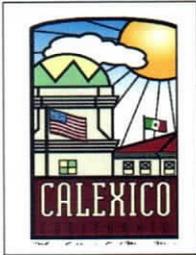


**AGENDA
ITEM**

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AGENDA STAFF REPORT

DATE: November 15, 2017

TO: Mayor and City Council

APPROVED BY: Armando G. Villa, City Manager *Armando G. Villa*

PREPARED BY: David Dale, Public Works Director/City Engineer *David Dale*

SUBJECT: Authorize City Manager to Sign an Agreement for Professional Services between the City of Calexico and Willdan Financial Services for a Water and Wastewater Rate Study

=====

Recommendation:

Authorize City Manager to Sign an Agreement for Professional Services between the City of Calexico and Willdan Financial Services for a Water and Wastewater Rate Study in the amount of \$67,625.00.

Background:

On October 4, 2017, the City Council approved seeking proposals for a Water and Wastewater Rate Study.

The City last conducted a Water and Wastewater Rate Study in 2006, with annual increases through 2009. There have been no modifications to the rates since FY 2009. With annual inflation rates above 2%, the cost of collection and treatment of wastewater and the treatment and distribution of potable water have risen greatly since 2009. Also, the City has identified a substantial Capital Improvement Program (CIP) for the next five years that requires funding. Although there are considerable assets in the Enterprise Funds, it is estimated that it is not enough fund the CIP.

The rate schedule will be reviewed, and possibly modified so that it is a more equitable rate structure based on consumption. The commercial water schedule also requires modification to include multiple commercial, manufacturing and Industrial units.

Other local cities have recently considered and modified (or are in the process modifying) their water and wastewater rates due to rising costs to purchase, treat and distribute water; and collect and treat wastewater to increasingly stricter State of California Department of Water Resources regulations. Infrastructure that was installed in the mid 1900's is starting to fail and requires costly replacement.

**AGENDA
ITEM
5**

Discussion & Analysis:

The City received quality proposals from (3) very qualified firms. A selection committee comprised of Staff and Department Heads reviewed the (3) proposals and recommended the Willdan Financial Services Proposal, based on the criteria listed in the Request for Proposal. It is requested that Council authorize the City to proceed with the Willdan Financial Services Water and Wastewater Rate Study.

The current water and wastewater rate structure needs updating. The current structure and minimum water fee does not promote water conservation, and does not allow residents to save on their monthly bill by conserving water.

The proposed study will contain recommendations only; it will not result in a change of the rates until a Proposition 218 process occurs and the City Council approves the new rate structure.

Fiscal Impact:

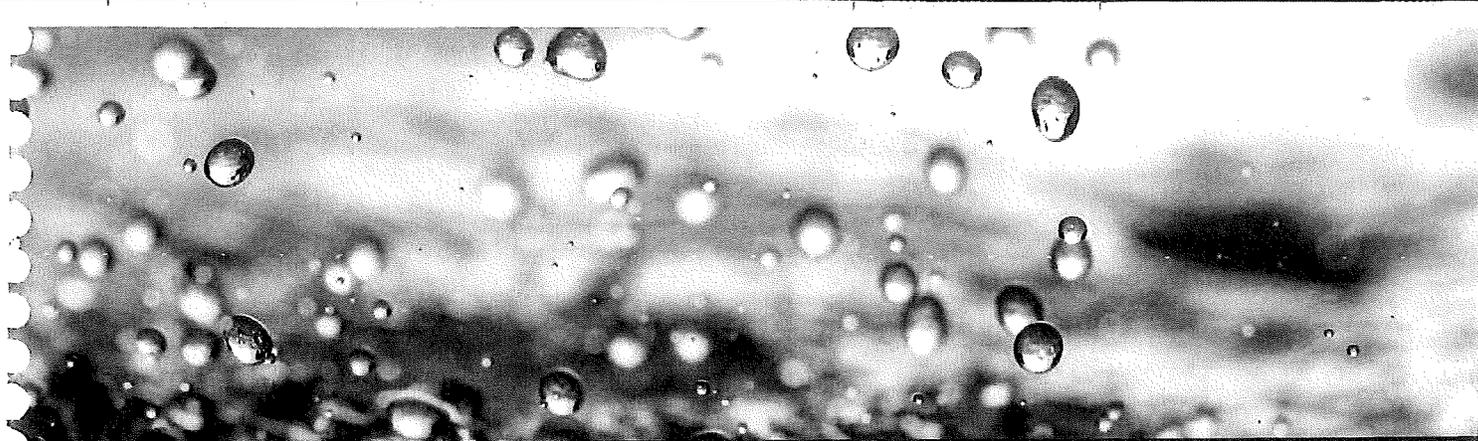
Budgeted Item for CIP Fiscal Year 2017-2018 (total budget is \$100,000)
Water Enterprise Funds \$33,812.50
Sewer Enterprise Funds \$33,812.50

