Cowlitz County Public Utility District (CWA).

Valuation Studies

- Valencia Water Company for the Castaic Lake Water Agency.
- Probable Cost of Water Transfers for the San Gorgonio Pass Water Agency.
- Water Rights of Squaw Creek Resort.
- Peerless Water Company for the City of Bellflower.
- County Water Company for the City of Bellflower.
- Montara Water System for California-American Water Company.
- Severance damages to the Bapama property for the City of Oxnard.
- Santa Paula Water Works for the City of Santa Paula.
- Middle Road Mutual Water Company for the City of Santa Paula.
- Limoneira Company Water System for the City of Santa Paula.
- Santa Clarita Water Company for the Castaic Lake Water Agency.
- Sand Canyon Water Facilities Owned by the Newhall County Water District for the Castaic Lake Water Agency.
- Donated Water Storage Tank for the Port Hueneme Water Agency.
- Oxnard-Hueneme Pipeline System for Confidential Client.
- Yucca Water Company for the Hi-Desert Water District.
- Portion of County Waterworks District No. 8 for the City of Chino.
- Santa Clara Waste Water Company for the Ventura Regional Sanitation District.

Funding Assistance

- West Valley Water District
- Lakehaven Utility District, WA
- Klickitat County, WA
- Castaic Lake Water Agency, CA
- City of Oxnard, CA
- Birch Bay Water and Sewer District, CA
- Port Hueneme Water Agency, CA
- City of Lakewood, CA
- City of Santa Monica, CA
- City of Coachella, CA
- City of Los Angeles Department of Water and Power

Publications

Levi Brekke, Milton D. Larsen, Mary Ausburn, and Lynn Takaichi. 2002. Suburban *Water Demand Modeling Using Stepwise Regression.* Journal – American Water Work Association, October 2002.

Ken Shuey, PE

Senior Financial Analyst

Education
B.S., Industrial Engineering, University of Oklahoma

Registrations
Professional Civil Engineer, California
Professional Engineer, Colorado, New Mexico, Georgia, Tennessee

Memberships/Affiliations
American Society of Civil Engineers
American Water Works Association
North American Society for Trenchless Technology
Water Environment Federation

Professional Summary

Mr. Ken Shuey is a registered engineer in California and has over 31 years of experience in the design, construction management, and operation of water and wastewater projects. His experience includes master planning, feasibility and planning studies, permitting, design and construction management of water and wastewater conveyance and treatment systems. He has assisted clients with securing project funding, rate studies and operating rules and regulations. He has also served as District Manager for a water and sanitation district and was the first City Manager for the Village of Taos Ski Valley, New Mexico, where he was responsible for preparing annual operating budgets and utility rate analyses over a nine-year period.

Project Experience

Master Plans, Financing, Rate Studies and Operating Rules

- *Thermalito Irrigation District User and Connection Fee Study, Oroville, California:* Prepared a study recommending new user and connection fees for a water and sanitation district. The study's purpose was to develop rates to fund necessary O&M and capital projects and to build necessary reserves for future emergency projects. A number of public hearings were held to educate the customers and to incorporate their input into the study.
- *Private Client, Livingston, California:* Evaluated proposed water user fee increases proposed by the City for compliance with Proposition 218. Prepared written comments to assist client with their evaluation of the proposed rates.
- *Lake of the Pines User and Connection Fee Study, Nevada County, California:* Prepared a study recommending new user and connection fees to fund a major wastewater treatment plant upgrade. The study involved developing a financing plan to fund the new improvements and existing operations and maintenance activities. Also included was the development of potential funding sources and recommendations for both interim and permanent financing. A public outreach program was designed to educate the District customers about the need for the plant improvements and the rate increases. The final report was structured to conform to the California State Revolving Fund (SRF) loan guidelines for revenue plans.

- *Castle Pines and Castle Pines North Metropolitan District's Rate Studies and Operating Rules, Douglas County, Colorado:* Prepared water and sewer rate studies for newly formed metropolitan districts serving new development in Douglas County. Study included annual operations costs, funding for reserve accounts and debt service on bonds. Also developed operating rules for the District addressing all aspects of District operation, including specifications for service line connections and line extensions.
- *Village of Taos Ski Valley Rate Analysis, Taos Ski Valley, New Mexico:* Provided annual rate analysis of water, sewer and solid waste rates over a nine-year period. Analysis included operations and maintenance costs, funding of reserve accounts and 5-, 10-, and 20-year capital improvements plans. Also developed operating rules for the District addressing all aspects of District operation, including specifications for service line connections and line extensions.
- *City of Golden Rate Study, Golden, Colorado:* Prepared a water and sewer rate study to support the financing of $5 million of required water and sewer improvements. Project included forecasting water use and population growth for a city with 5,400 existing services.
- *Maher Ranch Metropolitan Districts & Castle Pines Commercial Metropolitan Districts, Douglas County, Colorado:* Preparation of a comprehensive water and sewer master plan for a 1200-acre residential development and a 400-acre commercial development, both located south of Denver, Colorado along the I-25 corridor. Project included population and water use projections, size and location of water, sewer and recycled water lines, and locations of water and wastewater treatment facilities. Both projects utilized a multi-district concept with a master district and various subdistricts to maximize development flexibility.
- *Fort Oglethorpe Sewer Improvements Bond Issue, Fort Oglethorpe, Georgia:* Part of a team tasked with securing a $5-million bond issue for the financing of sewer improvements to meet the requirements of an EPA consent order to eliminate sewer overflows. Provided project cost estimates and revenue projections to aid in the bond issuance effort.

Erica Haas

Associate Financial Analyst

Education
B.A., Environmental Studies, University of California at Santa Barbara

Memberships/Affiliations
Association of Water Agencies of Ventura County

Professional Summary
Erica Haas has over 10 years of experience working with water and sewer rate analysis and utility system valuations. Several of the utility system valuations have been used as a negotiation tool for system acquisition by public agencies.

Project Experience

Water and Sewer Rate Analysis

- *City of Oxnard, Water Rate Study.* Responsible for providing a comprehensive update of the City's water rates. Specific tasks included: (1) developing a five-year revenue plan; (2) conducting a cost of service study; (3) evaluating alternative rate concepts including an inverted block rate structure and developing more equitable user class charges; (4) evaluating and developing debt financing options for the City's Groundwater Recovery Enhancement and Treatment Program, capital facility charges and a water resource development fee; and (5) conducting a survey of water rates of adjacent cities.
- *Klickitat County Public Works Department, Dallesport Wastewater System Rate Study.* Responsible for determining an appropriate wastewater service rate, rate structure, and miscellaneous charges (i.e., connection charges) which equitably recover costs, generate an acceptable level of revenue for financial stability and develop a rate schedule that is considered fair and equitable by the County's customers.
- *Coal Creek Utility District, Water and Sewer Rate Study Final Report.* Responsible for providing a comprehensive update of the District's current water and sewer rates. Specific evaluations included: (1) development of revenue requirements for the water and sewer utilities; (2) conducting a cost of service analysis of the water utility; (3) established recommended water and sewer rates and made recommendations for future rate adjustments in accordance with ratesetting requirements of RCW 57.08.081; and (4) conducted a survey of water and sewer rates of adjacent utilities.
- *Lawler & Burroughs, Financial Evaluation of the City Bellevue's Proposed Partial Assumption of the Coal Creek Utility District.* Responsible for evaluating the potential impacts of the proposed assumption in accordance with statutory provisions regarding the division of assets and liabilities. This evaluation included three analyses. The first analysis evaluated the division of assets and liabilities between Bellevue and the District; the second evaluated the potential impacts on water and sewer rates and charges for the remaining CCUD customers and the third evaluated the wheeling rates for serving facilities. Based on these analyses, conclusions and recommendations regarding the financial issues associated with the proposed assumption were provided in a written report.

- *Birch Bay Water and Sewer District and City of Blaine, Northwest Whatcom County Regional Wastewater Management Program.* Responsible for conducting an economic evaluation of the proposed plan. Specific analysis included: (1) estimating the capital, administrative, and operation and maintenance costs of the program; (2) developing cost allocation principles, a funding plan, and financing recommendations; and (3) evaluating potential rate impacts of the program.
- *Cambria Community Services District, Preliminary Projections of Revenue Requirements for CCSD Desalination Project.* Responsible for evaluating the revenue requirements to fund the capital and operating needs of the CCSD's proposed desalination project. To evaluate the revenue requirements for the proposed project four financing scenarios were developed based on discussion with CCSD staff. These scenarios included the Base Scenario which provided an indication of the historical and projected revenue requirements of the CCSD's water department without the desalination project. And Alternatives A, B, and C which evaluated funding the desalination project with a combination of cash reserves, capacity charges, and bond financing. The assumptions, analysis, and conclusions of the revenue requirement analysis was then summarized in a technical memorandum.
- *Port Hueneme Water Agency, Water Quality Improvement Program.* Assisted with the development and maintenance of financial information spreadsheets for the program including: overall capital costs, operation and maintenance costs, and estimated water rates. Overall capital costs included consideration of the following: construction costs, authorized change orders, annexation costs to Calleguas Municipal Water District and Metropolitan Water District of Southern California, federal and local contributions, engineering fees, and administrative fees. The development of the estimated water rate for each member agency was determined by the allocation of total program costs (including wholesale water costs) which in turn was based on the proportional benefit to each member agency (i.e., capacity in the pipelines/facility and/or historical water demand).
- *Hatch and Parent, Expert Witness Services for Lemoore Canal and Irrigation Company.* As a member of the research team, assisted with the investigation and verification of the company's historical water allocations, distribution, and pricing in order to determine the validity of the company's current pricing structure. In addition, assisted with the development of a budget and water allocation protocol that satisfied three specific objectives: 1) provide shareholders with reliable estimates of water availability and set distribution allocations as early in the water year as prudent and practicable; (2) set an allocation priority schedule which gave precedence to shareholder's proportionate right to the company's available water supply while also maintaining the integrity of the Primary Service Area; and 3) set an equitable and predictable cost determination protocol.

Utility System Valuations

- Valuation of the Santa Clarita Water Company for the Castaic Lake Water Agency
- Valuation of Newhall County Water District's, Honby Pumping Station and Honby Water Line for the Castaic Lake Water Agency
- Valuation of the Oxnard – Hueneme Pipeline for a confidential client
- Valuation of the Middle Road Mutual Water Company for the City of Santa Paula
- Valuation of Santa Paula Water Works, Ltd. for the City of Santa Paula

Mary Lou Cotton

Regulatory and Ordinance Specialist

Education

M.S., Geological Sciences, University of Southern California
B.S., Biological Sciences, University of Southern California

Memberships/Affiliations

American Water Works Association
- Level 1 Water Conservation Practitioner
- Water Conservation Practitioner Level 2 Advisory Committee Member

Association of California Water Agencies
- Water Use Efficiency Subcommittee Member
- Communications Committee Member

California Urban Water Conservation Council
- Steering Committee, Secretary-Treasurer

Professional Summary

Ms. Mary Lou Cotton has over 15 years of water resource experience, specifically in conducting water resource planning and management programs including surface water and groundwater investigations; water conservation planning and management; utility (water, recycled water, wastewater, and stormwater) infrastructure management, master planning and design studies; water quality and hazardous waste investigations; and supporting the preparation of CEQA Compliance documents and obtaining project permits.

Project Experience

- Ms. Cotton is currently overseeing or working on teams for a variety of Integrated Regional Water Management plans, including Vallecitos Water District, Western Municipal Water District and the upper Santa Clara River watershed. She is also working on teams developing Water Conservation Plans for Western Municipal Water District and various other clients.
- In addition, Ms. Cotton assists the State Water Contractors in an advisory capacity on Bay-Delta matters and is also serving as the General Manager of the State Water Project Contractors Authority.
- *Castaic Lake Water Agency, Water Resources Manager, Santa Clarita, CA.* At the direction of the General Manager, work consisted of managing all aspects of the Agency's water resources projects, specifically dealing with water supply issues at the state and local levels. Prepared, facilitated, reviewed and submitted all water sale/transfer contracts, various agreements, and attendant resolutions to the Agency's Board of Directors and the Department of Water Resources. Prepared all documentation and conducted negotiations for three separate groundwater banking projects. Prepared in-house technical reports and other materials, including overseeing the production of the Agency's Urban Water Management Plan. Served in scientific advising capacity in reviewing all environmental regulatory documentation, particularly in regard to CEQA requirements, including consultant reports and other scientific documents. Served as the Agency's Water Conservation Coordinator; responsible for implementation of water conservation Best Management Practices as contained in the Memorandum of Understanding of the California Urban Water Conservation Council. Responsible for the Agency's public information program and oversee all its aspects.

Represented the Agency on various committees, including several State Water Contractors standing committees, the California Urban Water Conservation Council Steering Committee, and the Association of California Water Agencies Communications and Program Committees.

- ❖ Participated in a variety of efforts concerning the State Water Project, including South Delta Improvements Package, Oroville Facilities FERC re-licensing, Water Transfers Committee, Arroyo Pasajero program, and ongoing operations and maintenance and energy/power issues.
- ❖ Represented the Agency in a variety of local matters, including the City of Santa Clarita, County of Los Angeles, elected officials, media, and interest groups.
- ❖ Responsible for all SB 610 water supply assessments prepared by the Agency.

- *Castaic Lake Water Agency, Assistant to the General Manager, Santa Clarita, CA.* Worked at the direction of the General Manager, specifically dealing with water supply issues at the state and local levels. Prepared, facilitated, reviewed and submitted water sale/transfer contracts, various agreements, and attendant resolutions to the Agency's Board of Directors. Served in scientific advising capacity in reviewing environmental regulatory documentation, particularly in regard to the CALFED Bay-Delta Program; environmental impact reports; consultant reports and other scientific documents. Served as the Agency's Water Conservation Coordinator; responsible for implementation of water conservation Best Management Practices as contained in the Memorandum of Understanding of the California Urban Water Conservation Council. Responsible for the Agency's public information program. Prepared, compiled, wrote, and edited the Agency's quarterly newsletter and other Agency public information materials. Prepared in-house technical reports and other materials, including the Agency's Urban Water Management Plan. Represented the Agency on various committees, including several State Water Contractors standing committees and the Association of California Water Agencies Communications and Program Committees.

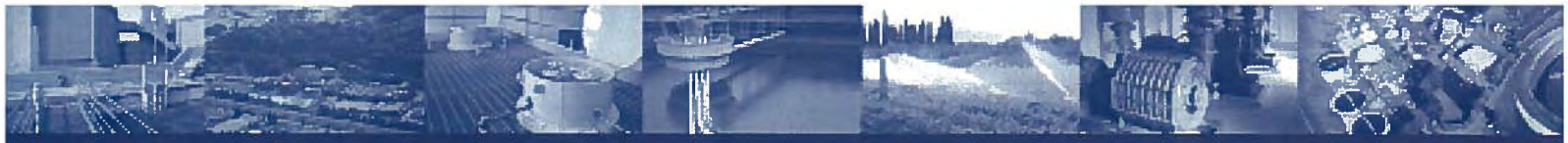
  - ❖ Participated in a variety of efforts concerning the State Water Project, including Oroville Facilities FERC re-licensing, Arroyo Pasajero program, and ongoing operations and maintenance and energy/power issues, as well as local issues.

- *Kern County Water Agency, Water Resources Planner, Bakersfield, CA.* Attached to the Agency's Water Resources Department, specifically dealing with water supply issues, at both the state and local levels. Prepared, facilitated, reviewed and submitted water sale/transfer contracts, various agreements, and attendant resolutions to the Agency's Board of Directors. Served in scientific advising capacity in reviewing environmental regulatory documentation, particularly in regard to the CALFED Bay-Delta Program; environmental impact reports; consultant reports and other scientific documents. Served as the Agency's Water Conservation Coordinator; assist the Agency's Urban Bakersfield Advisory Committee. Responsible for implementation of water conservation Best Management Practices as contained in the Memorandum of Understanding of the California Urban Water Conservation Council. Also assisted with the Agency's participation in the AB3616 Agricultural Water Management Council. Responsible for majority of the Agency's public information program. Prepared, compiled, wrote, and edited the Agency's monthly newsletter. Prepared and wrote Agency public information materials. Prepared in-house technical reports and other materials including the Agency's Urban Water Management Plan. . Represented the Agency on various committees, including several State Water Contractors standing committees and budget review committee, the California Water Clearinghouse (for CALFED and Bay-Delta issues), the Association of

California Water Agencies Communications (vice-chair) and Program Committees, and the Executive Committee of the Water Association of Kern County.

- ❖ Participated in a variety of efforts concerning the State Water Project, including Oroville Facilities FERC re-licensing, Arroyo Pasajero program, and ongoing operations and maintenance and energy/power issues.
- ❖ Arranged for, planned and participated in a series of statewide urban water supplier workshops about the CALFED Bay-Delta Program Water Use Efficiency Common Program, February 1999.
- ❖ Member, CUWCC ad hoc Best Management Practices Revisions Committee, September 1996 through September 1997.
- ❖ Prepared, arranged for public hearing on and submitted the Agency's five-year update of its Urban Water Management Plan to the Department of Water Resources in 1995; assisted with preparation of 2000 plan.

- *Kern County Water Agency, Water Education Coordinator Bakersfield, CA.* Responsible for entire public water education program for the Agency. Prepared, compiled, wrote, and edited the Agency's monthly newsletter. Prepared and wrote Agency public information materials. Prepared in-house technical reports and other materials. Served in scientific advising capacity in reviewing environmental regulatory documentation, environmental impact reports, consultant reports and other scientific documents.
  - ❖ Revised all Agency public education program materials, supervised Spanish translation and printing.
  - ❖ Expanded Agency public education program from grades 4 through 6 to grades 4 through 12.
  - ❖ Produced six-page editorial newspaper insert on water issues for local newspaper, the Bakersfield Californian.
- *Unocal Corporation, Geoscientist, Ventura, CA.* Organized, compiled and interpreted data. Prepared and edited written technical reports, made oral presentations of material. Coordinated workload assignments to other professional personnel. Organized, prepared and participated in field projects. Supervised laboratory and clerical support personnel.
  - ❖ Coordinated and participated in project teams with other scientific personnel resulting in successful proposals to management.
  - ❖ Participated on scientific project teams resulting in successful programs, which generated millions of dollars in profits.
  - ❖ Made scientific recommendations for internal company processes as well as those of outside vendors, which resulted in cost savings on several high-budget projects.
- Participated on the Advisory Committees for the DWR SB 221/610 Guidebook as well as the DWR 2000 and 2005 UWMP Preparation Guidebooks. These advisory committees review all changes to the UWMP Act and incorporate them into instructions for all water suppliers to use in preparing UWMPs.
- Served as the State Water Contractors alternate to the Bulletin 106 Advisory Committee, and served four years on the CUWCC Steering Committee.



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Client/Address: Beaumont Cherry Valley Water District
560 Magnolia Avenue
Beaumont, CA 92223

Contract/Proposal Date: 2 July 2009

Schedule of Charges

January 1, 2009

Personnel Compensation

Classification	Hourly Rate
CAD-Technician	$95
Designer-Senior Technician	$125
Engineer-Scientist-Specialist 2	$120
Engineer-Scientist-Specialist 3	$135
Engineer-Scientist-Specialist 4	$150
Engineer-Scientist-Specialist 5	$165
Engineer-Scientist-Specialist 6	$185
Engineer-Scientist-Specialist 7	$210
Engineer-Scientist-Specialist 8	$220
Engineer-Scientist-Specialist 9	$225
Project Administrator	$85
Administrative Assistant	$70
Aide	$55

In addition to the above Hourly Rates, a three percent Communications Surcharge will be added to Personnel Compensation for normal and incidental copies, communications and postage.

Direct Expenses

Reimbursement for direct expenses, as listed below, incurred in connection with the work, will be at cost plus ten percent for items such as:

a. Maps, photographs, reproductions, printing, equipment rental, and special supplies related to the work.
b. Consultants, soils engineers, surveyors, contractors, and other outside services.
c. Rented vehicles, local public transportation and taxis, travel and subsistence.
d. Specific telecommunications and delivery charges.
e. Special fees, insurance, permits, and licenses applicable to the work.
f. Outside computer processing, computation, and proprietary programs purchased for the work.

Reimbursement for vehicles used in connection with the work will be at the federally approved mileage rates or at a negotiated monthly rate.

Reimbursement for use of computerized drafting systems (CAD), geographical information systems (GIS), and other specialized software and hardware will be at the rate of $12 per hour.

Rates for professional staff for legal proceedings or as expert witnesses will be at rates one and one-half times the Hourly Rates specified above.

Other in-house charges for prints and reproductions, equipment usage, laboratory analyses, etc. will be at standard company rates.

Excise and gross receipts taxes, if any, will be added as a direct expense.

The foregoing Schedule of Charges is incorporated into the agreement for the services provided, effective January 1, 2009 through December 31, 2009. After December 31, 2009, invoices will reflect the Schedule of Charges currently in effect.

Proposal Fee Estimate

Kennedy/Jenks Consultants

CLIENT Name: Beaumont Cherry Valley Water District
PROJECT Description: Water Rate and Fee Study
Proposal/Job Number: B08092 **Date:** 7/2/2009

January 1, 2009 Rates Classification:	Eng-Sci-9 Takaichi	Eng-Sci-8 Null	Eng-Sci-7 Shuey	Eng-Sci-6 Cotton	Eng-Sci-5	Eng-Sci-4	Eng-Sci-3 Haas	Eng-Sci-2	Designer	CAD	Project Admin.	Admin. Assist.	Aide	Total	KJ Total Labor	KJ Comm. Charges	KJ ODCs	KJ ODCs Markup	Total Expenses	Total Labor + Expenses
Hourly Rate:	$225	$225	$210	$185	$165	$150	$135	$120	$125	$95	$85	$70	$55	Hours	Fees	3%	Fees	10%		Fees
Phase 1 - Project Management																				
Project Management		8									4			12	$2,140	$64		$0	$64	$2,204
Concept and Criteria Review		2	2	2										6	$1,240	$37		$0	$37	$1,277
QA/QC	12													12	$2,700	$81		$0	$81	$2,781
Phase 1 - Subtotal	12	10	2	2	0	0	0	0	0	0	4	0	0	30	$6,080	$182	$0	$0	$182	$6,262
Phase 2 - Establish Project Goals																				
Detailed Project Work Plan		2	2									2		6	$1,010	$30		$0	$30	$1,040
Phase 2 - Subtotal	0	2	2	0	0	0	0	0	0	0	0	2	0	6	$1,010	$30	$0	$0	$30	$1,040
Phase 3 - Data Collection & Review																				
Review Information from District & Compile			8				16					4		28	$4,120	$124		$0	$124	$4,244
Phase 3 - Subtotal	0	0	8	0	0	0	16	0	0	0	0	4	0	28	$4,120	$124	$0	$0	$124	$4,244
Phase 4 - Assess Revenue Requirements																				
Historical Summary			2				4					4		10	$1,240	$37		$0	$37	$1,277
Growth Projections		2	4				4							10	$1,830	$55		$0	$55	$1,885
O&M Expenses			2				4							6	$960	$29		$0	$29	$989
Non-Op Revenue & Expenses			2				4							6	$960	$29		$0	$29	$989
CIP Future Debt Service Requirements			2				4							6	$960	$29		$0	$29	$989
Reserve Funds		2	4											6	$1,290	$39		$0	$39	$1,329
Financial Plan		2	8				8					2		20	$3,350	$101		$0	$101	$3,451
Phase 4 - Subtotal	0	6	24	0	0	0	28	0	0	0	0	6	0	64	$10,590	$318	$0	$0	$318	$10,908
Phase 5 - Cost of Service Analysis																				
Classify Investments			4				8							12	$1,920	$58		$0	$58	$1,978
Develop account and class information			8				8							16	$2,760	$83		$0	$83	$2,843
Derive Unit Costs of Service		4	4											8	$1,740	$52		$0	$52	$1,792
Compare Against Existing Rates			4									2		6	$980	$29		$0	$29	$1,009
Phase 5 - Subtotal	0	4	20	0	0	0	16	0	0	0	0	2	0	42	$7,400	$222	$0	$0	$222	$7,622

Proposal Fee Estimate

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Hourly Rate:	$225	$225	$210	$185	$165	$150	$135	$120	$125	$95	$85	$70	$55	Hours	Fees	3%	Fees	10%		Fees
Phase 6 - Ratemaking Concepts																				
Billing System Review			4				2							6	$1,110	$33		$0	$33	$1,143
Water Rate Restructuring		2	4				8							14	$2,370	$71		$0	$71	$2,441
Miscellaneous Fees and Charges		2	2				4					2		10	$1,550	$47		$0	$47	$1,597
Phase 6 - Subtotal	0	4	10	0	0	0	14	0	0	0	0	2	0	30	$5,030	$151	$0	$0	$151	$5,181
Phase 7 - Capital Facility Charges																				
Review Current and Historic Charges		2	4											6	$1,290	$39		$0	$39	$1,329
Develop Unit Costs of Capacity		2	4				8							14	$2,370	$71		$0	$71	$2,441
Develop Proposed Charges		4	8				8					6		26	$4,080	$122		$0	$122	$4,202
Phase 7 - Subtotal	0	8	16	0	0	0	16	0	0	0	0	6	0	46	$7,740	$232	$0	$0	$232	$7,972
Phase 8 - Develop Proposed Rates																				
Review Current and Historic Rates			2				2							4	$690	$21		$0	$21	$711
Fixed / Variable Cost / Revenue Assessment		2	4				8							14	$2,370	$71		$0	$71	$2,441
Rate and Fee Survey			2				4					16		22	$2,080	$62		$0	$62	$2,142
Recommended Rate Restructuring		4	4											8	$1,740	$52		$0	$52	$1,792
Develop Proposed Rates		4	8				8							20	$3,660	$110		$0	$110	$3,770
Phase 8 - Subtotal	0	10	20	0	0	0	22	0	0	0	0	16	0	68	$10,540	$316	$0	$0	$316	$10,856
Phase 9 - Meetings, Draft/Final Reports																				
Draft Spreadsheet		4	8				4							16	$3,120	$94		$0	$94	$3,214
Draft Report		4	8	4			8					4		28	$4,680	$140	$500	$50	$690	$5,370
Final Report		2	4				4					2		12	$1,970	$59	$500	$50	$609	$2,579
District Ordinance		2	2	2								2		8	$1,380	$41		$0	$41	$1,421
Meetings (see breakdown below)														0	$0	$0		$0	$0	$0
Phase 9 - Subtotal	0	12	22	6	0	0	16	0	0	0	0	8	0	64	$11,150	$335	$1,000	$100	$1,435	$12,585

Proposal Fee Estimate

Kennedy/Jenks Consultants

CLIENT Name: Beaumont Cherry Valley Water District
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Hourly Rate:	$225	$225	$210	$185	$165	$150	$135	$120	$125	$95	$85	$70	$55	Hours	Fees	3%	Fees	10%		Fees
Phase 9e - Meeting Breakdown																				
Kickoff Meeting		4	4									2		10	$1,880	$56	$300	$30	$386	$2,266
Cost of Service Findings Meeting		4												4	$900	$27	$100	$10	$137	$1,037
Rate Restructuring Meeting			4							2		2		8	$1,170	$35	$200	$20	$255	$1,425
Prelim. Findings & Policy Assessment Meeting			4							2				6	$1,030	$31	$200	$20	$251	$1,281
Draft Report Meeting			4							2		2		8	$1,170	$35	$200	$20	$255	$1,425
District Board Meeting		4								2				6	$1,090	$33	$100	$10	$143	$1,233
Community Meeting		4	4							2		2		12	$2,070	$62	$300	$30	$392	$2,462
Prop 218 Meeting			8							2				10	$1,870	$56	$200	$20	$276	$2,146
Phase 9e - Subtotal	0	16	28	0	0	0	0	0	0	12	0	8	0	64	$11,180	$335	$1,600	$160	$2,095	$13,275
All Phases Total	**12**	**72**	**152**	**8**	**0**	**0**	**128**	**0**	**0**	**12**	**4**	**54**	**0**	**442**	**$74,840**	**$2,245**	**$2,600**	**$260**	**$5,105**	**$79,945**

Beaumont-Cherry Valley Water District

Proposal for

Water Rate and Fee Study

WILLDAN Financial Services | extending your reach

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July 1, 2009

Ms. Julie Salinas, Business Manager
Beaumont Cherry Valley Water District
560 Magnolia Avenue
Beaumont, California 92223

Re: TECHNICAL Proposal to Prepare a Water Rate and Fee Study for the Beaumont Cherry Valley Water District

Dear Ms. Salinas:

Willdan Financial Services ("Willdan") understands the Beaumont Cherry Valley Water District ("District") seeks a consultant to independently analyze and assess the District's current water and fee structures.

After careful review of the District's Request for Proposal (RFP) and examining the 2007 Water Rate Study, we are confident Willdan is best suited to meet the District's objectives. Of particular interest to the District is a rate structure that: 1) Generates **sufficient revenues** to meet operating and capital expenses associated with the utilities; 2) Provides a **cost of service** rate structure that is technically defensible and equitable across customer classes; 3) Is developed within spreadsheet models that are user-friendly and can be **easily updated** by agency staff to account for economic changes; and 4) Meets objectives for **water conservation** and environmental compliance within the context of Proposition 218 and other State and Federal regulations. We anticipate that you will find the following proposal fully responsive to your needs!

Unique Combination of Services and Expertise – Willdan is the **only firm with both financial and engineering expertise** that conducts utility rate analyses, has AB 1600 impact fee experience, and has the comprehensive knowledge and experience of Proposition 218 compliance when it comes to rate and fee setting in California. Because of our unique expertise, our team provides **technically defensible rate structures and easy-to-use rate models superior to that of our competitors.** Our intimate knowledge of rate and fee setting combined with our strict cost of service principles provide for greater rate accuracy, reduce the likelihood of potential challenges, and result in rate structures that are easier to implement and update.

Depth of Experience – To successfully navigate through this complex financial analysis, the successful consultant and their team must possess specific, detailed and customized knowledge of not only the technical analysis of utility rate setting, but the context of rate structure implementation in achieving District policy goals. **Our project team brings years of combined experience performing projects requiring the same knowledge that is needed to serve the Beaumont Cherry Valley Water District.** Our depth of experience will ensure your project objectives are met through a cost-effective approach and within the 120-day timeframe allocated for this project.

Familiarity with Third Party Advocates - Willdan Team members are seasoned experts at communicating with third party advocacy groups, such as citizen action committees, that voice the concerns and protect the interest of the rate payers. As a result of actively handling the public concerns, we have garnered this experience to improve our models and reports. This experience lends us to communicate and anticipate questions and sticking points to ensure public "buy-in", more so than other firms. This ensures a more effective overall communication and implementation process.

Project Team's Location – Our proximity to the Beaumont Cherry Valley Water District will allow us to be there in an hour's notice. This allows us to be extremely responsive to the needs of the project and the District, while maintaining cost efficiency in the completion of the project.

Key Project Issues – Having carefully reviewed the RFP and researched your organization, we have developed a comprehensive and thoughtful approach to this project. Summarized below are the critical project issues that will be addressed by our study, as well as our approach.

Issue #1: Utilize Strict Cost of Service Principles to Develop Rates. A major goal of this rate and fee study is to develop a structure that provides adequate revenue generated from rates and fees, and is defensible and equitable across customer classes. Equally important to the District is defensible and equitable rate and fee structures across customer classes. To create these structures requires a functionalization and cost allocation analysis approach that distributes the full costs of utility services to customers in proportion to the unique demands they place on the utility systems. To achieve these results, **we employ cash basis allocation methodologies** endorsed by leading national industry organizations.

Issue #2: Ensure User-friendly Results. Rate and fee study results are used by many stakeholders during the course of an analysis and often long after project completion. **Our fee models are spreadsheet-based using Microsoft Excel** as the software platform. Our team has **designed models and rate structures with the end-user in mind: agency staff.** The models include full disclosure reporting in the form of coordinated assumption listings, customer rate impacts and a host of graphical representations of results. **Our rate models will be customized to your specific requirements using the formats, formulas and layout familiar to all Willdan staff.**

Issue #3: Flexible Rate Models (Scenario Planning)
Our project team has performed many projects requiring the same expertise as that needed to serve the District. **This experience will ensure that significant, formal policy recommendations are made by our team regarding resource conservation, development of formal policy goals for reserve fund levels, Proposition 218 compliance, and revenue generation that promotes stability for the enterprise funds.**

Issue #4: Develop Rates and Fees with a Broad Financial Outlook. A comprehensive and successful financial planning foundation for rate and utility impact fee analyses requires expertise in a broad array of financial and economic resources. This foundation must include knowledge of accounting, operational and capital budgeting, and debt financing principles. The financial, engineering and economic **experts we propose for this project will consider appropriate funding sources available to the District** ranging from rates and fees to grants, loans and debt financing. As a result, the broad experience we bring to this project will give the District **full exposure to related revenue sources for successful long-term financial planning.**

Issue #5: Communicate Reasons for Rate and Fee Analysis as Part of Education Effort. Sound technical analysis is only one part of the utility rate and impact fee analysis process. Equally as important are the community education process and the understanding of the impact on customers of a new rate structure. **Particularly, given the current state of the economy, without customer understanding, many rate structures fail to be implemented.** Most of our projects involve a certain degree of community involvement and/or education. We routinely interact with community members, ratepayers and property owners while conducting our revenue generation and enhancement projects. **Our reports and presentations give elected officials, staff and the public a solid understanding of the project and the reasons behind actions such as rate increases.**

Willdan is excited about this opportunity to use our skills and expertise to assist the Beaumont Cherry Valley Water District. Please feel free to contact Ms. Katie Wilson to discuss any aspect of our technical and/or cost proposals or to arrange for an interview with our team. Ms. Wilson can be reached at (951) 587-3571 or via email at kwilson@willdan.com.

Sincerely,
Willdan Financial Services

Chris Fisher, Group Manager
Enclosure

Table of Contents

1) Information Page

Water Rate and Fee Study
Beaumont Cherry Valley Water District

Willdan Financial Services

Contact Person:
Katie Wilson, Principal Consultant
27368 Via Industria, Suite 110
Temecula, California 92590
Tel #: (951) 587-3571
Fax #: (888) 326-6864
E-mail Address: kwilson@willdan.com

2) Description of Study Understanding

Critical Issues

Having carefully reviewed the RFP, we have developed a comprehensive and thoughtful approach to the Beaumont Cherry Valley Water District's Water Rate Fee Study. In developing our approach to the project and the scope of services, we have identified the five critical project issues outlined below.

Issue #1: Utilize Strict Cost of Service Principles to Develop Water Rates and Fees

Evaluation Criteria No. 5 is addressed in this section.

A major goal of this rate and fee study is to develop a structure that provides adequate revenues generated from rates and fees, and is defensible and equitable across customer classes. To create such a structure requires a functionalization and cost allocation analysis approach that distributes the full costs of utility services to customers in proportion to the unique demands they place on the utility systems. To achieve these results, **we employ cash basis allocation methodologies** endorsed by the leading national industry organizations: **American Water Works Association (AWWA)** and **Water Environment Federation (WEF).**

What sets Willdan apart from the competition and why we have been selected repeatedly for rate and fee projects in many states is that **we understand that rates and fees should reflect fairness, defensibility, and revenue sufficiency.** For utility rate setting in California, this principle has been codified in the State's Constitution via Proposition 218 approved by voters in 1996. This voter-approved initiative requires that utility rates be set proportionate to the cost of providing service to each customer. Therefore, all data points, factors and figures used to set rates cannot be arbitrary or capricious; they must have a firm technical basis and be easily supported or documented.

For example, it is common practice in the rate setting industry to utilize **arbitrary breakpoint figures such as 1.50 or 2.00** to develop inclining block rates for consumption-based rate tiers. Typically, these figures are developed through a policy decision-making process or have simply been the breakpoints that have always been used in the utility since the agency's rates were first developed. **They usually have no sound basis, therefore, a strong argument could be made that the resulting rates do not reflect the true cost of providing utility service to each customer or customer class.** Should a customer question the basis for such arbitrary figures, the agency **may have a difficult time explaining the background** leading to customer confusion.

Willdan ensures that our analysts' **rate setting education emphasizes strict, defensible cost of service principles.** These principles represent **good public policy, enhance rate structure defensibility, and are easier to explain to customers and stakeholders.** We firmly believe that this approach is the best basis to set rates—it's how we have always approached our rate analyses, whether we are setting rates in California, Arizona, Washington, Oregon, Florida or North Carolina – and no other rate setting firm has this experience. **It's an approach that gets you the best rate structure available for the same price as the other firms.**

Issue #2: Ensure User-friendly Results

Rate and fee study results are used by many stakeholders during the course of an analysis and often long after project completion. For instance, agency staff implement, use, and communicate resulting rate and fee structures to a variety of interests. The spreadsheet models may be used to perform updates or to conduct "what-if" scenarios. Legislative officials often communicate the need for rate and fee reviews and increases to constituents. **Utilizing user-friendly project deliverables such as spreadsheet models, reports, and presentations enhance these efforts and are critical to the smooth implementation of the new rates and fees.**

Willdan will provide a customized Excel based model that is easy for District staff to update.

Our fee models are spreadsheet-based using Microsoft Excel as the software platform. Ms. Wilson and her team **have designed models and rate structures with the end-user in mind, agency staff.** They include full disclosure reporting in the form of coordinated assumption listings, customer rate and fee impacts and a host of graphical representations of results. **Our models will be customized to your specific agency requirements while the formats, formulas and navigation of these models will be familiar to all staff.** Our experience tells us that these features will make it more likely that the Beaumont Cherry Valley Water District will use and therefore benefit from the project in future years. As staff updates the project structure for changes in future expenditures and processes, they will be able to **easily extract the valuable result information they need.** To facilitate these efforts, we have developed the following approach to ensure complete understanding of the function of our models:

1. Throughout the course of the project, Ms. Wilson will ensure that the project team prepares technical memorandums at each major milestone of the project work plan. Each memo will describe the functionality of the model at that point in the plan as well as the results of the analysis and the supporting data and assumptions. Our team will conduct conference calls with your staff to review the memo contents as well as what the model has performed up to that point in the analysis. Our experience has shown that **these "graduated" steps along the way enhance familiarity with the models** as well as the concepts underlying the model and analysis.
2. At project completion, we will prepare **a user's manual to assist with model navigation** and we will **conduct an on-site visit with staff to demonstrate model operation.**

Issue #3: Flexible Rate Models (Scenario Planning)

To effectively aid the District in the rate design, a successful consultant and their team must possess specific, detailed, and customized knowledge of not only the technical analysis of rate setting, but also the context of rate and fee structure implementation in a successful rate design. Of particular importance to the District is the development of a rate and fee structure that accurately forecasts economical, political and other variables, such as resource conservation, changes in the water supply, Proposition 218 compliance, and revenue generation that promotes stability for District. Our project team brings many years of combined experience performing projects requiring the same expertise as that needed to serve the Beaumont Cherry Valley Water District. **This experience will ensure that your policy goals and objectives are met.**

Issue #4: Develop Rates and Fees with a Broad Financial Outlook

A comprehensive and successful financial planning foundation for rate and utility impact fee analyses requires expertise in a broad array of financial and economic resources. This foundation must include knowledge of accounting, operational and capital budgeting, and debt financing principles. The financial, engineering and economic **experts we propose for this project will consider appropriate funding sources available to the District** ranging from rates and fees to grants, loans and debt financing. As a result, the broad experience we bring to this project will give the District **full exposure to related revenue sources for successful long-term financial planning.**

Issue #5: Communicate Reasons for Rate and Fee Analysis as part of Education Effort

Sound technical analysis is only one part of the utility rate and impact fee analysis process. Equally as important are the community education process and the understanding of the impact on customers of a new rate structure. **Given the current state of the economy, without customer understanding, many rate structures fail to be implemented.** Most of our projects involve a certain degree of community involvement and/or education. We routinely interact with community members, ratepayers and property owners while conducting our revenue generation and enhancement projects. **Our reports and presentations give elected officials, staff and the public a solid understanding of the project and the reasons behind actions such as rate increases.**

3) Methodology

Evaluation Criteria No.'s 3 and 5 are addressed in this section.