Coordinated With:

Public Works Department
Finance Department
Economic Development Department
Human Resources Department

Attachment(s):

1. Willdan Proposal
2. Request for Proposal – Water and Wastewater Rate Study 2018
3. Agreement for Professional Services



City of Calexico

Proposal to Prepare a

Water and Wastewater Rate Study

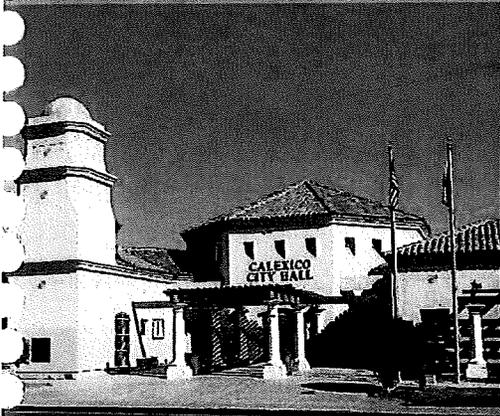


Table of Contents

Table of Contents..... i

1. Introduction 1

 Executive Summary..... 1

2. Scope of Work and Schedule 3

 Methodology 3

 Willdan Models Guide You to Your Optimal Solutions 4

 Willdan's Suite of Financial Models – Description of Product Features 5

 Rate Study Objectives 7

 Rate Setting Process..... 7

 Work Plan 8

 City Staff Responsibilities 14

 Project Schedule 15

 Fee Schedule 16

 Hourly Rates 17

3. Qualifications and Personnel 18

 Firm Profile 18

 Utility Rate Experience 19

 Project Team 20

 Current Workload 21

 Resumes 22

 Chris Fisher..... 23

 Jeffrey McGarvey..... 25

 Kevin Burnett 26

 Tony Thrasher..... 28

 Project Management 29

4. References 31

 Similar Projects..... 31

5. Additional Data..... 33

 Utility Rate Project Experience..... 33



October 24, 2017

Mr. David Dale, P.E.
Public Work Director/City Engineer
City of Calexico
608 Heber Avenue
Calexico, California 92251

Re: Proposal to Conduct a Water & Wastewater Rate Study for the City of Calexico

Dear Mr. Dale:

Following up on our recent conversation, Willdan Financial Services ("Willdan") is pleased to submit the following proposal to conduct a Water and Wastewater Rate Study on behalf of the City of Calexico ("City"). Willdan possesses considerable experience in rate and financial analysis and consulting for water and wastewater utilities; and look forward to this opportunity to work with you on this important project.