The approach, philosophy, and methodology of utility rate setting are as important as the final outcome. The final rate structures must be defensible, clearly understood by staff as well as the community, and useful for improving long-term financial performance. By blending the following four key components, our utility rate analysis for the Beaumont Cherry Valley Water District will support these objectives in simple and user-friendly terms.

- **Financial Planning –** We will ensure that the cost needs of the District are met through a comprehensive revenue requirements analysis. Our financial models will allow the District to produce optional scenarios and sensitivity analyses of various rate alternatives. Once the revenue requirements are identified, we will allocate them across customer classes using generally accepted cost-based practices as endorsed by the AWWA and WEF and in compliance with Proposition 218.
- **Customer Concerns –** When the planning is done, District staff members must be able to deal with the consequences of any rate analysis. We are sensitive to this point and believe that the process of reaching the final result is equally as important as the final result itself. We pride ourselves on our ability to ensure that senior staff members feel confident with the final product through on-going collaboration with staff during the entire project and after the rates are implemented.
- **Community Support –** The final step in executing affordable and stable utility rates is having the support of the community. Without this key aspect, all previous work would be in vain. Our seasoned staff members have actively participated in legislative body meetings to educate and inform policymakers and local constituents on the benefits and risks associated with new rate policy decisions.
- **Comprehensive Rate Design** – Our staff members are seasoned rate modelers who can devise and develop a variety of economic models. Along with a solid understanding of rate modeling, our staff members also have a deep understanding of finance, economics, and engineering – the foundations of our models.

The three common steps to utility rate setting are: (1) Revenue Requirements Analysis; (2) Cost Allocation; and (3) Rate Design. We will utilize this framework to generate the rate analysis for the Beaumont Cherry Valley Water District.

1. Revenue Requirements Analysis

The revenue requirements analysis will provide the basis for setting the District's water rates. It is a combination of financial projections that yield the overall costs that can be allocated to customer classes. Because the District wants a rate analysis that is forward-looking, we will prepare a forecasting model including a five (5) years of project operational, capital, and fiscal policy needs. We have determined that this approach will allow the District the ability to stabilize rates over the next five-year period.

2. Cost Allocation

As the needs of each utility system vary among customers, each utility's cost of providing service also varies among customers. Base volume, peaking and other demands on the systems are different for each customer class. Therefore, a detailed cost allocation approach with supporting bases for factors and variables used in the analysis sharpen the degree of equity and defensibility in the resulting rate structure.

3. Rate Design

The final step of our analysis is the design of alternative rate structures based on what makes the most sense for the customer and for the District (ie flat, variable, or tiered rates). Our rate design alternatives consider District fiscal and resource policies.

4) Scope of Work

Evaluation Criteria No. 5 is addressed in this section.

The following provides detailed steps to ensure that your project is completed successfully and encompasses our approach and methodology for designing utility rates and fees for your District. We want to ensure that our scope is responsive to the Beaumont Cherry Valley Water District's needs and specific local circumstances. We will work with the District to revise our proposed scope based on input prior to approval of a contract, and as needed during the course of the study.

Our work plan has been specifically designed to meet the objectives of the District, as outlined in the RFP.

Task 1: Guiding Project Management Principles

Objective: Develop and maintain a solid foundation to guide this project toward successful completion.

Description: This task includes project coordination, staff direction and administrative activities throughout the course of the project. The specifics of this initial discussion are outlined below:

- **Project Roles and Responsibilities:** Ms. Wilson will coordinate project activities among the project team. She will develop a team roster database for internal use. It will consist of team member names, work functions, roles and milestone dates for specific deliverables, project meetings/conference calls with District staff and with project team members. By keeping all project team members on track using this schedule, we will foster individual and team accountability and ensure that the District receives the highest customer service possible throughout the project.
- **Milestones:** We understand the critical importance of adhering to the District's schedule for project completion. We have a strong track record of meeting client schedules and encourage you to contact our references provided in Section 6 of this proposal. Use of our project delivery schedule, our commitment to responsive customer service, and our strong project management background will ensure that the project stays on track and deliverables illustrated in Exhibit 1 are delivered on time.
- **Quality Assurance Process:** Quality control begins with the assignment of qualified, dedicated staff to each project. Work will be reviewed on a frequent basis by Ms. Wilson. Regular scheduled project team meetings will be conducted to ensure work quality and the appropriate allocation of staff time and budget resources.

  Prior to the delivery of work products to District staff, deliverables will go through a structured quality assurance process involving up to three levels of review and utilizing a formal checklist tool. The first level involves an analyst peer-to-peer review of spreadsheet models and documentation. Next, the project manager or task leader will be responsible for the second set of reviews comparing the work product to the completed quality checklist form. If necessary, a senior manager of the firm not related to the project, may provide a third level review if deemed necessary by the project manager.
- **Approach to Managing Challenges and Contingencies:** Seamless support will be provided to the District. Each member

of the team is already aware of their role and responsibilities as part of the project team. Furthermore, the team will meet regularly to assess the status of the project. At these meetings, Ms. Wilson 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 District, 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.

Our approach to resolving issues that may be encountered during the project is simple: identify the possible challenges early on and notify all project members in a timely manner. Early identification will allow the team time to strategize a solution from a proactive, rather than reactive, framework.

Meetings: None.

Deliverables: 1) Project team member contact list including names, roles, location addresses, phone numbers and e-mail addresses. 2) Initial project delivery schedule including milestones.

Task 2: Project Initiation and Data Collection

Objective: Develop a complete understanding of project goals and request necessary data and documentation for the project.

Description: During this task, we will meet with District staff to establish lines of communication, review and discuss project goals and District policies related to the project, review the project schedule, and revise if necessary, and request data and documentation related to the project. The specifics of this initial discussion are outlined below.

- **Policy Discussion:** The team will catalog existing District policies and potential strategies which would guide the work of each subsequent element in this task plan. Commentary on these policy parameters will be documented for inclusion in the study report and will be reviewed with District staff to prepare for the work.
- **Project Timeline:** As needed, modify the timeline, included in this submission, to ensure the project's milestones are met according to the District's schedule.
- **Data Request:** A typical data request will include utility budgets, audited financial statements, official statements of any bond issues, customer records and billing databases related to water service, CIP schedule and related costs. We will provide a comprehensive and detailed data request memorandum to the District prior to the initial meeting.

Meetings: One (1) meeting with District staff to initiate project.

Deliverables: 1) Data request memorandum. 2) Revised project schedule, if necessary.

Task 3: Data Analysis and CIP Evaluation

Objective: Review, understand and apply related data and documentation to the project. Evaluate and report on the inventory of the District's utility facilities and link funding sources to each project.

Description: At the outset of the project, we will request and utilize items such as customer account and consumption records, financial statements for each of the enterprise funds, prior-year summaries of line-item budget performance, current-year line-item budgets, reserve balances, capital improvement programs, debt service schedules and covenants, formal fiscal policies or other guidelines, most current facility master plans, fixed asset inventories, system/facility planning data, environmental policies from the District's General Plan, and rate resolutions and schedules of other utility fees.

Validate Data and Develop Frequency Analysis: We will generate a database of detailed customer data in bill frequency format by customer class. Our project team will apply prevailing rates to the data set, in order to determine whether the historical information serves as a valid basis for calculating rates which will generate the correct amount of revenue. Adjustments to the data set needed to create a valid rate basis will be made, as identified by our project team and with the input of District staff.

Generate Customer Statistics: From the final customer data set, we will develop summary statistics describing customer characteristics, such as average demands, seasonal demands, and frequency of each block. These statistics will provide one resource for illuminating potential structural revisions to the existing rates schedules, and they will serve as a basis for allocating utility costs and classifying customers.

Discuss Capital Financing Options: Due to our team's breadth and depth of municipal finance and engineering expertise, we will review and comment on alternative methods of financing capital projects, including grants, low interest loans, long-term debt, annual operating revenues, system development charge revenues, funds on hand, direct contributions, special taxes, and property taxes.

Meetings: Conference call to review and discuss results of data analysis and CIP assessment.

Deliverables: 1) Progress memorandum related to data analysis and funding source options. 2) Supplementary data request list, if necessary.

Task 4: Financial Planning and Revenue Requirements Analysis

Objective: Develop a multi-year cash flow analysis of the water fund.

Description: Develop annual revenue requirements for each utility's operations taking into consideration the following factors:

- Historical and audited financial data and current budgets;
- Technological changes or additions to plant and equipment correlated with growth rate;
- Routine and major capital expenditures;
- Future system service requirements and system growth;
- System depreciation schedules;
- Expected operational changes and inflation;
- Current and anticipated reserve policies for operations, contingencies, rate stabilization and capital needs; and
- Debt service on existing and any proposed new financing methods including appropriate reserves.

Test Revenue Sufficiency. Develop future cash flow analyses for water operations for a five-year study period showing application of revenue under existing rate levels. On the basis of the cash flow analyses, develop revenue level adjustments needed to meet projected revenue requirements. Consider rescheduling capital projects and consider application of available reserves to minimize borrowing for capital improvement projects as well as to minimize the necessary increases in rates.

Review District's Indirect Cost Allocation Method. Review the District's current approach to allocating the cost of District central services and other operating departments to the utility enterprise funds. Our review will consider the factors used to allocate General Fund costs expended to support the utilities including, but not limited to, the use of budget figures, full-time equivalent staff, Board of Directors agenda items, and building square footage. For all of our cost allocation plan projects, we utilize OMB A-87 standards such as the double-step down approach to ensure a fair and reasonable allocation of indirect costs and sufficient reimbursement to the District's General Fund.

Meetings: A conference call to review and discuss Revenue Requirements.

Deliverables: Progress memorandum incorporating results of the revenue requirements analysis for the water fund.

Task 5: Cost of Service Analysis

Objective: Perform a strict cost of service analysis to allocate utility service costs in a proportionate manner based on functional components and customer characteristics.

Description: **Generate Functional Cost Analysis.** Drawing upon documented system standards and planning criteria, District staff knowledge, and industry expertise, our project team will determine appropriate cost allocation factors with which to distribute utility requirements to functional cost categories. Using principles endorsed by the AWWA, we will express total **water** utility costs in a base-extra capacity framework. The following components will be utilized: customer average demand, peak demand, fire protection, meters, services, and accounts.

Develop Customer Cost Allocations. Each functional cost category developed above will be further distributed to each existing customer class, based on their individual demands for the service component (e.g., number of connections, volumes, etc.) or defined system planning requirements for each class (e.g., fire flow/duration standards and strength). This task will result in the total costs attributable to the requirements of each customer class, and hence, the amount of annual revenue to be recovered from the rates for each class.

Develop Unit Costs. Our project team will calculate unit costs of service for each functional cost component assigned to each customer class, using customer and operating statistics (e.g., customer counts, volumes, etc.). These unit costs will serve as the foundation for designing rates.

Meetings: Conference call with District staff to discuss results of cost allocation analysis.

Deliverables: Progress memorandum including functionalization and cost allocation analysis.

Task 6: Rate Design and Comparative Analyses

Objective: Develop rate schedules based on strict cost of service analyses to ensure equitable and understandable customer rates as well as revenue sufficiency for the utilities. Perform comparative analyses of proposed rates.

Description: The water revenue requirement from each customer class will be recovered through a rate structure designed to stand alone as a separate revenue source. We will design rate structures that provide equity and ease of implementation and will only utilize data and figures that can be supported; our models will not include arbitrary factors for rate design purposes. We will evaluate the District's existing rate structures to assist with a seamless transition to a new rate structure.

Our utility rate model translates the customer class fair share of the revenue requirement into an actual rate structure for utility services. This type of analysis addresses critical policy criteria such as:

- **Financial Sustainability** – Does the proposed rate structure reduce the volatility of revenue, and are all program costs met to assure the financial feasibility of the system?
- **Equity** – Is the new rate structure equitable to all customer classes? There may be social and political concerns that certain customer classes cannot afford a higher rate structure.
- **Defensibility** – Is the new rate structure compliant with existing legal requirements and is it truly cost of service-based?
- **Administrative Ease** – Is the proposed rate structure easy to administer and simple to explain? Complex rate structures may create unforeseen administrative challenges, such as adaptation to the District's current utility billing system, or may require significant public outreach to educate customers on the need for a new rate structure or updated utility rates.

Alternative Rate Design. We will design up to three alternative rate structures for each utility by testing a tier-based system, a uniform rate approach, drought pricing, if applicable, and inside-outside jurisdiction rate structures. Our analyses will present the number of and degree to which different customers are impacted by changes in the structures.

Comparative Analysis. We will include a comparative analysis of the rate structures showing impacts to customers between the current and proposed rates based on customer class and similar usage patterns. We will also analyze differences in rate structure design of all water retail agencies throughout San Bernardino County. During this task, we will not only gather the rate structures from other agencies but will ask each agency contact in-depth questions about their rate design to ensure an "apples to apples" comparison. Research will center on such items as last rate update, rate structure type, and goals and policies surrounding that particular agency's rate schedule. We have found this comparative analysis to be a useful tool

for elected officials, District staff and the community in smoothing the transition to new utility rates.

Meetings: A Conference call to review Rate design and Comparative Analyses.

Deliverables: Progress memorandum including rate design alternatives and comparative analyses.

Task 7: Documentation and Presentations

Objective: To document and present the rate analyses and results to facilitate rate implementation, and provide supporting documentation.

Description: The project team will prepare a written report documenting the methodologies, bases, findings, and recommendations of the study. The report will include an executive summary, technical appendices and present information and data in table and graph form where appropriate.

We will develop a draft report and submit to District staff for review and feedback. The contents of the draft report will be delivered in electronic portable document format for distribution to appropriate reviewers. Upon review, the team will finalize the report and will publish up to ten (10) bound copies of the document. Also delivered will be one (1) electronic copy of the report and rate model in portable document format.

Our project team will meet with District officials, District staff and the community in a series of meetings to present the rate study findings and results. The reports and presentations will be distributed at least five (5) days in advance of the meeting.

We will also conduct a training session with appropriate District staff to demonstrate full use of the rate model.

Meetings: Up to three (3) meetings: One (1) meeting with District staff to discuss final results and prepare for the Board of Directors meeting. This meeting will include a training session with District staff to demonstrate use of the rate model. One (1) meeting with the Board of Directors to present results. One (1) additional meeting as requested by District staff. This meeting may be an additional Board of Directors meeting or a community workshop.

Deliverables: Draft and final reports, user's manual and presentation materials for meetings. Spreadsheet model.

Meetings

The project manager or lead analyst will attend all meetings. We will work with District staff to set up meetings to keep the project on schedule. Phone conferences are not considered meetings for the purposes of this scope. Additional meetings may be requested for an additional fee based on our hourly billing rates.

We rely on the validity and accuracy of the District's data and documentation to complete our analysis.

5) Schedule

Evaluation Criteria No.'s 6 and 7 are addressed in this section.

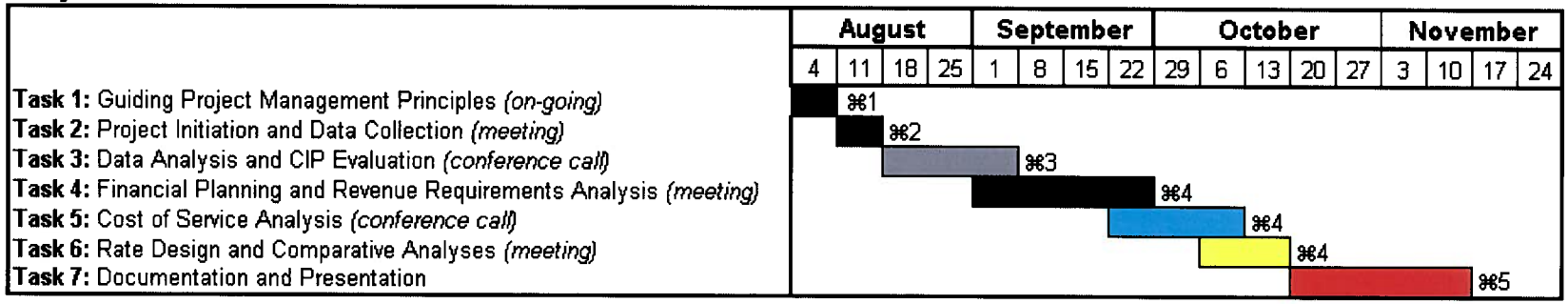
Willdan understands time is of the essence for the Beaumont Cherry Valley Water District to complete their Water Rate and Fee Study. Exhibit 1, on the following page, contains general timeframes for the District's project. We will work in concert with agency staff to develop specific project dates prior to commencing work.

We estimate that we can complete this project within 120 days of receipt of an executed contract and notice to proceed. This schedule can only be met with the cooperation of District staff. Delays in responding to our requests for data and review will result in corresponding delays to the project schedule.

WILLDAN Financial Services

Exhibit 1

Beaumont Cherry Valley Water District – Water Rate and Fee Study
Project Timeline and Deliverables



Legend:

⌘1: Project Team Member Contact List and Initial Project Delivery Schedule
⌘2: Data Request and Revised Project Schedule, if necessary
⌘3: Progress Memo and Supplementary Data Request, if necessary
⌘4: Progress Memo
⌘5: Draft and Final Rate Reports, User's Manual, Presentation Materials and Spreadsheet Rate Models

6) Personnel

Project Team Organization

The Willdan Team members identified in this section have been specifically selected for this project based upon their recent project experience, and related expertise.

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, on time and on budget. With that philosophy in mind, we have selected senior professionals for the Beaumont Cherry Valley Water District's Water Rate and Fee Study. We are confident that our team has a depth of experience that will successfully fulfill the District's desired work performance.

Ms. **Katie Wilson** will serve as **project manager** and is responsible for contracts, scheduling (timing and deliverables), conducting the on-site interviews, objective review throughout the studies' development, **quality control**, and will be the District's main point of contact.