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

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

Experience with the City of Calexico — Willdan partnered successfully with the City on the previous Water and Wastewater Rate Study project. We will bring this same level of professionalism and expertise to this proposed engagement, and utilize our familiarity with the City and community wherever possible. Our knowledge of the City, procedures, and staff will allow us to effectively gather data and information, and clarify questions. With the benefit of previous study data, work can be initiated rapidly and therefore more cost effective than may be possible by other firms. **We will leverage our knowledge of the City's operations and key staff, and our possession of the previous model and data, to facilitate this study in a cost-effective and efficient manner; focusing less time on data gathering and familiarization, and more on analysis, resulting in lower project cost and higher value.**

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

Communicating the Results — Sound technical analysis is only one element of this process. It will be equally important to effectively communicate results and implications of the proposed rate structure to City staff, City Council, key stakeholders and, **ultimately, to those that will be subject to new rates.** Most of our projects incorporate significant community and/or stakeholder involvement and education efforts, and our experienced consultants are able to communicate complicated technical analysis in a manner that is easy to follow and understand. **The intuitive setup of our financial models allows Willdan to discuss and present critical information in a way that maximizes engagement and facilitates outreach.** Our reports and presentations provide a solid understanding of the project and the rationale behind the development of the rates.

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

Willdan possesses exceptional experience in these areas, and is excited about this opportunity to use our skills and expertise to continue to assist the City of Calexico.

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

Contact Information

Project Manager

Chris Fisher

Vice President – Group Manager

27368 Via Industria, Suite 200

Temecula, CA 92590

Tel#: (951) 587-3500 | Fax #: (951) 587-3510

Email: CFisher@Willdan.com

Sincerely,

WILLDAN FINANCIAL SERVICES



Chris Fisher

Vice President – Group Manager
Financial Consulting Services

COMPREHENSIVE. INNOVATIVE. TRUSTED.



1. Introduction

Executive Summary

The City of Calexico wishes to undertake a financial study and rate analysis for its existing Water and Wastewater utilities and their current rates. This includes gathering data and conducting analysis associated with water and wastewater operations, and to develop updated rates, as well as the development of potential water and wastewater capacity fees.

The City of Calexico is located in Imperial County with approximately 41,000 residents. The City last conducted a Rate Study in 2006, and increased its rates in 2009, and currently wishes to complete a new study of its water and wastewater utilities to address the following:

- Meet future revenue requirements, including provision for operation and maintenance costs, personnel, debt service coverage, funding and maintenance of appropriate reserves, and funding of anticipated repair and replacement projects;
- Ensure the future financial plan and rates include provision for substantial capital projects that are anticipated over the next five years (more than \$13MM in planned water improvement projects, and approximately \$32MM in planned wastewater improvement projects);
- With updated metering technology in place, the City wishes to explore water rate options (tiered rates) that include provision for conservation and encouraging reduced water consumption, as well as potential a potential drought surcharge and expanded rate options for commercial, manufacturing and industrial customers;
- Evaluation of future revenues and expenses to ensure they are appropriate; and
- Establish Capacity Fee Charges.

Both utilities have relatively healthy cash balances, even without having had a rate increase since 2009, and experiencing increasing water and wastewater operational costs. In fact, according to the most recent CAFR, the water utility had approximately \$10MM in unrestricted fund balance, and the wastewater utility had more than \$15MM. But, given the extensive list of planned capital projects, it is anticipated that these funds will not be sufficient to address these needs. According to the adopted FY 2017/2018 budget, there are about \$9.6MM in planned water treatment projects, and \$3.5MM in planned water distribution projects. For the wastewater utility, there are more than \$30MM in planned wastewater treatment projects, including \$25MM for wastewater treatment plant improvements, and another \$1.1MM in collection system improvements. Given the dollar magnitude of the City's water and wastewater CIP, relative to the revenue for each of these utilities, and their potential impact on future rates, we will develop a financial plan and model that allows us to work with the City to explore options for funding these capital plans, in a manner that considers existing debt (and debt coverage requirements), along with planned debt, and allows for evaluation and discussion of alternatives.