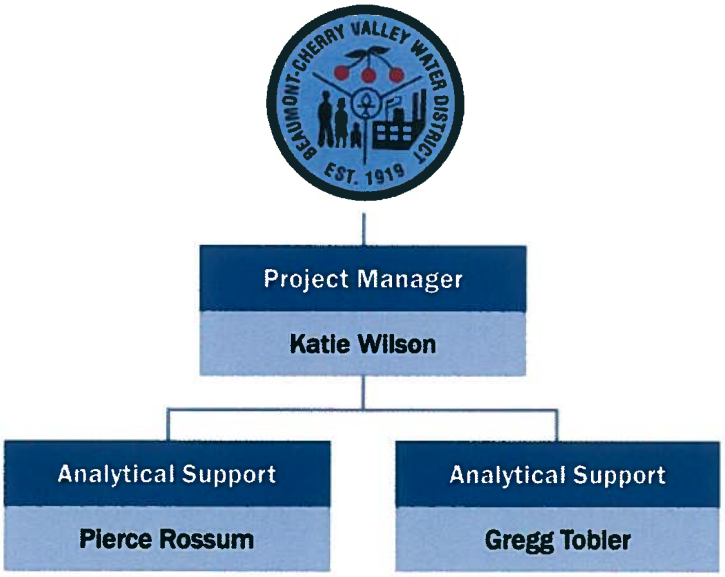
Mr. **Gregg Tobler** and Mr. **Pierce Rossum** will provide **analytical support**. They will work closely with Ms. Wilson and the District to build complete and accurate models that fit the needs of the District. Mr. Tobler and Mr. Rossum will ensure that all the data is collected, interpreted, researched, and entered into the models correctly.

Evaluation Criteria No.'s 1, 2, and 4 are addressed in this section.

An organization chart is provided in Exhibit 2 that depicts how the members of the Willdan Team will be deployed for the District's study.

The proposed project manager, Katie Wilson, has over two decades of management level experience working for municipalities. She understands how cities operate and will apply her knowledge and expertise to your project.

Exhibit 2



Resumes

Resumes for the proposed team of professionals are outlined below.

Katie Wilson

Project Manager

Education

Master of Public Policy and Administration, California State University, Long Beach

Bachelor of Arts, Public Administration, California State University, Fresno

Areas of Expertise

Proposition 218

Fiscal Analysis for User Fees and Rates

Impact Fee Studies

Utility Rate Studies

Affiliations

International City Managers Association

23 Years Experience

Ms. Wilson, a Principal Consultant in our Temecula office, has been selected to serve as **project manager** for the District's engagement due to her 20 plus years of management level experience working for small and medium sized full-service and contract cities.

Prior to joining the firm in January 2008, she held executive and senior level positions including City Manager (City of Bradbury), Department Deputy Director (Community Development, City of Beverly Hills), and Division Manager (Environmental Services/Special Projects, City of Cerritos). Ms. Wilson has a comprehensive understanding of governmental agency operations, with experience in administration, finance and budgeting, Public Works project management, utility operations, and all land development related functions.

In addition to leading the Rates and Fees team from the firm's Temecula headquarters, as a professional consultant she has conducted analyses of several large public agency land development departments, including Building and Safety, Planning, and Engineering. Her California clients have included the cities of Richmond and Fremont. Nationally, she provided professional land development consulting services to the cities of San Antonio, Texas; Washington, D.C.; Troy, Michigan; and Queen Creek, Arizona.

Related Experience

City of Coachella, CA – Water Rate Study: Ms. Wilson let the Willdan team who prepared the updated water rate study for the City of Coachella. Due to substantial growth in operation and maintenance and capital improvement expenditures, the agency's water rates were outdated and not generating the appropriate revenue needed to operate, maintain and improve the system.

Elsinore Water District - Water Rate Analysis: In mid-2008, Willdan conducted a water rate analysis for the Elsinore Water District (EWD). The District wanted to ensure their future rates comply with Proposition 218 requirements. The project included an analysis of different cost structures based on a zone approach given different cost structures for certain areas of the District boundaries, as well as a tiered-rate structure to achieve resource conservation objectives.

City of Westminster - Water Rate Analysis: Ms. Wilson is presently leading the Willdan team that was recently hired by the City of Westminster to prepare a water rate study on their behalf. The project is nearly complete, pending the presentation of the analysis to the City Council. The objectives of this analysis are to develop a tiered rate structure for the more than 21,000 customers that 1) generates sufficient revenues to meet operating and capital expenses associated with water in response to the rising cost of purchased water from Metropolitan Water District; 2) is technically defensible and equitable across the six customer classes; and 3) is developed within spreadsheet models that are user-friendly and can be easily updated by City staff in the future. The Willdan project team and City have worked together to complete this project within 90 days.

City of Fort Bragg - Water and Wastewater Rate Study: Ms. Wilson led the Willdan team who prepared water and wastewater rate studies to assist the City in providing funding for the repair and replacement of the City's aging water and wastewater facilities. The rate studies will also assist the City in determining an appropriate reserve fund level for annual operations and maintenance.

Pierce Rossum

Analytical Support

Education

Bachelor of Arts, Economics/Psychology, Claremont McKenna College, Claremont, CA

Robert A. Day Economic and Finance Scholar

Areas of Expertise

Fiscal Analysis for Cost of Service Fees and Rates

Impact Fee Studies

Utility Rate Studies

3 Years Experience

Mr. Rossum will provide analytical support to the District's Water Rate and Fee Study. He will work under the direction of the project manager, Ms. Wilson, and in collaboration with Mr. Tobler.

Prior to his employment with Willdan, Mr. Rossum attended Claremont McKenna College (CMC) and graduated with a major in Economics and Psychology. While attending CMC, he worked at the Rose Institute of State and Local Government where he gained experience developing impact fee models and other rate studies for the Building Industry Association (BIA) and City, County, and Tribal Governments in Southern California.

Moreover, Mr. Rossum's experience includes Marketing and Management Consulting and work with Peter F. Drucker. He also worked on a 600-acre real estate development project in Arizona with Birtcher Development & Investment. For this particular project he designed the economic impact and financial projections.

Related Experience

City of Crescent City, CA – Water and Sewer Rate Study: Mr. Rossum provided analytical support in the preparation of a sewer rate and connection fee study for the City. Due to age, its proximity to the coast, and increasing regulation standards the City's sewer plant had severe deficiencies and needed an extensive overhaul. The sewer rates and connection fees calculated by Willdan provide sufficient revenue to cover the repayment of a SRF loan secured by the City to finance the costs of construction. The sewer rates also included the costs to operate and maintain the sewer system.

East Valley Water District, CA – Water and Sewer Rate Study: Mr. Rossum provided analytical support to the agency in preparation of updating their waste and wastewater connection fees. Due to extensive growth and a large urban sprawl, the agency's connection fees were outdated and inaccurately generated the appropriate revenue to expand the system.

Mesa Consolidated Water District, CA – Water Capacity Fee Analysis: Mr. Rossum assisted the District by offering analytical support to update their capacity fee. In the heart of Orange County, the District's only growth option was vertical. Due to the changes in land use categories, the agency's capacity fee was insignificant, thus Willdan is helping update the capacity fee to accurately reflect the unexpected consequence of vertical growth and revision of land use categories.

Gregg Tobler

Analytical Support

Education

Bachelor of Science, Finance, Northern Illinois University, DeKalb, IL

Associate of Science, Accounting, Kishwaukee College, Malta, IL

Areas of Expertise

Cost of Service Analysis

Utility Rate Studies

Impact Fee Studies

Fiscal Analysis

Arbitrage Rebate

Municipal Disclosure

14 Years Experience

Mr. Tobler has been selected to provide analytical support to the District's project due to his water and sewer rate analysis experience. He is a Senior Analyst within the Financial Consulting Services group, and his responsibilities include supporting project managers and conducting fiscal analyses for utility rate, cost allocation plan, impact fee, and user rate studies.

Mr. Tobler's prior responsibilities within Willdan include working closely with agency staff, trustees, bond counsel, and underwriters to gather the data necessary for arbitrage rebate computations and disclosure reporting. His tasks included calculating arbitrage rebate liabilities, drafting reports for senior level review and senior level review of disclosure reporting. He specializes in construction fund analysis for a variety of issuers including counties, cities, water districts, public utilities, and school districts.

Mr. Tobler joined Willdan in 2001 with 6 years of financial experience in the areas of reconciliation, trusts, order processing, mutual fund sales, annuities and more. He has held a Series 6 License-National Securities License, a Series 63 License-California Securities License and a California State Insurance License.

Related Experience

City of Westminster - Water Rate Analysis: Mr. Tobler is presently providing analytical support to the City's water rate study. The objectives of this analysis are to develop a tiered rate structure for the more than 21,000 customers that 1) generates sufficient revenues to meet operating and capital expenses associated with water in response to the rising cost of purchased water from Metropolitan Water District; 2) is technically defensible and equitable across the six customer classes; and 3) is developed within spreadsheet models that are user-friendly and can be easily updated by City staff in the future. The Willdan project team and City have worked together to complete this project within 90 days.

City of Woodland, WA – Water and Sewer Rate Study: Mr. Tobler provided analytical support to the agency in preparation of updating their water and wastewater rates. Due to extensive capital improvement needs, the agency's water and wastewater rates were outdated and not generating the appropriate revenue needed to operate, maintain and enhance the system.

City of Arvin, CA – Sewer Rate and Connection Fee Study: Mr. Tobler provided analytical support in the preparation of a sewer rate and connection fee study for the City. He assisted the City in the preparation of the State Water Resources Control Board loan application. The sewer rates and connection fees calculated by Willdan will provide sufficient revenue to cover the repayment of a SRF loan secured by the City to finance the costs of construction. The sewer rates also included the costs to operate and maintain the sewer system.

Elsinore Water District, CA – Water Rate Study: Mr. Tobler provided analytical support to the agency in preparation of updating their water utility rates. Due to extensive growth in operation and maintenance and capital expenditures, the agency's water rates were outdated and not generating the appropriate revenue needed to operate and maintain the system.

City of Coachella, CA – Water Rate Study: Mr. Tobler provided analytical support to the agency in preparation of updating their water utility rates. Due to substantial growth in operation and maintenance and capital improvement expenditures, the agency's water rates were outdated and not generating the appropriate revenue needed to operate, maintain and improve the system.

7) Qualifications

Evaluation Criteria No. 1is addressed in this section.

Provided in this section are responses to the requested information on page 2, located under the Selection Process Section, Subsection Qualifications of the Firm and page 4, located under the Proposal Content Section, Subsection 7, Qualifications, of the RFP.

Willdan

Willdan Group, Inc. is a nationwide firm serving more than 800 public agencies and private sector clients. We provide engineering, management, and financial consultant services that ensure the quality, value, and security of our nation's infrastructure, systems, facilities, and environment. The firm has been a consistent industry leader in and homeland security services. Currently we are ranked 154 on the Engineering News Record list of the Top 500 Engineering firms.

Comprehensive Solutions. Integrated Approach.

Founded in 1964 and headquartered in Anaheim, California, Willdan was originally established as a civil engineering firm specializing in providing solutions for our public agency clients. Since that time we have evolved into a professional consulting firm offering a broad array of services that allow us to provide a comprehensive and integrated approach to our clients' planning, engineering, financial, economic, public facility, and public safety challenges.

Willdan has comprehensive knowledge of public agency operations as well as expertise in city engineering, building and safety, planning, finance, grant funding, emergency plan development and CSA administration and conversion; just to name a few. Willdan's clients include municipalities, counties, special districts, public health agencies, school districts, ports, tribal and state agencies and the federal government.

Office Location

Beaumont Cherry Valley Water District's project will be conducted from Willdan's Temecula office and will be managed by Ms. Katie Wilson. Our firm's contact information is detailed below.

Willdan Financial Services

Division Headquarters
27368 Via Industria, Suite 110
Temecula, California 92590
Toll-free #: (800) 755-6864/Direct #: (951) 587-3500
Fax #: (951) 587-3510

Project Experience

Willdan is one of the nation's leading firms for development impact fee programs. The firm has broad experience reviewing and structuring impact fee programs for cities, counties, special districts, and school districts. For these clients, our firm has provided nexus documentation to support fees funding a full range of public facilities, including utilities (water, wastewater and storm drainage), roadways and transit, parks, fire, police, health clinics, and other government facilities such as civic center and corporation yards.

Our depth of experience in this arena has led us to develop a range of creative, defensible programs for our clients. To increase the flexibility of impact fee programs we have justified a single fee that funds a wide range of facilities, from parks to fire stations. We also specialize in development of fee programs that span multiple jurisdictions to fund regional facilities. Willdan staff members have been key participants in providing impact fee analyses for over 150 public agencies across the West.

Willdan also has specific expertise preparing development impact fee documentation as part of a comprehensive public facility financing plan. Our staff members have served as expert witnesses for local agencies defending their fee programs, while no fee program developed by Willdan has been challenged in court.

Finally, clients have engaged our firm to examine critical policy issues often raised by impact fee programs, and to communicate these issues to elected officials, the development community, and the public. To address the effect of fees on economic growth we have performed development feasibility and real estate market studies, conducted fee comparison surveys, and compared public facility funding methods among local agencies.

Exhibit 3 provides a listing of Willdan's current/former clients, in which utility rate and connection/capacity fee services have been provided in the past five years.

Exhibit 3 further speaks to the firm's depth of experience related to utility financing, in terms of rate studies and connection/capacity fee studies.

Exhibit 3

St	Agency	Water Rate Analysis	Wastewater Rate Analysis	Water Connection/ Capacity Fee	Wastewater Connection/ Capacity Fee	Long-term Utility Financial Planni...
AZ	Buckeye			♦	♦	
AZ	Clarkdale			♦	♦	
AZ	Florence	♦	♦	♦	♦	
CA	Arvin		♦		♦	
CA	Avenal	♦	♦			
CA	Calexico	♦	♦	♦	♦	
CA	Claremont		♦			
CA	Coachella	♦				
CA	Covina	♦	♦	♦	♦	
CA	Crescent City	♦	♦	♦	♦	
CA	East Valley Water District	♦	♦	♦	♦	
CA	El Monte				♦	
CA	Elsinore Water District	♦				
CA	Encina Wastewater Authority					♦
CA	Fort Bragg	♦	♦			
CA	Fountain Valley	♦				
CA	Gustine			♦	♦	
CA	Hollister	♦	♦	♦	♦	
CA	Indio	♦				
CA	Joshua Basin Water District					♦
CA	Laguna Beach County Water District	♦				♦
CA	Leucadia Wastewater District					♦
CA	Lomita	♦				♦
CA	McFarland		♦			
CA	Merced	♦	♦	♦	♦	
CA	Mesa Consolidated Water District			♦		
CA	Morro Bay			♦	♦	
CA	Port Hueneme	♦				
CA	Rio Vista	♦	♦	♦	♦	
CA	Sacramento			♦	♦	
CA	San Diego County Water Authority					♦
CA	San Fernando	♦	♦			
CA	Santa Margarita Water District	♦				
CA	Seal Beach	♦				
CA	South Gate			♦		
CA	South Pasadena	♦	♦			
CA	Stockton			♦		♦
CA	Upland			♦	♦	
CA	Vista		♦			
CA	Walnut Valley Water District	♦				
CA	Westminster	♦				
FL	Carrabelle	♦	♦			
FL	Riviera Beach	♦	♦			
OR	Brookings		♦			
WA	Woodland	♦	♦			

8) Representative Study Descriptions and Client References

Evaluation Criteria No. 1is addressed in this section.

The following identifies three municipal clients in which similar services have been provided. Text boxes in the left-hand margin provide the primary contact's name and telephone number.

City of Westminster, CA – Water Rate Study

Willdan was recently hired by the City of Westminster to prepare a water rate study on their behalf, and is wrapping up this project. The objectives of this analysis were to develop a tiered rate structure for the more than 21,000 customers that 1) generates sufficient revenues to meet operating and capital expenses associated with water in response to the rising cost of purchased water from Metropolitan Water District; 2) is technically defensible and equitable across the six customer classes; and 3) is developed within spreadsheet models that are user-friendly and can be easily updated by City staff in the future. The Willdan project team and City are working together in order to complete this project within 90 days.

Contact Information
Marwan Youssef, PhD, P.E.
Public Works Director
Tel #: (714) 898-3311

Elsinore Water District, CA – Water Rate Study

Willdan was hired by Elsinore Water District, a small community of approximately 1,500 single-family and commercial customers to prepare a water rate study on their behalf. The objectives of this analysis are to develop a rate structure that 1) generates sufficient revenues to meet operating and capital expenses associated with water, 2) is technically defensible and equitable across both customer classes, and 3) is developed within spreadsheet models that are user-friendly and can be easily updated by District staff in the future. The Willdan project team, District staff and the Board of Directors worked together in order to develop a rate structure that meets the needs of the District as a whole.

Contact Information
Tammy Ramirez
General Manager
Tel #: (951) 674-2168

City of Coachella, CA – Water Rate Study

Willdan was hired by the City of Coachella a community with approximately 6,800 customers to prepare a water rate study on their behalf. The objectives of this analysis are to develop a rate structure that 1) generates sufficient revenues to meet operating expense and increased capital expenses due to an aging water system, 2) is technically defensible and equitable to all customers, and 3) is developed within spreadsheet models that are user-friendly and can be easily updated by City staff in the future. The Willdan project team and City are working together in order to develop a rate structure that meets the needs of the City and community as a whole.

Contact Information
John Geradi
Finance Director
Tel #: (760) 398-3502

9) Additional Information

Declaration/Affirmative Statement

Willdan Financial Services is not aware of any existing or potential conflicts of interest that would arise from any relationship or representation of another party that would impair or impede our ability to work objectively for the Beaumont Cherry Valley Water District. Furthermore, Willdan Financial Services has had no prior agreements with the District.

Evaluation Criteria

Exhibit 4 outlines the following: 1) evaluation criteria provided; 2) the section(s) of Willdan's proposal that address each; and 3) an explanation of how these criteria are addressed.

Exhibit 4

Evaluation Criteria	Section Addressing Criteria	Explanation
1) Consultant experience in providing financial consulting services on studies of similar scope for water rate studies.	▪ Section 6 ▪ Section 7 ▪ Section 8	Willdan has conducted numerous utility rate studies throughout California and the United States. The knowledge gained through this experience will be applied to the Beaumont Cherry Valley Water District's project.
2) Project manager and his/her team's experience in conducting assignments of similar scope.	▪ Section 6	Ms. Wilson, Mr. Rossum, and Mr. Tobler have been responsible for numerous rate studies, and in developing creative, tailored approaches to rate-setting. Our experience and practical knowledge will benefit the Beaumont Cherry Valley Water District by providing them with the benefit of tested approaches that we have developed, and our thorough understanding of potential challenges and issues with these strategies.
3) Methodology to be employed in conducting the study.	▪ Section 3	Our methodology has been tailored to this project, but is founded on successful approaches used in other similar projects.
4) Proposer's support organization and in-house quality control and quality assurance methods.	▪ Section 6	Our resources and staffing allow us to be consistently responsive, while ensuring that we deliver a quality product in an efficient and cost-effective manner.
5) Proposal clarity in expressing the understanding of the Beaumont Cherry Valley Water District needs and in defining a	▪ Section 2 ▪ Section 3 ▪ Section 4	While developing the District's work plan, the District's needs were top-of-mind and incorporated throughout.

Evaluation Criteria	Section Addressing Criteria	Explanation
work plan for satisfying those needs.		
6) Schedule compatibility with Beaumont Cherry Valley Water District needs.	▪ Section 5	Based upon our prior experience with other agencies and similar studies, Willdan can prepare this study more effectively and efficiently than other firms, ultimately allowing us to present our approach at a lower cost to the District and ensure completion within the 120- day time frame.
7) Availably to work with District staff.	▪ Section 5	Willdan's internal policy is to only pursue projects when there is sufficient staffing capacity to meet the desired project schedule and ensure high-quality results. Based on current contract commitments for each team member and our proximity to the District, each member's time availability is sufficient to accommodate their anticipated effort to complete this study for the District's 120-day time frame.

WILLDAN Financial Services | extending your reach

July 1, 2009

Ms. Julie Salinas
Business Manager
Beaumont Cherry Valley Water District
560 Magnolia Avenue
Beaumont, California 92223

Re: Cost Proposal to Prepare a Water Rate and Fee Study for the Beaumont Cherry Valley Water District

Dear Ms. Salinas:

Willdan is pleased to submit this cost proposal to the Beaumont Cherry Valley Water District to prepare a Water Rate and Fee Study. This submission reflects our understanding of the District's Request for Proposals dated June 10, 2009.

Willdan is excited about this opportunity to use our skills and expertise to assist the Beaumont Cherry Valley Water District. Please feel free to contact Ms. Katie Wilson to discuss any aspect of our technical and/or cost proposals or to arrange for an interview with our team. Ms. Wilson can be reached at (951) 587-3571 or via email at kwilson@willdan.com.

Sincerely,
Willdan Financial Services

Chris Fisher, Group Manager
Financial Consulting Services

Enclosure

Cost Proposal

Based on the scope of services outlined in our technical proposal, we propose a fixed fee of **$28, 800**, including direct expenses related to the project. Exhibit 1 provides a detailed breakdown of this fee.

Exhibit 1

Beaumont Cherry Valley Water District Water Rate and Fee Study				
Team Member:	**K. Wilson** Project Manager	**G. Tobler or P. Rossum** Support Analysts	**Total**	
	$200	$120	**Hours**	**Cost**
Guiding Project Management Principles	8	-	8	$ 1,600
Project Initiation and Data Collection	6	16	22	3,120
Data Analysis and CIP Evaluation	8	24	32	4,480
Financial Planning and Revenue Requirements Analysis	6	28	34	4,560
Cost of Service Analysis	10	32	42	5,840
Rate Design and Comparative Analyses	8	26	34	4,720
Documentation and Presentations	6	24	30	4,080
Estimated Labor Hours:	52	150	202	$ 28,400
Project Expenses:				$400
Total Project Cost:				**$28,800**

Note: We will invoice the District monthly based on percentage of work completed by task. Invoices will include a description of services as well as a summary of costs to date by task.

Additional Services

Additional services may be authorized by the District and will be billed at our then-current hourly overhead consulting rates. Our current hourly rates are:

Willdan Financial Services Hourly Rate Schedule	
Position	Hourly Rate
Group Manager	$210
Principal Consultant	$200
Senior Project Manager	$165
Project Manager	$145
Senior Project Analyst	$130
Senior Analyst	$120
Analyst	$100
Analyst Assistant	$75
Property Owner Services Representative	$55
Support Staff	$50

BEAUMONT CHERRY VALLEY WATER DISTRICT

Proposal for Water Rate and Fee Study

July 2, 2009

RFC
RAFTELIS FINANCIAL CONSULTANTS, INC.

RFC
RAFTELIS FINANCIAL CONSULTANTS, INC.

201 S. Lake Ave., Suite 803 ■ Phone 626 • 583 • 1894 ■ www.raftelis.com
Pasadena • CA • 91101 Fax 626 • 583 • 1411

July 1, 2009

Julie Salinas, Business Manager
Beaumont Cherry Valley Water District
P.O. Box 2037
Beaumont, CA 92223-0937

Subject: Proposal to Conduct Water Rate and Fee Study

Dear Ms. Salinas:

Raftelis Financial Consultants, Inc. ("RFC") is pleased to submit to Beaumont Cherry Valley Water District (District) for a comprehensive water rate and fee study. We believe that our unique combination of qualifications, experience and knowledge of the District will ensure successful implementation of forward-looking solutions that will be of benefit to the District and its customers.

The District has several critical issues it needs to address in the study:

1. The growth assumptions used in the original study are no longer valid. This means the District's revenue projections will be lower than originally projected. The financial plan needs to be revised to ensure financial stability.
2. The costs of buying State Project water have gone up significantly. While these costs can be passed through, there will be significant impacts. Users need to understand this.
3. Water supply costs are increasing, therefore conservation is important. The rate structure should send a strong signal for conservation.
4. The District's temporary surplus in the Beaumont Basin will be eliminated in 2014. Issues such as storage and rates transition are critical to minimize impacts and prepare for this change.

Having completed the previous studies with the District and with the knowledge of the District, RFC has an excellent understanding of these issues and is in an ideal position to provide the District the most economical financial consulting services. We recognize that the District would like to implement the new rates as soon as possible. We have experienced staff and resources to assist the District with this study and unparalleled experience and expertise in the field of utilities finance and pricing.

To assist the District with this Study, we have put together an experienced team. I will serve as Project Manager and will participate actively on all elements of the project ensuring that adequate resources are available to meet the needs and objectives of the District. I have over 30 years of experience and have completed more than 200 water and wastewater studies in California and assisted numerous agencies implement their revenue programs successfully under Proposition 218. Recent California clients include the Cities of Ontario, Redlands, Banning, San Diego, California, and Henderson, Nevada. RFC provides ample resources to complete the study

in a timely manner and offers a team of professionals with unparalleled experienceand expertise in the field of utilities finance and pricing. Not only do our consultants possess a unique blend of pricing experience, industry leadership, and objectivity, but we are also leaders in setting policy related to utilities pricing.

The benefits we will provide to the District include:

- **Highly qualified and experienced team.** Our business and engineering qualifications enable us to perform sound cost allocations supported by industry precedent, lending confidence to decision makers and credibility to project results.
- **Broad Experience.** The District can rely on RFC's history of developing and assisting in the implementation of successful solutions for other agencies. We have conducted over 600 rate and financial studies across the US and developed user-friendly rate models for a broad range of utilities. Our approach provides efficient solutions with the broadest level of acceptance.
- **Presentation Skills.** Both the District staff and Board will benefit from easy to follow graphic presentations and our ability to focus on issues of concern. RFC's ability to build consensus among project stakeholders has been vital to the success of many of our projects. We have conducted several studies with significant public outreach recently, including for the cities of Redlands and San Diego, California and Henderson, Nevada.
- **Knowledge.** We have an in-depth working knowledge of many alternative rate structures. Through our biennial *Water and Wastewater Rate Survey,* conducted in association with AWWA, we have access to rate and rate structure data for over 300 utilities across the country. In association with CA-NV AWWA, we have published a survey of rates and charges in California and Nevada., RFC has assisted numerous agencies in developing cost of service based rates in compliance of Proposition 218.
- **Quality.** Each project has a specific quality control/quality assurance (QA/QC) plan that ensures the highest quality of assistance to the client.
- **User Friendly Rate Models.** RFC will update the District's current model with user friendly features that will save the District the cost of developing a new model. Our unique Dashboard allows users to view real-time results in a variety of scenarios and is very helpful to analyze alternatives, view results and make quick decisions.
- **Deep Knowledge of the District.** RFC has performed the District's last rate study and already has a deep understanding of the District's water supply situation and financial position. Therefore, we are able to provide better work based on our knowledge of the area.

We are proud of the resources that we can offer the District, and we welcome the opportunity to be of assistance to the District in this engagement. Please do not hesitate to contact me at (626) 583-1894 if you have any questions.

Sincerely,

Sudhir Pardiwala
Vice President

TABLE OF CONTENTS

RFC
RAFTELIS FINANCIAL CONSULTANTS, INC.

1. INFORMATION PAGE

Project
Beaumont Cherry Valley Water District
Water Rate and Fee Study

Project Contact
Sudhir Pardiwala, P.E.
Vice President
Raftelis Financial Consultants, Inc.
201 S. Lake Avenue, Suite 803
Pasadena, California 91101
Phone: (626) 583-1894
Fax: (626) 583-1411
Email: spardiwala@raftelis.com

2. DESCRIPTION OF STUDY UNDERSTANDING

The Beaumont Irrigation District was formed in March of 1919 under the Wright Act of 1897. The Beaumont-Cherry Valley Water District (District) serves all of Beaumont, Cherry Valley and parts of southeastern Calimesa. The District has over 14,000 connections and provides services to over 35,000 residential, commercial and irrigation customers. The District's primary water sources are from the Beaumont Storage Unit, Edgar Canyon and State water Project water, which is purchased from San Gorgonio Pass Water Agency. In order to ensure current and future water supply availability, the District, along with the City of Beaumont, Yucaipa Valley Water District (YVWD), and the South Mesa Mutual Water Company formed a Joint Powers Agency (JPA), known as the San Timoteo Watershed Management Authority (STWMA) to implement a regional water resource management program. The District also has an agreement with the City of Banning to jointly fund and operate production wells and a potable water treatment for imported water for future needs. The District meets regularly with local agencies, as well as the Department of Water Resources and the Beaumont Basin Watermaster to discuss items of mutual interest and to expedite the importation of water to the Beaumont Basin (Basin). The District's temporary surplus in the Basin will end in 2014. To prepare for this transition and the significant resultant impacts, the District is currently storing water in the Basin. The evaluation and understanding of this issue is crucial to the financial planning process.

The District last updated its water rates in April, 2007 and its facility/impact fees in September, 2007. Since the last rate study, the District's growth rates have slowed significantly and water sales are down. Moreover, water supply costs and power costs have increased significantly due to the severe drought situation in Southern California. As the water supply shortage becomes worse, proactively promoting conservation is one of the key objectives of many agencies. The District's current rate structure includes a customer service charge based on meter size, and a uniform quantitative rate with lower rates for scheduled irrigation customers. To send a stronger signal for conservation, the District may want to consider alternative rate structures such as tiered or water budget rates. Such rate structures are being encouraged both by the California Urban Water Conservation Council (CUWCC) and the State Water Resources Control Board (SWRCB) which reviews applications for grants and low interest loans for which the District has applied to fund the recycled water system. Therefore, in this study, RFC will review the District's financial situation, costs associated with different activities or parameters, historic and future usage patterns to design and construct the best applicable rate structure, which will help the District to both encourage conservation and ensure future financial sufficiency. RFC will also evaluate pass-through rates for the increasing purchased water and power costs. Through the cost of service analysis, RFC will ensure that the costs will be equitably distributed among different customer classes for the provided services.

Even though the District is not expecting major Capital Improvement Projects in the near future, it is facing challenges from low operating reserve, severe drought and increasing operating costs. Therefore, the District wants to seek qualified consultants to conduct a water cost of service and impact fee study. RFC understands the goals of the District; therefore, we have proposed a work plan that will achieve all the goals.

Based on the District's Request for Proposals (RFP) and our knowledge of the area, we have identified several key issues which must be addressed in the study in order to meet the District's objectives:

- Assess current rates and financial position of the District's water service, incorporate assumptions and growth trends, develop future cash flow analysis and forecast of five-year revenue requirements to ensure revenue sufficiency and determine if existing user categories and rates are equitable;
- Recommend reserve levels for the District's reserve funds, including operating, capital, emergency reserves, etc.;
- Review and update facilities/impact fees to reflect the additional costs to supply water to new connections, as well as update miscellaneous fees to ensure fees are consistent with the District's costs to provide service;
- Conduct cost of service analysis and allocate costs correctly to determine the costs to provide service to the District's customers;
- Evaluate historic and future water consumption patterns, and develop a rate structure that encourages customers to conserve water and recover all the revenue requirements for providing water service;
- Assist the District in implementation of the proposed water rates consistent with Proposition 218, including attending Board and community group meetings; and
- Provide a user-friendly rate model in Microsoft Excel® to assist the District in future planning.

The cost of service rate model to be developed as part of the study will allow the District to prepare financial plans for future years, conduct scenario analyses including variable sales level projections, model alternate rate structures, analyze impacts on the fly, as well as prepare presentations for decision makers in an easy to understand graphical format. In addition, the procedural requirements of Proposition 218 need to be followed. RFC will work with District staff to determine the appropriate notification process and procedures to ensure that the proposed rates and rate design are in compliance with Proposition 218.

3. METHODOLOGY

RFC firmly believes that utilities can best manage costs and corresponding rate revisions through a combination of long-range financial and capital planning while utilizing the annual budgeting process to systematically implement approved plans. Comprehensive rate analyses permit better policy decisions to be made about a variety of subjects of interest to the District because impacts on ratepayers are readily determined prior to final decisions. The following paragraphs highlight several key elements of our proposed approach that address stated objectives of the District.

STRONG COMMUNICATION AND WORKING RELATIONSHIP WITH STAFF, DISTRICT'S STAKEHOLDERS, POLICY MAKERS AND THE PUBLIC

RFC welcomes the involvement of District staff during the study. We recognize such involvement as very important to ensure the exchange of ideas, development of recommendations, and smooth implementation of the new rates and rate structures. Through the interaction with District staff and Board, comments, suggestions or concerns can be voiced before a report is distributed to the general public. We will be available during the District's review process and the finalization of the draft report. We will assist District staff in evaluating policy decisions which influence the alternatives and recommendations included in the completed final report.

Consistent and Competent Project Management

The proposed project entails several different, yet interrelated, work efforts that will require effective coordination between District staff, the consultant team, and District Board. As such, consistent and competent project management is critical to the timely and successful completion of the project. Our management approach stresses communication, teamwork, objectivity, and accountability for meeting project objectives and includes the following:

- Assignment of key project team members including:
  - A strong project manager who will be responsible for facilitating a close working relationship between the District and RFC staff and who is accountable to the District for meeting the schedule, budget, and technical requirements of the project;
  - A nationally recognized project reviewer that will provide overall guidance and monitor progress and quality of the service provided;
  - Highly qualified staff with many years combined experience; and
  - Ample resources to ensure timely completion.

- Client involvement and control by:

- Adoption of procedures for regular and open communication between the project team members and District staff; and
- Assurance of budget and schedule control through the project manager's use of RFC's sophisticated project accounting and management system.

Identification of Operational and Capital Improvement Initiatives

The first step in conducting a comprehensive rate study is to review and become familiar with all aspects of the District's water utility operations including business process, policies and procedures, operational and maintenance (O&M) practices, capital improvement program (CIP) planning, organizational structure, financial planning and management, and the use of technology. RFC recently assisted the District with its Water Master Plan and Rate Study and our familiarity with its stipulations and priorities enables us to add significant value in financial planning.

Development of the Long-Range Financial Plan

The first step in conducting a comprehensive rate study is to review the comprehensive long-range financial plan for the District's water utility. In preparing the plans, we will analyze the District's current policies and practices for funding its operations, capital facilities plans, non-potable water supplies, and debt service requirements. As appropriate, we will consider various financing options, or combination of options, such as operating revenue, new debt issuance and miscellaneous fees. We will assist the District in achieving a suitable balance among the financing options when developing the proposed financial plan which will accomplish the following:

- Meet the District's system service policies and objectives;
- Fairly distribute financing responsibility to appropriate users; and
- Result in an appropriate capital structure so that the District obtains a high rating with bond rating agencies.

We recommend that the District maintain detailed financial plans on a ten-year basis to ensure that the District's water utility is operating in a revenue self-sufficient manner.

Determination of Cost of Service and Rate Structures

One of the major goals of any rate study is to ensure revenue adequacy while maintaining rate equity. Before equitable rates can be developed, it is necessary to determine costs of different functional areas and allocate those costs of service to customer classes in a sound, equitable manner. We propose to use a defensible, cost-causative allocation methodology, as illustrated in the AWWA M1 manual for water.

RFC is highly qualified in the development of rates and charges for water utilities by virtue of its engineering and financial/management consulting expertise. Our financial and engineering expertise enables us to develop defensible rate structures, either in traditional forms or, when appropriate, innovative forms to address specific needs and circumstances. RFC's thorough cost of service studies result in charges that are developed based on sound rate making principles that can be supported before regulatory agencies, commissions, Boards, customer groups, or courts of law.

Public Participation Program

During the last several years, heightened environmental interest and awareness, the drought and resulting impacts, economic considerations and increased expectation of fairness and equity, have combined to produce an increased interest by customers in the rates and rate design process. Increasingly, social considerations play an important part in rate design and a public participation program can be effectively used to help successfully implement rates with minimal political impacts. The RFC team is experienced in this area and will assist the District in successfully implementing a revenue program.

Traditionally, rate studies were performed by a consultant working with utility staff to analyze costs of services, review alternatives and provide solutions that meet the utility's policies. During the process, there were typically few opportunities to obtain public input. The process was generally internal since there was not much public interest.

Development of Financial/Rate Models

Taking advantage of the computer technology boom, RFC has developed a financial planning computer model (RFC Model) that will provide up-to-date financial planning and rate design information about the District's water utility. The RFC Model is one of the most advanced strategic planning tools available today. It is Windows-based and easy to learn and use. RFC will design the model to specifically recognize the unique needs, characteristics, and information based on the District's systems. We will provide training and consultation, re-work to reflect future operation changes, and make special presentations. The model can include:

- User-friendly buttons and icons to perform all user functions;
- Allow files to be consolidated so that changes and updates are automatically recalculated in all files; and
- Planning estimates for multiple years.

4. SCOPE OF WORK

The scope of work and tasks below define our technical approach. Our scope of work has been designed to address each of the services identified in the RFP and the tasks have been organized as follows:

RFC Task #	District Scope of Work Item #
2	2 and 3
3	3, 4, 5 and 6
4	7, 9, 10 and 11
5	1, 11 and 12
7	13, 14, 15 and 16

TASK 1: PROJECT INITIATION

This task will begin the study so that it progresses in an efficient manner. Task 1 will include the collection and review of all relevant data and documents, a kick-off meeting, ongoing project management and QA/QC process.

Task 1.1 – Data Collection and Review

The purpose of this task is to gather and review relevant information, documents, and analyses that will be required to conduct the water rate study. This information is necessary to understand the cost basis underlying the existing charges for water service, and provide a basis for future projections of costs, accounts etc. As part of this task, a detailed data request list will be prepared and submitted to the District so all appropriate data can be forwarded to RFC prior to the kick-off meeting.

Task 1.2 – Kick-off Meeting with District Staff

A kick-off meeting will be held within one (1) week of contract execution. The kick-off meeting provides a solid foundation for the project and serves as a forum in which District staff can provide input on the project's approach, work plan, scheduling, and priorities. A successful meeting ensures that project participants are in mutual agreement as to the project goals and expectations. RFC will develop a kick-off meeting package that contains the meeting agenda, a broad list of questions related to the District's water system operations, and presentation materials to guide the discussion. This kick-off meeting will also serve as a forum for RFC to develop an understanding of the District's water pricing objectives, financial goals, and other important utility issues.

Task 1.3 – Ongoing Project Management and Quality Assurance/Quality Control Process

Our project management approach stresses communication, teamwork, objectivity, and accountability for meeting project objectives and includes general administrative duties, including client correspondence, billing, project documentation, and administration of the study control plan. This sub-task provides for consistent and competent project management to ensure that all deadlines and objectives are met in a timely and efficient manner. The quality assurance/quality control (QA/QC) process ensures that all work performed by RFC Team on this project will be accurate and of the highest quality. Mr. Peiffer Brandt will serve as the primary QA/QC reviewer. Mr. Brandt will participate in all internal project meetings and will work closely with both the Project Manager and the RFC Team during the course of the project. The QA/QC reviewer's primary responsibility is to review the work effort for consistency, accuracy, and validity and ensure that the cost of service and rate models (Models) are functioning properly and based on sound rate making principles and standard industry practice. The QA/QC reviewer will also ensure that the report is comprehensive, consistent with the results, and meets the high quality standards of RFC.