The current financial standing for both utilities is healthy. According to the most recent available CAFR, for FY 2015/16, water revenues were \$6.5MM, consisting mostly of service charges, compared to \$4.7MM in expenses. The recently adopted FY 2017/18 budget projects little change in FY 2016/17 and FY 2017/18, with revenues of about \$6.4MM in both years and expenses at \$4.6MM and \$4.9MM respectively. For the wastewater utility, the situation is the same. The FY 2015/16 CAFR shows revenues of \$5.4MM and expenses of \$3.4MM, while the FY 2017/18 budget projects revenues of \$5.4MM in both FY 16/17 and FY 17/18, and expenses of \$2.8MM and \$3.2MM, respectively. In the case of both utilities, revenues appear to be sufficient to cover operating expenses, however, with anticipated capital projects, the current fund balance will be exhausted, and new rates will have to account for debt service, for current and planned debt, and maintenance of debt service coverage ratios.

New rates will be developed to address financial and policy objectives, and ensure revenue is collected utilizing rates that are based on sound cost-of-service principles, and in compliance with Proposition 218. Almost all water providers in the State are being impacted by the recent and ongoing drought; either by increases in the cost of producing or purchasing water, increased costs associated with conservation programs, or by reductions in water sales brought about by increased conservation. The City wishes to explore options for tiered rates and rates for additional commercial, industrial, and manufacturing categories.

These factors require a comprehensive and detailed financial plan to fully understand the financial position of the utilities, in order to support any necessary and recommended actions moving forward, including possibly increased or restructured rates for the next five years.

Given the recent San Juan Capistrano court decision, it will be necessary to review potential rate options and the underlying rationale to ensure consistency with the requirements of Proposition 218, and the court decision. It will be necessary to develop rate structures in a way that ensures that the rates are defensible and based on cost of service.

These factors require a comprehensive review and analysis of their impact on the financial health of each utility. As part of this proposed scope of services, Willdan will develop a comprehensive financial plan that considers updated forecasts for water sales and operating expenses and provides sufficient and stable revenue to ensure:

- Sufficient and stable revenue for operations;
- Adequate debt service coverage;
- Sufficient funds to support new debt issuance as necessary;
- Accumulation and maintenance of appropriate reserves, including emergencies and rate stabilization;
- Anticipated and routine repair and replacement of existing aging pipelines and infrastructure; and
- Major and minor capital projects, including consideration of a Water Capital Cost component of rates.

This financial plan will serve as the basis for a full cost of service analysis and ultimately the development of recommendations for updated rates. The cost of service analysis will be conducted to ensure any new recommended rates will comply with the requirements of Proposition 218 and recent legal decisions.

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

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

2. Scope of Work and Schedule

Methodology

The following project approach and scope of services is based on Willdan's current understanding of the City of Calexico's needs and objectives for the Water and Wastewater Rate Study, and the services requested by the City in the Request for Proposal (RFP). A final scope and schedule will be determined following further discussions with City staff.

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

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

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

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

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

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

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

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

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

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

Willdan Models Guide You to Your Optimal Solutions

Real-Time Financial Modeling

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

Model Development as Part of the Consulting Process

Each model is designed with the following elements:

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

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

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

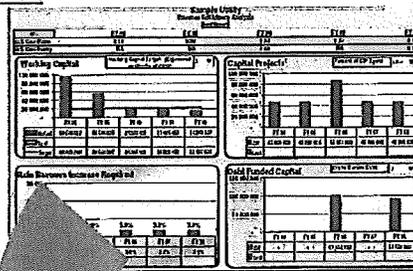
The model is self-solving through the use of controlled feedback loops, and therefore does not require significant manipulation by the user to solve correctly. Given any combination of cost requirements (both operating and capital), non-rate sources of funds, and forecast assumptions, rate increases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

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

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

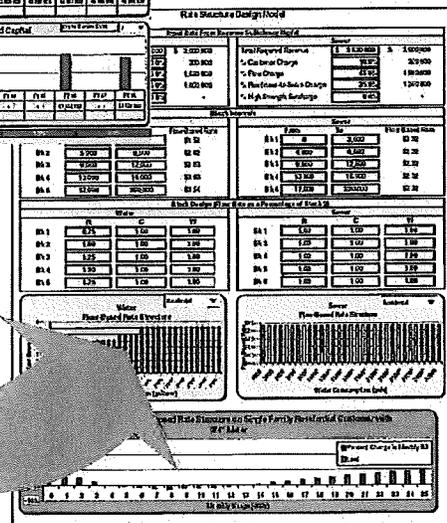
Subsequent to careful development and validation of the baseline forecast, a series of alternative forecasts will be prepared illustrating various results in the following general categories:

Financial Planning Model



Rate Design Model

Rate Revenue Requirements



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

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

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

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

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

Suite of Models:

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

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

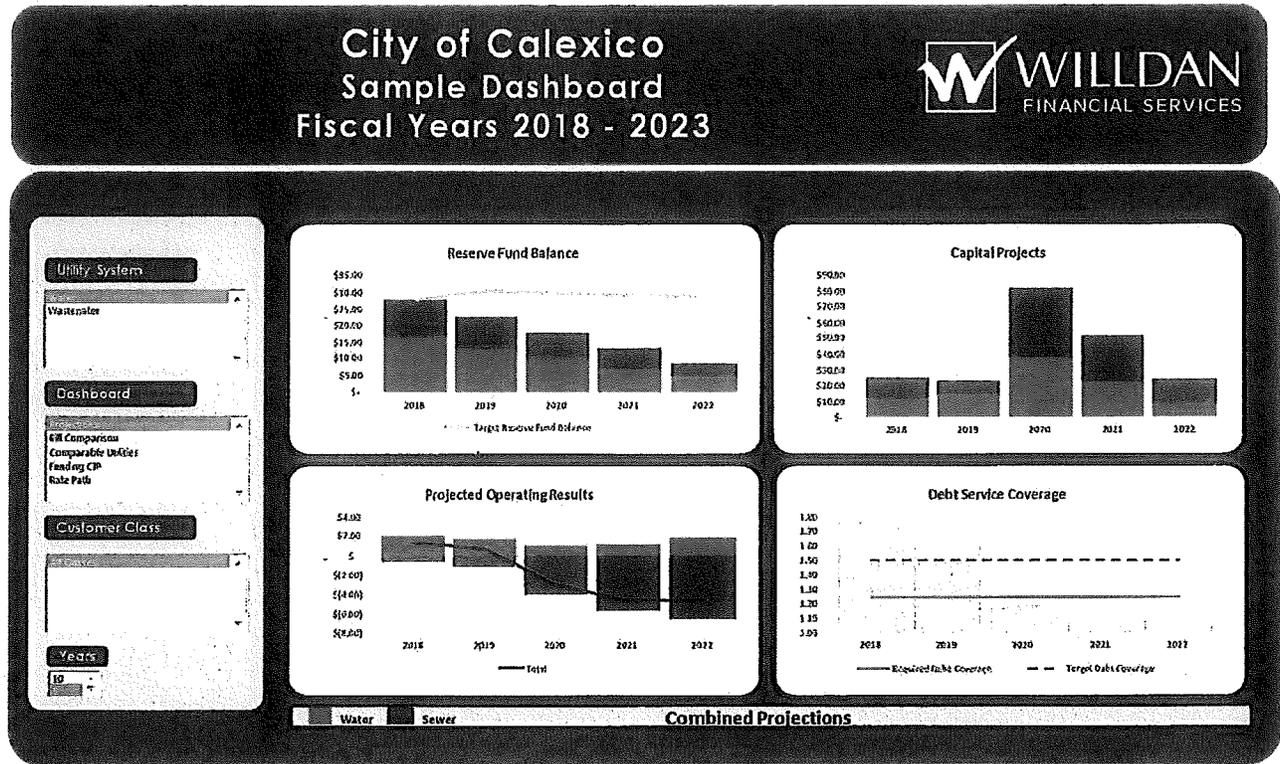
The suite of models includes financial planning tools for water, wastewater, recycled water, and virtually any utility or municipal government fund, and has the ability to analyze any rate structure and determine the levels of revenue generated by each customer class. In addition, the rate design model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

Features:

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

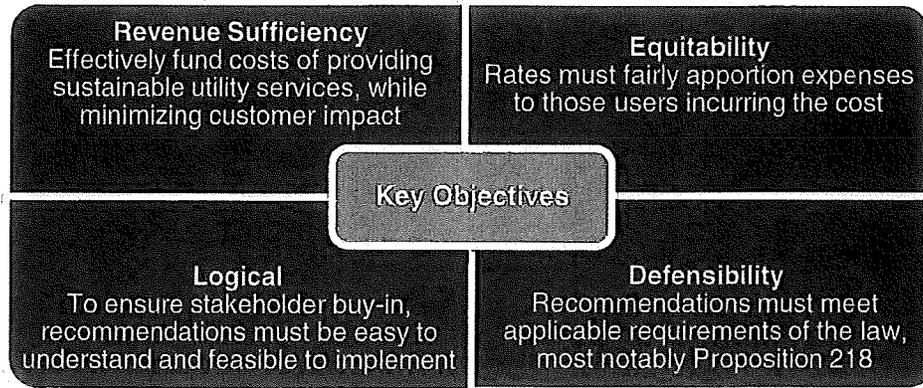
Our utility rate Excel-based model is the most user friendly, comprehensive and well-designed utility rate model currently used in the industry, and has all of the elements necessary to provide analysis and feedback to facilitate meaningful policy discussions, and conduct a full financial and rate study.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

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



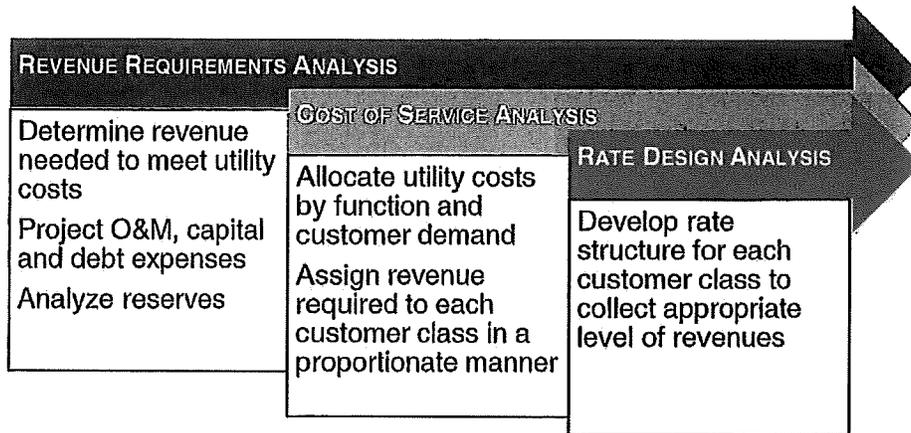
Rate Study Objectives

The overarching rate study objectives are outlined below.



Rate Setting Process

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



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

Work Plan

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

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

Task 1: Project Kick-off Meeting, Data Gathering and Study Preparation

Willdan will conduct a kick-off meeting or conference call with stakeholder considerations and objectives outlined. We will review and identify the following:

- 1) Review of existing rate structure and areas where the existing rates have been successful and/or specific areas of concern, such as the current 3,000 cubic foot of water use minimum bill;
- 2) Components to incorporate into the updated revenue requirements; such as, capital improvements, debt repayment, reserves, annual repair and replacement, cost of imported water, etc.;
- 3) Strategy and level of effort for outreach and education;
- 4) Conduct a detailed review of the data used in the baseline financial forecast; and
- 5) Review and resolve (or develop a plan for resolving) data issues and questions.

For further efficiency and collaboration, the kick-off meeting will include a financial policy discussion. This will serve to address and document the City's financial policies for the utility to be studied. Topics of discussion may include:

- Rate design alternatives;
- Rate policy objectives;
- City financial policies;
- Capital Improvement Plan (CIP) financing options;
- Capacity fees
- Conservation objectives
- Reserve options and target levels (operating, rate stabilization, repair and replacement);
- Customer characteristics and classifications;
- Cost of service factors; and
- Proposition 218.