TASK 2: DETAILED REVIEW OF EXISTING RATE STRUCTURE AND FINANCIAL POSITION (DISTRICT SCOPE ITEMS 2 AND 3)

This task incorporates an in-depth review of the current rate structure for the water system, cost of service approach, and the financial position of the utility funds. This task also involves our performance of a bill frequency analysis to determine the usage patterns, usage block sizes, and seasonal usage differentials for different customer groups, and an evaluation of certain rate policies and programs the District may want to consider adjusting or implementing.

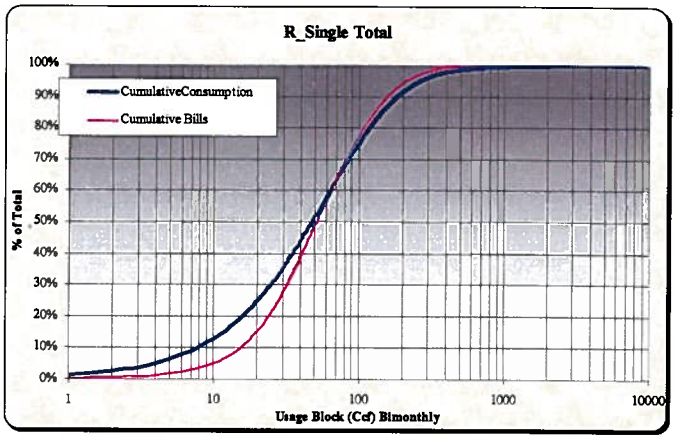
Task 2.1 – Review Current Rates and Financial Information

After the initial review of data, RFC will perform an in-depth review of the current rate structure, including fixed charges, variable/quantitative rates, and other miscellaneous fees. RFC will review the District's financial position of different utility funds, including reserve requirements (operating cash flow, capital projects, emergency, etc.), debt coverage, revenue ratio and annual rate funded capital. This review will serve as the basis for developing rate structure and financial policy recommendations.

Task 2.2 – Perform Bill Frequency Analysis

Since the last study was completed, the District implemented a new billing system which can provide good usage data. To help the District gain a better understanding of the water consumption trends, RFC will examine usage patterns as they relate to customer demands, population growth, and usage peaks during summer. Moreover, using a bill frequency analysis, we will study available historical water consumption of the District's different customer types

in order to better understand the consumption patterns for each type of customer. A sample "S" curve is shown alongside. This kind of analysis allows better decision making regarding block cutoffs when setting tiered rates and analyzing customer impacts. Analysis of seasonal and off-season usage allows the design of better seasonal rates, if desired. Based on this historical analysis and planning data, the Project Team will develop projections of water consumption.



The study of the usage patterns of the different user classes and the in depth review of the existing rate structure will help RFC determine if the current rate methodologies are equitable to user categories.

TASK 3: ANALYSIS OF REVENUES, REVENUE REQUIREMENTS AND THE DEVELOPMENT OF FINANCIAL FORECAST (DISTRICT SCOPE ITEMS 3, 4, 5 & 6)

The objective of this task is to develop a forecast of revenue requirements for the five-year planning horizon. This will include analyzing revenue and cost data, forecasting revenues from different sources, annual costs related to capital expenditures, plant investment, operating and maintenance (O&M) expenses, reserve contributions, depreciation and debt services. Also, as part of this task, RFC will develop a cash flow analysis and reserve balance analysis.

Task 3.1 – Develop Forecast of Annual Water Revenue Requirements

RFC will analyze current revenue and cost data, incorporate assumptions and growth trends, and develop a forecast of water revenue requirements for the five-year planning horizon. This will include an estimate of revenues based on current rates, usage characteristics and other related fees. Revenue requirements will be projected over the rate setting period based on historical results, the District's current operating budget, capital budget and master plan of facilities, capital improvement and replacement plans, existing debt services, factors such as demands, availability of water supply, and current economic and growth trends. The RFC Team will project items in the District's budget such as O&M, labor, power, materials, with flexibility to adjust the escalation factors annually and individually for different types of costs and override escalation with manual entries. Projecting revenue adjustments over a long planning horizon can illustrate future rate impacts and potential challenges to the District's financial situation. This will allow the District to make adjustments to some expenses, reserve balances, or schedule capital projects to smooth rate impacts and maintain financial stability.

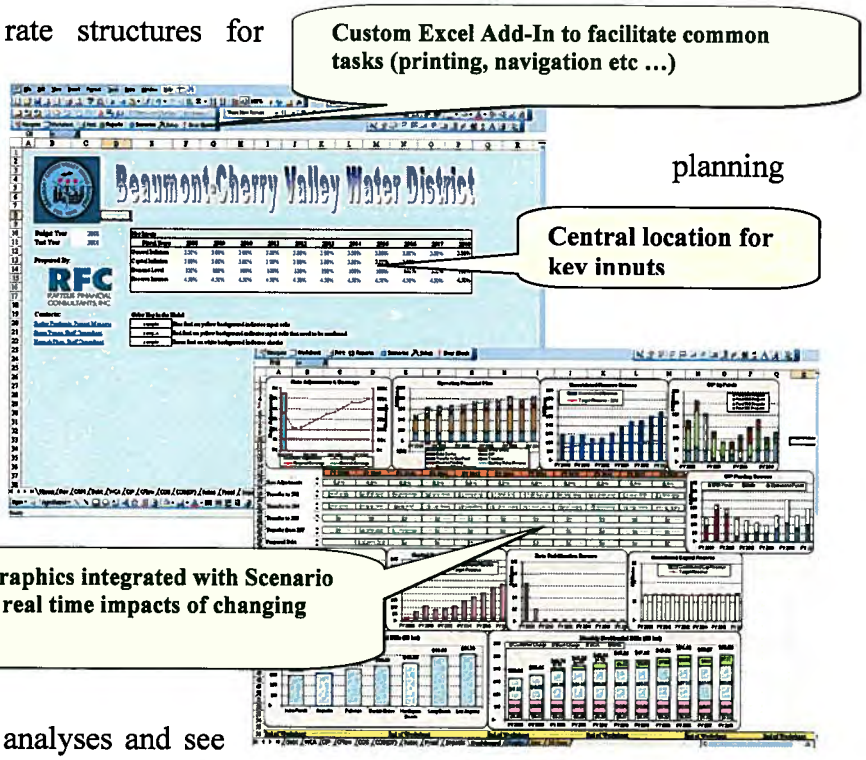
Task 3.2 – Develop Cash Flow Analysis and Recommend Reserve Balances

RFC will develop future cash flow analysis with revenue level adjustments needed to meet projected revenue requirements for the planning period. The cash flow worksheet incorporates revenues generated from different sources, expenses needed to maintain the water system, any transfers in and out of the working cash fund, as well as the coverage needed to meet current and proposed debt service requirements. RFC will also review reserves policies to recommend appropriate target reserves balances, such as operating, capital, rate stabilization, emergency reserve etc., consistent with industry standards.

Task 3.3 – Develop Model Specifications

RFC understands the importance of developing an easy-to-use, flexible rate model (Model) that the District can use in the future for financial planning and developing rates. Some features of our Model include:

- Ability to model multiple rate structures for customer classes;
- Incorporation of financial planning over an appropriate horizon with ability to change certain standard assumptions by year;
- Ability to calculate rates for multiple years and update rates annually with ease;
- Ability to flag errors and problematic results such as failure to meet debt coverage, reserves below target levels, etc.;
- Ability to perform sensitivity analyses and see the changes in real time on built-in screen graphics; and
- Ease of input, report printing, update, understanding, administration, and legal defensibility and compliance.



Upon completion of the study, RFC will provide the District with this easy-to-use electronic rate model in Microsoft Excel® format, which can help the District to explore alternative scenarios and in future planning. This Model will be robust and flexible enough to calculate

rates under the proposed rate structure and incorporate revisions or alternatives necessary to address negative customer impacts, yet user-friendly enough to be updated annually by District staff.

TASK 4: COST OF SERVICE ALLOCATIONS (DISTRICT SCOPE ITEMS 7, 9, 10 & 11)

As part of this Task, the RFC Team will classify expenses based on the functional operating activities performed, classify the functional expenses into functional and indirect cost components, and allocate costs into fixed and variable cost components. We will also review existing customer classifications for appropriateness, review and analyze historical customer class usage characteristics including peaking factors, and then allocate cost of service to customer classifications. The cost of service allocations will be based on industry accepted methodologies consistent with American Water Works Association (AWWA) and Water Environmental Federation (WEF) standards.

Task 4.1 – Review Customer Class Usage Patterns and Determine Customer Classifications

RFC will review and analyze historical water consumption, revenue records, and billing summaries to determine water usage and peaking characteristics by customer class or subclass. We will then estimate the relative responsibility of each customer class for each of the functional cost elements. This allocation will be based on billing summary data, other locally available data which may be applicable, and RFC's experience with other utilities exhibiting similar usage characteristics and patterns. It will provide the basis for equitable cost allocations to each customer class or subclass.

Task 4.2 – Allocate Costs to Functional Cost Categories

The water cost of service study will be performed based on industry standards and methodologies approved by the *AWWA M-1 Rate Manual*. The cost of service allocations will focus on appropriate service functions, allocating the cost of service (revenue requirements) to the service functions, determining how those services are used by each customer class, and developing the cost allocation components of the Model. Cost allocations among customer classes will be based on the Base-Extra Capacity approach which focuses on the different usage patterns (or peaking factors, max day, max hour) demonstrated by each customer class.

The cost of service will be allocated to capacity related costs, commodity costs, customer and other indirect costs. These will represent the revenue requirements to be met from water charges and fees over the study period.

Task 4.3 – Allocate Functional Costs to Customer Classes

Next, the costs associated with the functional components will be allocated to the various customer classifications on the basis of the relative responsibility of each classification for service provided. Costs will be allocated based on the determination of units of service for each customer classification and the application of unit costs of service to the respective units. Marginal unit costs will also be determined based on peak demand for various customer classes.

Throughout the cost allocation process, RFC will comply with District policy considerations, procedures, and all currently known federal, state, and local rules, regulations, and guidelines applicable to charges for water service including Proposition 218. RFC has many years of experience in developing cost of service based rates that are in compliance with Proposition 218.

TASK 5: RATE DESIGN (DISTRICT SCOPE ITEMS 1, 11 & 12)

Following the cost of service allocations, RFC will calculate water rates and recommend suitable rate alternatives. The recommended rates are designed to meet revenue requirements, maintain revenue stability of the District, as well as encourage conservation. RFC will ensure all rates can recover cost of providing services to the water service and follow State policy. The Models will incorporate the flexibility to address potential customer impacts that may result from new customer classifications or the change to a new rate structure.

Task 5.1 – Calculate Water Rates

The rates will be determined by taking into consideration total annual revenue requirements, allocated costs of service, water conservation, the District policy considerations and compliance with state guidelines. We recognize that rate making is an art, so we will calculate water rates under the most appropriate rate structure based on our understanding of the District's primary pricing objectives, financial and water conservation goals, and consistent with industry accepted guidelines and practices. The rate calculation module will incorporate the appropriate level of flexibility to adjust or modify the rate calculations to address and mitigate any negative customer impacts. Furthermore, the rate calculation module will be developed to incorporate and evaluate alternative rate structures. The RFC will evaluate alternative rate structures that will comply with the recommendation of the California Urban Water Conservation Council (CUWCC) that fixed revenues be less than 30 percent of total revenues from rates.

The recommended rate structure will help the District to recover fixed and variable costs equitably and meet mandated water conservation requirements. The rate design will also take into consideration the current and future cost of providing water, projected demands, short and

long-term availability of water supply, equitability to customers, annual revenue requirements and reserve balances, as well as compatibility with District's billing system.

Rates will be calculated for each year in the forecast period and adjusted, where possible, to provide for a smooth forecast of rate adjustments. For example, changes in the timing of capital expenditures and the use of reserve funds to mitigate short-term rate impacts are two ways that rate smoothing could be addressed. The objective is to minimize the magnitude of customer impacts while still achieving long-term revenue objectives. RFC will present the preliminary rate calculations at a workshop with District staff.

Task 5.2 – Review and Update Facilities/Impact Fees and Other Fees

RFC will review the District's master plans, capital budgets and assets to update facilities/impact fees to ensure that the fees collected by the District recover the capital cost for providing water service to new connections. Costs for procuring water supplies have increased dramatically since we did the last study and need to be updated. RFC will evaluate the District's impact fees based on the buy-in and incremental methodologies and recommend the one that is most applicable to the District. RFC will also evaluate other fees, such as water meter fees, late payment fees, damaged meter fees, etc. and recommend if an update will be necessary. The calculation of the fees will depend on fixed assets, planned capital improvements, capital financing assumptions, system capacities, and the costs of providing specific services. RFC will meet applicable regulatory requirements in developing impact fees and miscellaneous fees such as late payment, turn-on, turn-off, damaged meter fees, etc.

Task 5.3 – Analyze Customer Rate Impacts

The rate recommendations will address as many of the District's objectives as possible. In particular, we will focus on minimizing the adverse impact on customers with low water usage. Also, the potential financial impacts on typical customers that may result due to any adjustments in the rate structure will be considered. The Model will include a series of schedules or tables that show projected cost impacts on different types of customers and different levels of usage or generation. These schedules provide an invaluable tool for evaluating whether the rate recommendations are impacting targeted customer groups and/or levels of usage to ensure that conservation and other pricing objectives are being addressed effectively.

Task 5.4 – Conduct Rate Survey

RFC will conduct a survey of the current and historical water rates for the District and other neighboring Riverside and San Bernardino County water agencies of comparable size and cost of service characteristics. The comparison survey will consider a variety of parameters such as

cost of providing service, seasonal rates, block consumption rates, fixed charges versus volumetric consumption charges, customer classes, and outside-city rate differentials.

RFC has extensive experience in conducting local rate surveys as part of our other rate studies, benchmarking studies, and from our *Water and Wastewater Rate Survey*, a national biennial water and wastewater rate survey conducted by RFC in association with AWWA. This provides RFC with extensive survey experience, a national database, and numerous contacts throughout the industry that will be extremely useful in collecting financial and rate information for the rate and cost of service comparison. RFC also conducts biennial water rate surveys in California. The 2007 survey should be published within the next couple of months and will be published by the CA-NV AWWA.

Comparing water rates with other representative agencies can provide insights into a utility's pricing policies related to water service. Care should be taken, however, in drawing conclusions from such a comparison as some factors including geographic location, demand, customer constituency, level of treatment, level of grant funding, age of system, level of general fund subsidization, and rate-setting methodology can affect the cost of providing services.

TASK 6: FINALIZE MODEL AND PREPARE WATER COST OF SERVICE AND RATE REPORT

The goal of this task is to work with the District Staff to finalize the Model to ensure that the model is consistent with the District's specifications. RFC will prepare a draft report detailing the results of the study.

Task 6.1 –Revise Model and Develop Draft Report

After discussing with the District staff, and other community groups, RFC will revise the Model to reflect the District Staff comments and finalize the water rates. The process for determining the water rates, the methodology used to determine cost of service and rate structure, and the recommended financial policies will then be described in a draft report, which will be submitted to the District within 120 days after execution of the contract.

TASK 7: PRESENT FINAL RECOMMENDATIONS AND PROVIDE FINAL DELIVERABLES (DISTRICT SCOPE ITEMS 13, 14, 15 & 16)

This task involves presenting the final findings and recommendations of the study, finalizing the recommendations in a Final Report, and assist with Proposition 218

Task 7.1 – Present Final Findings and Recommendations to District Board and Council
RFC will meet with the District's Staff and Board of Directors and present our findings and recommendations. RFC will participate and present the results of our study during a work session with the District's staff and Board of Directors prior to providing public notification of the water rate increases. The presentation will highlight the collaborative process used to identify and prioritize the important issues facing the District water service as well as the financial policies that will serve as the framework for the financial plan.

Task 7.2 –Prepare Final Recommendations and Reports
RFC will incorporate all comments and final decisions into the Final Report. Six (6) bound copies, one (1) unbound copy and a disk copy in Microsoft Word® format, of the final report will be submitted to the District within 30 days of receipt of District comments.

Task 7.3 – Assist with Proposition 218 and Public Hearing
RFC will help to develop a District ordinance to address water rate and facility fee issues. RFC will also assist the District in the preparation of the Proposition 218 notice and ensure that the proposed rates conform to RFC recommendations and are in compliance with Proposition 218. Proposition 218 dictates that an agency cannot collect revenue beyond what is necessary to provide service and that the amount of fee may not exceed the proportional cost of service to the parcel. RFC has assisted with Proposition 218 notices in numerous cities all over California and has not been challenged on its rate methodology. Recent examples include Cities of San Diego, Beverly Hills and Redlands.

Task 7.3 – Meet with Board and other Stakeholders
RFC will meet with Board, community groups, and building industry groups throughout the course of the study to secure their inputs. Up to three meetings are included in the proposed fee.

Following the 45 day notice period, RFC will make a presentation at a public hearing.

5. SCHEDULE

RFC can complete the study to draft report stage within three months of notice to proceed. We can expedite the process if necessary because of our resources. A project schedule is shown below for reference.

Project Schedule	July	August	September	October	November	December
Task 1 - Project Initiation	★					
Task 2 - Detailed Review of Existing Rate Structure and Financial Position						
Task 3 - Analysis of Revenues, Revenue Requirements and the Development of Financial Forecast						
Task 4 - Cost of Service Allocations						
Task 5 - Rate Design			★			
Task 6 - Finalize Model and Prepare Water Cost of Service and Rate Report				☆		
Task 7 - Present Final Recommendations and Provide Final Deliverables				★ ☆		
Proposition 218 Notice (45 days)						☆

★ Represents meetings/workshops with District staff

☆ Represents draft rate report submitted.

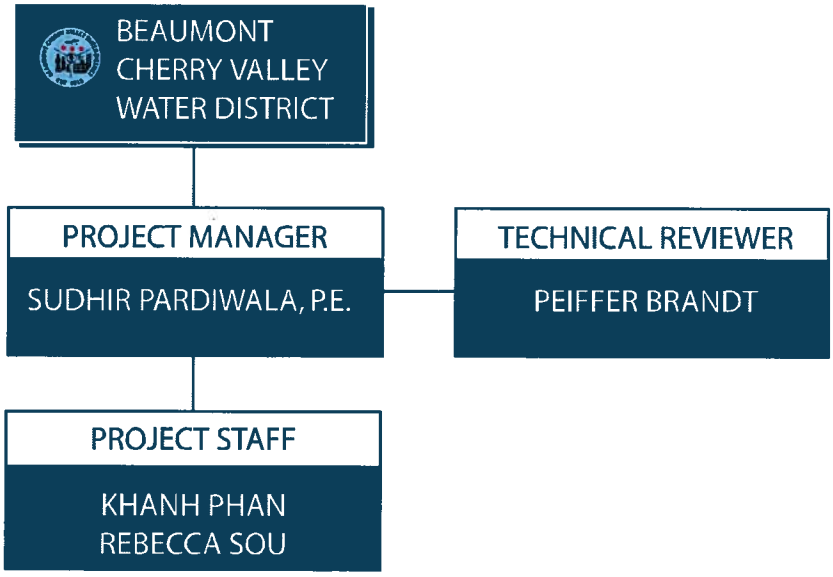
☆ Represents final rate report submitted.

★ Represents Presentation to Board

☆ Represents Public Hearing

6. PERSONNEL

Each member of our proposed project team is an experienced professional with skills in water, sewer and reclaimed water cost of service and rate setting. To effectively meet the District's objectives, we have organized a project team with extensive management, financial, and operational experience with municipal water and wastewater utilities. This project team has more than 40 years of combined experience providing consulting services to more than 300 governmental utilities on a broad range of cost of service and rate design studies. We have provided an organizational chart and brief summaries of the responsibilities for each of the team members below. More detailed resumes of each team member are provided on the following pages.



MR. SUDHIR PARDIWALA, P.E. – VICE PRESIDENT, PROJECT MANAGER

Mr. Pardiwala is a nationally recognized expert in water and wastewater finance, management and pricing. He has over 30 years of experience in financial studies and engineering including extensive expertise in utility cost accounting, budgeting and valuation, financial and revenue planning and assessment engineering. He has conducted nearly 200 water, wastewater, reclaimed water and storm water rate studies as well as connection fees including fire, park, traffic, library, and planning impact studies. Mr. Pardiwala has assisted numerous utilities with conservation rates. He has assisted public agencies in reviewing and obtaining alternate sources of funding for capital improvements, including low interest state and federal loans and grants. Mr. Pardiwala is vice chairman of the CA-NV AWWA Business Management Division and was chairman of the Financial Management Committee of the California/Nevada Section AWWA, a member of the AWWA Financial Accounting and Management Controls Committee, and authored a chapter in the Manual of Practice Financing and Charges for Wastewater Systems recently published by WEF. Mr. Pardiwala will have ultimate

responsibility for the project and will be the point of contact with the District. He will participate in meetings and lead relevant presentations. He will also manage RFC staff in the review of data, development of the model, and documentation of the study. Mr. Pardiwala is thoroughly familiar with the District having developed the previous rate and connection fee studies.

MS. KHANH PHAN, SENIOR CONSULTANT – LEAD CONSULTANT

Ms. Phan has served as a lead consultant on several water and wastewater cost of service rate studies, connection fees and reserve policy studies. Specific experience includes projects for the following utilities for the cities of Banning and Livingston, California; and budget rates for the Palmdale Water District and El Toro Water District, in California. She possesses strong analytical and managing skills acquired from her background, education and experience. Combined with her advanced computer skills, Ms. Phan performs an excellent job as a modeler.

MS. REBECCA SOU, CONSULTANT – STAFF CONSULTANT

Ms. Sou has experience providing high level financial research, modeling and reporting. She possesses advanced computer skills and organizing abilities. Ms. Sou has worked on several water, wastewater, recycled water rate studies, and connection fee studies including the cities of Torrance, Livingston, Banning, Redlands, La Canada- Flintridge and Triunfo Sanitation District. She will support Mr. Pardiwala with the development of the model and alternative rate structures.

MR. PEIFFER BRANDT, CHIEF OPERATING OFFICER – TECHNICAL REVIEWER

Mr. Brandt has managed a variety of projects to assist water and wastewater utilities in addressing economic and financial issues. He has also gained a broad knowledge of water and wastewater rate structures and rate setting practices as the project manager for various rate surveys, including the 2000, 2002, 2004, 2006, and 2008 Water and Wastewater Rate Surveys (2004, 2006, and 2008 in association with AWWA). Mr. Brandt is the former Chair of the North Carolina AWWA-WEA Finance and Management Committee. In addition, he led the development of workshops entitled Utility Finance 101 and Utility Finance 201, which focused on the rate-setting process and the appropriate methodology for developing cost of service allocations.

RESUMES

SUDHIR PARDIWALA, PE – PROJECT MANAGER

TECHNICAL SPECIALTIES
Financial Studies and Engineering
Water and Wastewater
Utility Cost Accounting
Budgeting and Valuation
Financial and Revenue Planning
Assessment Engineering
Reviewing/obtaining capital
Improvement funding
Computer modeling

PROFESSIONAL HISTORY
Raftelis Financial Consulting
Vice President, 2004 – present
Black & Veatch 1997-2004
MWH 1985-1997
CF Braun 1979-1985
PFR Engg Systems 1977-1979

EDUCATION
Bachelor of Science, Chemical Engineering
Indian Institute of Technology, Bombay, 1974
Master of Science, Chemical Engineering
Arizona State University, 1976
Master of Business Administration
University of California, Los Angeles, 1982

PROFESSIONAL REGISTRATIONS
Registered Professional Engineer (Chemical and Civil) California

PROFESSIONAL MEMBERSHIPS
American Water Works Association
Water Environment Federation
California Municipal Finance Officers Association
Association of California Water Agencies

Mr. Pardiwala has over 30 years of experience in financial studies and engineering. He has extensive expertise in water and wastewater utility cost accounting, budgeting and valuation, financial and revenue planning, and assessment engineering. He has conducted numerous water, storm water, reclaimed water and wastewater rate studies as well as system development fee studies, and has developed computerized models for these financial evaluations. Mr. Pardiwala has assisted public agencies in reviewing and obtaining alternate sources of funding for capital improvements, including low interest state and federal loans and grants. He has assisted several utilities with State Revolving Fund and Water Reclamation Bond loans. Mr. Pardiwala is experienced in assessment engineering and administration. His engineering education and background provides him with an excellent basis for studies of public and municipal utilities. He authored the chapter on reclaimed water rates in the Manual of Practice on Financing and Charges for Wastewater Systems recently published by the Water Environment Federation.

RELEVANT PROJECT EXPERIENCE

City of San Diego, California

Mr. Pardiwala conducted numerous studies for the City of San Diego, including a water, wastewater and reclaimed water rate study. The entire wastewater rate study was conducted with extensive stakeholder group involvement because of the changes required in the wastewater rate structure to meet regulatory requirements. In addition, Mr. Pardiwala was project manager for the City's reclaimed water rate study, impact fee studies for both water and wastewater, and a transportation charges study for agencies contributing to the City's regional wastewater facility. Mr. Pardiwala also managed a water demand study which involved statistical analysis of historical water consumption to model projections based on weather, economic activity, population, inflation, etc. Mr. Pardiwala also participated in a management audit of the City's Utility Department.

City of Redlands, California

Mr. Pardiwala has managed several financial projects for the City including water, wastewater and reclaimed water projects. The studies were conducted with extensive stakeholder input. The first rate studies involved significant rate adjustments as well as rate structure adjustments to ensure financial stability,

meet debt coverage requirements, and regulatory requirements. The analysis included calculation of outside-City charges and impact fees. The City received user-friendly working rate models for future updates. Mr. Pardiwala assisted the City with State Revolving Fund loans for reclaimed water and potable water. He helped them find grants for the reclaimed water project.

Other recent projects

- City of Atwater, California – Water and Wastewater Rate Study
- City of Banning, California –Water and Wastewater Rates Study
- Cities of Barstow and Visalia - California Storm Water Financing Plans and Rates
- Beaumont Cherry Valley Water District, California – Water Rate and Connection Fee Study
- City of Beverly Hills, California – Conservation Rate Study, Water Rate Study and Update, Connection Fees, Valuation and Development of Replacement Program and Asset Inventory
- City of Brea, California – Water Connection Fees and Related Fees and Charges
- City of Burbank, California - Water, Wastewater, Bond Feasibility Study and Reclaimed Water Study
- City of Carlsbad, California - Water, Wastewater, and Reclaimed Water Revenue Program
- City of Cloverdale, California – Water and Wastewater Connection Fees and Rate Study
- City of Corona, California – Water and Wastewater Rate Study
- El Toro Water District – Water and Wastewater Rates and Connection Fees
- City of Encinitas, California – Water and Wastewater Rate Study
- City of Glendora, California – Water and Wastewater Financial Planning and Rate Study
- Goleta West Sanitary District, California - Asset Management, Water Rate Study, Connection Fees, Financing Plan
- City of Henderson, Nevada – Water and Wastewater Rate Study
- City of Los Angeles, California – Wheeling Charge Review
- City of Madera, California – Water and Wastewater Rate Study
- Metropolitan Wastewater Joint Powers Authority – Wastewater Valuation Study
- Napa Valley Sanitation District – State Revolving Fund Loan Assistance
- City of Ontario, California – Water, Wastewater and Reclaimed Water Rate Study

- Portland Water Bureau, Oregon – Water Rate Study
- City of Redlands, California – Water and Wastewater Rate Study, Reclaimed Water Funding and Bi-annual Rate Updates
- City of Rialto, Rialto, California - Water and Wastewater Rate Study
- City of Sacramento, California – Wastewater Rates Study, Water Development Fee and Wholesale Wheeling Charge Study
- County of San Bernardino, California - Water and Wastewater Rate Study
- City of San Diego, California – Water, Wastewater Connection Fee, Rate Study, Recycled Water Study, and Litigation Support
- San Diego County Water Authority, California – Rate Analysis, Valuation Study, Wheeling Charge Study, Capacity Valuation
- City of San Francisco, California - Water and Wastewater Rate Study
- City of San Jose, California - Sewer Service Related Fees and Charges
- San Gorgonio Pass Water Agency, California - Financing Plan
- City of San Luis Obispo, California - Stormwater Financial Feasibility Study
- Santa Fe Irrigation District, California – Water Connection Fees Study, Water Rate Study and Update
- City of Santa Monica, California – Wastewater Rate Study
- Town of Windsor, California - Water and Wastewater Connection Fees and Rates, Water and Water Reclamation Rate Studies, Impact Fee Review, and SRF Loan Application Assistance

TECHNICAL SPECIALTIES
Utility Cost of Service and Rate Structure Studies
Economic Feasibility Studies

PROFESSIONAL HISTORY
Raftelis Financial Consultants, Inc.
Senior Consultant, 2008-Present

Avery Dennison
Research Chemist, 2004-2008

EDUCATION
Master of Business Administration - Finance
California State University, Los Angeles
Graduation March 2007

Bachelor of Science, Chemical Engineering
University of California, Berkeley
Graduation May 2003

KHANH PHAN – LEAD CONSULTANT

Ms. Phan has served as a consultant on several water rate studies and cost of service studies. Specific experience includes projects for the following utilities for the cities of Banning and Livingston, California, the Goleta West Sanitary District, California, and Palmdale Water District and El Toro Water District, California.

RELEVANT PROJECT EXPERIENCE

City of Banning, California

RFC is currently working on a comprehensive cost of service study for the City of Banning, California ("City") water and wastewater services. Ms Phan assists in developing a model to calculate the water rates and water connection fees based on analysis of revenue, O&M costs, cash flows and assets. She also investigated the price of water purchased from State Water Project to meet increasing water demand of the City.

Goleta West Sanitary District, California

Goleta West Sanitary District ("District") completed designing new reserve policy to cover its share of replacement and refurbishment cost for the upgraded full secondary wastewater treatment plant in Goleta Sanitary District (GSD) in 2014. As a consultant, Ms Phan reviewed the necessary capital improvement projects of the District over the next 50 years, including replacement and refurbishments (R&R) of the collection system as well as improvements that may be needed to refurbish the treatment plant. She developed a model of the long-term financial plan that incorporates the assumptions on operations, capital and reserves requirements and recommended a policy identifying target amounts for the different reserves for the District's consideration.

City of Livingston, California

RFC performed a Water Rate Study for the City of Livingston ("City"). As a consultant, Ms. Phan is responsible for the development of a rate structure for the City based on analysis of revenue, O&M costs, and cash flow. The City has one of the lowest rates in the Central Valley and will experience significant increases in rates to make up for past revenue shortfalls and for capital improvements needed because of regulatory concerns.

Palmdale Water District, California

RFC recently completed Water Rate Study for Palmdale Water District ("District"). Ms. Phan is responsible for developing a rate model to examine

new rate structures for the District. The model and structure established allocations for residential usage and irrigation requirements for residential and non-residential customers. The study involves prioritizing pricing objectives, analysis of projected revenue, budgeted O&M costs, allocation of cost of services and cash flows and impacts. Ms. Phan also assisted the District in establishing budget guidelines.

El Toro Water District, California

RFC recently completed a comprehensive Cost of Service Study for El Toro Water District ("District"). Ms. Phan is responsible in developing a rate model to examine new water and sewer rates for the District to reflect the increased water cost from Metropolitan Water District of Orange County and the increased operating costs for the District's water and sewer systems. The model analyzes projected revenues, budgeted O&M costs, and the cost of service, the District's financial plan and customer impacts as a result of proposed rate increases.

In addition, she is assisting the District set up water and wastewater capital charges on the tax roll. This involves integrating the City's account data with the assessor's parcel data and determining the appropriate water and sewer charges to be assessed to each customer and placing the resultant special assessments on the County tax roll.

TECHNICAL SPECIALTIES
Utility Cost of Service and Rate Structure Studies
Economic Feasibility Studies
State Revolving Fund Assistance

PROFESSIONAL HISTORY
Raftelis Financial Consultants, Inc.
Staff Consultant, 2008-Present

Sony Supply Chain Solutions, Inc.
Business System Liaison, 2007-2008

California State University, Department of Finance
Research Assistant, 2006-2007

O.K. Container Logistics, Inc.
Senior Import Operations Specialist, 2004-2006

EDUCATION
Master of Business Administration
California State University, Fullerton, 2007

Bachelor of Science, Management Science
University of California, San Diego 2004

REBECCA SOU – STAFF CONSULTANT

Ms. Sou has served as a consultant on several water and wastewater rate studies and cost of service studies. Specific experience includes projects for the following utilities for the cities of Banning, Redlands, Livingston, San Francisco, and San Diego, and La Canada Irrigation District and Triunfo Sanitation District.

RELEVANT PROJECT EXPERIENCE

City of Banning, California

RFC is currently working on a comprehensive cost of service study for the City of Banning, California ("City") water and wastewater services. Ms Sou assists in developing a model to calculate the wastewater rates based on five-year financial plan and other analyses.

City of Redlands, California

Ms. Sou served as a consultant for a water and wastewater rate study for the City of Redlands ("City"). The goal of the study was to develop rates that are more responsive to cost of service and pay for necessary capital improvements. The study included a comprehensive review of the City's revenue requirements and allocation methodology, review of the City's user classification, a cost of service analysis, and rate design for City users. RFC recently updated the water and wastewater rates for the City with input from the Utility Advisory Committee and surveyed neighboring utilities to benchmark rates. Ms. Sou also helped the City to establish a suitable development impact fee program. She has successfully adopted the equity buy-in approach to estimate fair recovering costs. She is analyzing the differential impacts resulting from potentially lower water usage and wastewater discharges from senior and multi-family dwelling units as compared to single family residences.

La Canada Water District, California

Ms. Sou performed a water rate study for the District. The District had a five tiered rate structure with small increases to the rates among the tiers. The District needed to fund a large capital project and address the large rate increases at MWD and potential mandatory cutbacks in water usage. Ms. Sou reviewed the expenses and revenues at the District and developed a water model that was capable of analyzing multiple scenarios. The proposed rates and impacts were reviewed in a working session with the District Board to develop the final rate recommendations.

Triunfo Sanitation District, California

The District provides water service and wastewater service to different areas. In response to the MWD rate increase and water supply restrictions, the District wanted to review water rates and provide incentives for water conservation. The District discharges its wastewater to the Las Virgenes Municipal Water District for treatment and disposal. Ms. Sou developed financial planning and rate models for water, sewer and recycled water. The proposed rate alternatives were analyzed with the District Board in a workshop setting and impacts to customers were reviewed to develop the final recommendations.

City of Livingston, California

Ms. Sou performed a Wastewater and Solid Waste Rate Study for the City of Livingston ("City"). The City is served by a private contractor to haul waste. Ms. Sou was responsible for the development of a rate structure for the City based on analysis of revenue, O&M costs, and cash flow.

City of San Francisco, California

The City of San Francisco engaged RFC to conduct water and wastewater rate studies. Ms. Sou assisted with the development of the financial plan. She has helped to define and examine user classes and usage by class, set up revenue and CIP models and determine revenue required from rates.

City of San Diego, California

RFC conducted a recycled water (RW) rate study to evaluate the costs of producing RW and the rate to charge customers. . The study involved evaluation of various scenarios involving capital projects with increased sales, cost sharing between water and wastewater, phasing in of rates, repayment of past costs incurred by water to fund the recycled water program. Ms. Sou assisted in preparing the scenarios and conducting economic analyses of the alternative scenarios.

PEIFFER BRANDT, CHIEF OPERATING OFFICER – TECHNICAL REVIEWER

TECHNICAL SPECIALTIES
Utility Cost of Service and Rate Structure Studies
Conservation Rate Studies
Bond Forecasts and Feasibility Studies
Economic Feasibility Studies
Industrial Waste Charge Studies
Capital Recovery Fee Studies
Survey Research of Water and Wastewater Utility Characteristics and Rates

PROFESSIONAL BACKGROUND
Raftelis Financial Consultants, Inc.
Vice President, 2004-present
Manager, 2000-2003
Senior Consultant, 1997-1999

EDUCATION
Master of Science, Public Health in Environmental Management and Policy
University of North Carolina, 1997
Bachelor of Science and Engineering in Chemical Engineering
Princeton University, 1994

PROFESSIONAL MEMBERSHIPS
North Carolina AWWA-WEA
Former Chair, Finance and Management Committee
Association of Metropolitan Water Agencies

Mr. Brandt joined RFC in 1997 and has been integral to the growth that RFC has experienced in recent years. He has managed a variety of projects to assist water and wastewater utilities in addressing economic and financial issues. These projects include the 2000, 2002, 2004, 2006, and 2008 *Raftelis Financial Consulting Water and Wastewater Rate Survey* and a Navy project in which RFC has been responsible or evaluating over 100 water and wastewater naval base systems.

RELEVANT PROJECT EXPERIENCE

San Antonio Water System, Texas

Mr. Brandt participated in the water and sewer rate study conducted for the San Antonio Water System ("SAWS"), which is responsible for providing water and wastewater services to approximately 300,000 customers within the City of San Antonio and the portions of the surrounding metropolitan area. In 2003, the San Antonio Water System engaged RFC to conduct a detailed cost of service study, including the development of a model that would analyze the rates and customer impacts under various alternative rate structures. RFC assisted SAWS in identifying viable rate structures that would meet the majority of SAWS' objectives which included conservation and financial sufficiency.

Charlotte-Mecklenburg Utilities, North Carolina

Mr. Brandt has served as Project Manager for multiple financial services projects for Charlotte-Mecklenburg Utilities ("Utilities"). Originally, RFC assisted Utilities in developing a water financial planning and rate model and related user manual. The rate model has been used to update rates and assist with Utilities' financial planning. Since the original model development, RFC has provided assistance in updating and refining the rate model. In addition, RFC recently completed a revision to the methodology used to calculate certain industrial waste charges. Mr. Brandt also assisted Utilities in developing stronger conservation based water rates, while trying to maintain revenue sufficiency and provide an affordability program. Finally, Mr. Brandt has managed a project for Utilities and the City of Charlotte that determined the appropriate allocation of costs for the City's Revenue Division between Utilities, Stormwater, and the General Fund.

Birmingham Water Works Board, Alabama

Mr. Brandt has served as the Project Manager for multiple financial and management consulting engagements for the Birmingham Water Works Board (the "Board"). RFC has annually updated the water and sewer rates since 2001, and Mr. Brandt managed a comprehensive cost of service analysis and the development of a rate model in 2006. We have assisted with Bond Feasibility studies in 2002, 2004, 2006, and 2007. He led the development and modeling of a Rate Stabilization and Equalization process whereby rates are adjusted annually based on the budget and specific coverage ratios.

United States Navy

Mr. Brandt has served as RFC's Project Manager on a five-year contract with the Naval Facilities and Engineering Command. RFC is a subcontractor to Navigant Consulting on this project. Under this contract, RFC has participated in strategic planning meetings, assisted with procurement evaluation and negotiation, developed cost estimates, and performed financial modeling. Mr. Brandt has worked with both the Navy and Navigant to ensure that the tasks under this contract have been successfully completed. One key component of this assistance was the development of a financial evaluation model that was consistent with the Defense Department's requirements. This model has been used to evaluate the feasibility of over 25 proposals for Navy water and wastewater systems across the country.

Other recent projects

- City of Atwater, California - State Revolving Fund Loan Assistance and Water and Wastewater Rate Study
- City of San Francisco, California - Wholesale Contract Analysis
- City of Portland, Oregon - Wholesale Rate Study
- Association of Metropolitan Water Agencies - Utility Financial Information Survey
- City of Los Angeles, California - Litigation Support
- City of Salisbury, North Carolina - Bond Feasibility Study and Consolidation Feasibility Analysis
- City of Salisbury, North Carolina - Water and Wastewater Rate Study
- City of Wichita, Kansas - Water and Sewer Rate Review and Wholesale Water Rate Analysis
- City of Winston-Salem, North Carolina - Bond Feasibility Study, Financial Analysis, and Impact Fee Study

- Dare County, North Carolina - Bond Feasibility Study and Water Rate Study
- Loudon County Sanitation Authority, Virginia - Bond Feasibility Study and Cost of Service Rate Study
- Newport News Waterworks, Virginia - Bond Feasibility Study
- Northeast Ohio Sewer District, Ohio - Wastewater Rate Analysis
- Orange Water and Sewer Authority, North Carolina - Conservation Rate Development and Water and Sewer Rate Study
- Peace River Manasota Regional Water Authority - Feasibility Study and Regionalization Study

7. QUALIFICATIONS

FIRM OVERVIEW

PRIMARY AREAS OF ACTIVITY AND SPECIALIZATION
Our experience in the water and wastewater utility industry spans a broad spectrum of financial, pricing, management, and accounting services. Specifically, our services include:

ECONOMIC ANALYSIS
Cost of Service and Rate Analysis
Conservation Rates
Economic Feasibility
Analysis and Forecasting
System Development Fee Studies
Capital Financial Planning
Consolidation Analysis
Extension Policy Review

MANAGEMENT AND ORGANIZATIONAL STUDIES
Organizational Structure Review
Management Audits
Policies and Procedures Review
Personnel and Compensation Analyses
Operating Practices Review

SPECIAL ENVIRONMENTAL ASSISTANCE
Litigation Support
Industrial Pretreatment Studies
Meter Reading Productivity Studies
Automated Meter Reading Implementation
Rate Filing and Reporting
Commercial Consulting

UTILITY ACQUISITIONS
Valuation
Acquisition Bond Feasibility
Economic Rate Impact Analysis
Expert Testimony
Acquisition Strategy Development
Public Dissemination of Information

PROCUREMENT ASSISTANCE
Feasibility Analysis
Request for Proposals Preparation
Financial Planning
Privatization Procurements
Contract Negotiations

Raftelis Financial Consultants, Inc. ("RFC") was established in 1993 by George A. Raftelis to provide national financial and management consulting services of the highest quality to public and private sector clients. Specifically, we focus our services in the areas of environmental finance, utility financial planning and pricing, strategic planning, resource conservation, and related areas. We believe that we bring a unique combination of leadership skills and experience to help our clients address their most important issues.

LOCATION AND SIZE OF FIRM

RFC is currently comprised of 22 consultants and 4 administrative support positions. RFC places a high priority on being responsive to our clients and, therefore, actively manages each consultant's project schedule to ensure appropriate availability for addressing client needs. On average, each staff consultant is involved with four to five projects at any one time in an effort to balance workload while maintaining responsiveness.

Pasadena Office	**Charlotte Office**	**Kansas City Office**
201 S. Lake Avenue	1031 S. Caldwell Street,	3013 Main Street
Suite 803	Suite 100	Kansas City, MO 64108
Pasadena, CA 91101	Charlotte, NC 28203	Phone: 816-285-9020
Phone: 626-583-1894	Phone: 704-373-1199	Fax: 816-285-9021
Fax: 626-583-1411	Fax: 704-373-1113	

CONSULTING PHILOSOPHY AND INDUSTRY INVOLVEMENT

As a consulting philosophy, RFC maintains the practice of providing senior level assistance to our clients. While, as necessary, we utilize staff support for specific data gathering and analysis functions, it is not our practice to leverage our senior people with large teams of junior level consultants. Instead, we provide skills gained through many years of consulting experience to best meet our clients' needs.

RFC has focused on being a leader in the water and wastewater industry. Our senior personnel have been very involved in industry associations. Mr. George Raftelis recently served as Chair of the Management Division of AWWA and has authored the book, *Water and Wastewater Finance and Pricing – A Comprehensive Guide (Third Edition)*, for which many of the RFC staff wrote chapters. Mr. Pardiwala is vice chairman of the CA-NV AWWA Business

Management Division and authored the chapter on recycled water in the Manual of Practice published by the WEF

FIRM PROJECT SUMMARY OF 2008

The table below shows utilities across the United States that we assisted and the type of services provided during 2008. In addition to the 22 California clients, we assisted more than 85 additional utilities across the country in 2008.

RFC 2008 CLIENT LIST

Client Name	State	Type of Service
Birmingham Waterworks and Sewer Board	AL	Financial Planning, Cost of Service, Rate Setting, Strategic Planning
City of Anniston	AL	Financial Planning, Cost of Service, Rate Setting
Mobile Area Water and Sewer System	AL	Financial Planning, Cost of Service, Rate Setting
Little Rock Wastewater Utility	AR	Financial Planning, Cost of Service, Rate Setting, Valuation
Arizona Department of Environmental Quality	AZ	Rate & Financial Survey
Bullhead City	AZ	Impact Fees Study
City of Peoria	AZ	Financial Planning, Cost of Service, Rate Setting, Arbitration
City of Phoenix	AZ	Wholesale Rate Review
City of Scottsdale	AZ	Impact Fee Study
Pima County Wastewater Management	AZ	Financial Planning, Cost of Service, Rate Setting
Beaumont Cherry Valley Water District	CA	Financial Planning, Cost of Service, Rate Setting
Casitas Municipal Water District	CA	Financial Planning, Cost of Service, Rate Setting
City of Anaheim	CA	Financial Planning, Cost of Service, Rate Setting
City of Atwater	CA	Financial Planning, Cost of Service, Rate Setting
City of Banning	CA	Financial Planning, Cost of Service, Rate Setting, Impact Fees
City of Beverly Hills	CA	Financial Planning, Cost of Service, Rate Setting
City of Brea	CA	Financial Planning, Cost of Service, Rate Setting
City of Encinitas	CA	Financial Planning, Cost of Service, Rate Setting
City of Ontario	CA	Water, Wastewater and Stormwater Rate Study
City of Redlands	CA	Financial Planning, Cost of Service, Rate Setting, Valuation and Lease Study
City of San Diego	CA	Financial Planning, Cost of Service, Rate Setting
City of Santa Monica	CA	Financial Planning, Cost of Service, Rate Setting
El Toro Water District	CA	Impact Fee Study
Goleta West Sanitary District	CA	Financial Planning, Cost of Service, Rate Setting, Reserves Policy
La Canada Irrigation District	CA	Financial Planning, Cost of Service, Rate Setting
Napa Sanitation District	CA	State Revolving Fund Application Assistance
Palmdale Water District	CA	Financial Planning, Cost of Service, Rate Setting
San Bernardino	CA	Financial Planning, Cost of Service, Rate Setting
San Diego County Water Authority	CA	Capacity Valuation Study
San Francisco Public Utilities Commission	CA	Financial Planning, Cost of Service, Rate Setting
Santa Fe Irrigation District	CA	Financial Planning, Cost of Service, Rate Setting
Triunfo Sanitation District	CA	Financial Planning, Cost of Service, Rate Setting
Grand Lake, Colorado	CO	Financial Planning, Cost of Service, Rate Setting
Littleton Sewer Rate Coalition	CO	Financial Planning, Cost of Service, Rate Setting
City of Orlando	FL	Financial Planning, Cost of Service, Rate Setting
City of Pompano Beach	FL	Financial Planning, Cost of Service, Rate Setting, Impact Fees
Peace River/Manasota Regional Water Authority	FL	Financial Planning, Cost of Service, Rate Setting
Brunswick County	NC	Bond Feasibility Study
Columbus Water Works	GA	Financial Planning, Cost of Service, Rate Setting
Gainesville-Hall Co.	GA	Rate Differential Study
Northwest Water Commission-Illinois	IL	Financial Planning, Cost of Service, Rate Setting
Bowling Green Municipal Utilities	KY	Financial Planning, Cost of Service, Rate Setting
City of Canton	MA	Financial Planning, Cost of Service, Rate Setting
City of Medford	MA	Financial Planning, Cost of Service, Rate Setting
Dartmouth, Town of	MA	Financial Planning, Cost of Service, Rate Setting
Easton Department of PublicWorks	MA	Fixed Assets Analysis
Sandwich Water District	MA	Financial Planning, Cost of Service, Rate Setting
City of Baltimore	MD	Financial Planning, Cost of Service, Rate Setting
City of Grosse Pointe	MI	Financial Planning, Cost of Service, Rate Setting
City of Saginaw	MI	Financial Planning, Cost of Service, Rate Setting
City of Wyoming	MI	Financial Planning, Cost of Service, Rate Setting
Fort Gratiot Township	MI	Financial Planning, Cost of Service, Rate Setting
Kansas City	MO	Financial Planning, Cost of Service, Rate Setting
Lee's Summit	MO	Financial Planning, Cost of Service, Rate Setting
St. Louis MSD	MO	Rate Change Review

8. REPRESENTATIVE STUDY DESCRIPTIONS AND CLIENT REFERENCES

The projects below were selected to provide the District with examples of relevant projects recently conducted by RFC. We urge the District to contact the references listed to gain a better understanding of our capabilities. We would also be happy to provide additional project descriptions if desired.

CITY OF BANNING, CALIFORNIA

REFERENCE
Mr. Perry Gerdes
Public Utility Superintendent
City of Banning
Phone: (951) 849-3273

The City of Banning is constructing a wastewater treatment plant expansion and needed to apply for State Revolving Funds (SRF). Ms. Phan is assisting with the development of the application and preparation of the wastewater and recycled revenue programs needed to obtain low interest SRF funds. The revenue program involves developing cost of service rates, the required reserves and cash flows to ensure that the City meets the requirements of the State Funding Program Guidelines.

CITY OF REDLANDS, CALIFORNIA

REFERENCE
Mr. Chris Diggs
Water Resources Manager
City of Redlands
Phone: (909) 798-7658

RFC completed a water and wastewater rate study for the City of Redlands ("City") including Proposition 218 requirements. The goal of the study was to develop rates that are more responsive to cost of service and pay for necessary capital improvements. The study included a comprehensive review of the City's revenue requirements and allocation methodology, review of the City's user classification, a cost of service analysis, and rate design for City users. We assisted the City with review of their billing system to compile data needed for this study. The study was conducted with input from a 12-member Utility Advisory Committee. Over a dozen workshops with the Committee were conducted to explain concepts, gather feedback from Committee members, and to discuss the overall findings of the study. Rates were implemented in February 2005. RFC recently updated the water and wastewater rates for the City with input from the Utility Advisory Committee and surveyed neighboring utilities to benchmark rates.

CITY OF ONTARIO, CALIFORNIA

REFERENCE
Mr. Mohamed El-Amamy
Utilities Director
City of Ontario
Phone: (909) 395-2681

RFC conducted a water, wastewater and solid waste study for the City of Ontario ("City"). The City has a total of 33,000 accounts including 5,000 non-residential accounts and sells approximately 43,000 ac-ft of water annually. The study included a comprehensive review of the City's revenue requirements and allocation methodology, a review of City's user classification, a cost of service

analysis, and rate design for City users. Several recommendations were provided to improve the equity of water and wastewater charges including reclassification of customers, modifying the tiers, etc. The resultant rates were fair and equitable and met the fiscal needs of the City's utilities in the context of the City's overall policy objectives and were designed for simplicity of administration, cost effective implementation and ease of communication to customers.

CITY OF BEVERLY HILLS, CALIFORNIA

REFERENCE
Ms. Shana Epstein
Environmental Utilities Manager
Phone: **(310) 285-2570**

The City of Beverly Hills ("City") wished to conduct a comprehensive water and wastewater rate study that included a review of revenue requirements, user classifications, costs of service, and the design of a system of user charges for the City's water service that would promote water conservation. The City engaged RFC to develop a rate and financial planning model that would be used to review customer classes, evaluate alternative rate structures and to provide more detailed forecasts to assist in the preparation of updating rates in future years.

The City's current water rate structure consisted of a three-tiered increasing block water rate structure with no differentiation among customer types. RFC modeled numerous alternative rate structures and reviewed customer and revenue impacts before recommending that the City modify its current three tiered rate structure to include a fourth tier that targets large irrigation usage. In addition, RFC recommended that separate tiers be established for multi-family customers to reflect their usage characteristics. For commercial, industrial, and municipal customers, RFC recommended that the City implement a uniform commodity rate, since these customers have lower peaking factors than residential customers. The City's wastewater rates were restructured to more equitably recover the costs of servicing the different customer classes to conform to EPA regulations. RFC continues to provide updates to the model so that rates may be projected in future years.

RFC
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www.raftelis.com

July 1, 2009

Julie Salinas, Business Manager
Beaumont Cherry Valley Water District
P.O. Box 2037
Beaumont, CA 92223-0937

Subject: Price Proposal to Conduct Water Rate and Fee Study

Dear Ms. Salinas:

Raftelis Financial Consultants, Inc. ("RFC") is pleased to submit to Beaumont Cherry Valley Water District (District) this price proposal for a comprehensive water rate and fee study. This price proposal is submitted in accordance to the District's request for proposals for water rate and fee study ("RFP").

Recognizing the tough economic times and our past association with the District, in a spirit of partnership, RFC has provided a discount of five percent to the estimated cost of the project. We propose to complete the scope of work outlined in the Proposal for a not-to-exceed fee of $42,560. This fee estimate is based on approximately 248 hours of effort and the hourly billing rates for the personnel assigned to the project team. Our direct expenses are estimated based on travel to the District by members of the RFC project team for meetings with District staff, Board of Directors, and other Community Groups. It is our practice to bill monthly for fees and expenses based upon actual time incurred.

The attached work plan provides hourly rates for each consultant and an estimate of the time required to complete each task. Total fees and expenses will be limited to the not-to-exceed amount unless specific approval for an adjustment in scope is received from the District. If actual hours incurred are less than the estimated hours in the work plan, these savings will be passed on to the District.

	Hours Requirements			
	Raftelis Financial Consulting			
	SP	PB	KP/RS	Admin
1. Project Initiation				
Task 1-1 Data Collection and Review			8	
*Task 1-2 Kick-off Meeting with District Staff **	5		5	
Task 1-3 Ongoing Project Management and Quality Assurance/Quality Control Process	6	8		6
2. Detailed Review of Existing Rate Structure and Financial Position				
Task 2-1 Review Current Rates and Financial Information	2		8	
Task 2-2 Perform Bill Frequency			6	
3. Analysis of Revenues, Revenue Requirements and the Development of Financial Forecast				
Task 3-1 Develop Forecast of Annual Water Revenue Requirements	2		8	
Task 3-2 Develop Cash Flow Analysis and Recommend Reserve Balances	2		6	
Task 3-3 Develop Model Specifications			2	
4. Cost of Service Allocations				
Task 4-1 Review Customer Class Usage Patterns and Determine Customer Classifications	1		4	
Task 4-2 Allocate Costs to Functional Cost Categories	1		4	
Task 4-3 Allocate Functional Costs to Customer Classes	1		4	
5. Rate Design				
*Task 5-1 Calculate Water Rates**	2		16	
Task 5-2 Review and Update Facilities/Impact Fees and Other Fees	2		20	
Task 5-3 Analyze Customer Rate Impacts	1		4	
Task 5-4 Conduct Rate Survey			4	
6. Finalize Model and Prepare Water Cost of Service and Rate Report				
Task 6-1 Revise Model and Develop Draft Report	8	4	28	
7. Present Final Recommendations and Provide Final Deliverables				
*Task 7-1 Present Final Findings and Recommendations to District Board and Council**	8		8	6
Task 7-2 Prepare Final Recommendations and Reports	2		10	
*Task 7-3 Assist with Proposition 218 and Public Hearing**	8		8	
*Task 7-4 Meetings with Community Groups **	16		4	
Total estimated hours	67	12	157	12
Hourly rates	$230	$0	$165	$60
Professional Fees	$15,410	$0	$25,905	$720

	Total fees	$42,035
	Estimated expenses	$2,765
	Total Fees and Expenses	$44,800
	Less 5% discount	-$2,240
	TOTAL	**$42,560**

* Denotes trip to District (Total 6 Trips)

SP = Sudhir Pardiwala
PB = Peiffer Brandt
KP = Khanh Phan
RS = Rebecca Sou

If you have any questions about our proposed pricing, please do not hesitate to contact us.

Sincerely,

Sudhir Pardiwala
Vice President

INTEROFFICE MEMORANDUM

TO: ANTHONY LARA,
INTERIM GENERAL MANAGER

FROM: NIKI MAGEE

SUBJECT: IRRESPONSIBLE WASTE OF WATER

DATE: 7/2/2009

Discussion should be initiated for implementation and enforcement of serious water wasting.

1. A rate-payer reporting methodology should be created.
2. Definition of excessive waste written and amended.
3. Enforcement terms, procedures, and fines written and amended

This could serve as a predecessor to general water rationing which penalizes the conscientious user.

REGULATIONS GOVERNING WATER SERVICE

PART 15 WATER CONSERVATION RULES AND REGULATIONS

15-1 PROHIBITION OF WATER WASTER – No person, firm, or corporation shall use, deliver, or apply waters received from this District in any manner that causes the loss, waste, or the applications of water for unbeneficial purposes. Within the meaning of this Regulation, any waters that are allowed to escape, flow, and run into areas which do not make reasonable beneficial use of such water, including but not limited to streets, gutters, drains, channels, and uncultivated lands, shall be presumed to be wasted contrary to the prohibitions of these Rules and Regulations.

1) Upon the first failure of any person, firm, or corporation to comply, this District shall serve or mail a warning notice upon any person determined to be in violation of these Rules and Regulations.

2) Upon the second failure of any person, firm or corporation to so comply, the water charges of any such consumer shall be doubled until full compliance with these Rules or Regulations has been established to the satisfaction of the Board of Directors of the District.

3) Upon the third failure of any person, firm, or corporation to so comply, the District shall terminate water service to any connection through which waters delivered by the District are wasted in violation of these Rules and Regulations.

15-2 Where feasible, as determined by the District Engineer, commercial/industrial developments shall be required to implement an on site recycling/reclamation system.

15-2.1 Costs associated with engineering, construction, etc… shall be borne by the developer.

15-3 ENFORCEMENT – It shall be the duty of the Board of Directors and all employees to enforce these rules and Regulations, and for such purpose and shall be permitted to inspect any premises receiving water from the District at any reasonable hour.

15-4 VARIANCES – in order to prevent or lessen unnecessary hardship or practical difficulties in exceptional cases, aggrieved persons may file a written application for a variance with the Board.

The Board may grant such variance only when unusual hardship will result from the strict application of this ordinance.