In addition, we will request and begin acquiring data necessary to conduct the analyses. We will provide the City with a detailed list of data requirements pertaining to the subsequent financial and consumption analysis. As these studies are data intensive, and in order to remain on schedule, it is imperative that all data be provided in a timely manner and be delivered in an electronic format.

Subtask 1A: Data Evaluation and Validation

Based on our experience, it is most effective to obtain and review information prior to the first meeting. Typically, questions can be resolved via telephone or e-mail. This approach respects your staff's time and ensures that we are completely prepared for a productive first meeting.

Activities

- Prepare and transmit data and information request;
- Follow-up by phone and/or e-mail to resolve questions;
- Document the nature, form and quality of the data and information received; and
- Based on documentary information, initialize Willdan's financial planning model and prepare a baseline scenario.

Deliverables

- Technical memorandum documenting the data and information received, with comments regarding quality and a list of outstanding issues and questions.

Task 2: Water Rate Study

Subtask 2.A: Consumption and Billing Analysis

Willdan will review historical water consumption and billing data and assess water demands. As appropriate, we will review aggregate water demand characteristics, and incorporate necessary factors into our forecasted projections, future water demands, annual consumption trends, continued drought restrictions and seasonal trends.

A key component of the consumption analysis is a revenue sufficiency check where we utilize the City's existing rate structure, along with actual historical billing and customer data records, and recalculate the amount of historical revenue, in order to ensure agreement with City financial data. This foundational step ensures the integrity of the data that will be used in the development of the new rate structures. Furthermore, it may highlight other issues for consideration and discussion.

As appropriate, we will review aggregate water demand characteristics, and incorporate necessary factors into our forecasted projections, future water demands, annual consumption trends and seasonal trends. We will also analyze the performance of the existing water rate structure to assess its appropriateness and adequacy in meeting system goals and recovering system revenue requirements. For this task, we will (ideally) incorporate three to five years of consumption and billing data in the model. We will be mindful of the City's conversion to new meters and will review current consumption data and compare it to consumption data for FY 2012 through current.

Subtask 2.B: Revenue Requirements Analysis

In developing reliable and accurate revenue and financial projections, it is necessary to project and analyze the impact and sensitivity of multiple and sometimes complicated variables. We will develop the revenue requirements component of the comprehensive financial plan to include operating (water supply, treatment, personnel, etc.) and non-operating (debt, depreciation, etc.) costs incurred by the water utility.

Since a utility's revenue requirements (financial plan) and rate structure are directly dependent on one another, our goal during the development of the revenue requirements is to clearly identify each variable and describe the result of adjustments to the overall revenue requirements and rates. This will allow City staff and City Council to examine the effect of decisions made at the policy level, on the City revenue requirements and rates.

We will discuss specific policy objectives such as levels of reserves and debt funding guidelines. Specifically, we will discuss the implementation of a rate stabilization reserve, its impacts and uses, and funding scenarios.

Willdan has developed an easy to use graphical dashboard component in our financial model, which clearly identifies parameters that City staff can adjust to create and test new scenarios, while visualizing and balancing those outcomes with the impact to water rates, operating revenues and reserve balances.

Subtask 2.C: Baseline Analysis

Before variables are identified and projected into the revenue requirements, a baseline revenue and rate analysis is performed. Willdan will utilize a "cash-needs" approach, where cash needs refer to the total revenue required by the utility to meet its cash expenditures.

Basic revenue requirement components of the cash-needs approach include:

- Operating and Maintenance expenses;
- Debt-service payments – both existing and anticipated;
- Contributions to specified reserves such as an operating reserve and a rate stabilization reserve; and
- Cost of capital expenditures that are not debt-financed or contributed from other sources.

The revenue requirements analysis will be developed based upon the utility's existing financial statements, to test for base year revenue sufficiency. If operating revenues are shown to be deficient, revenue adjustments will be implemented to adequately recover costs.

Subtask 2.D: Scenario Building

Building from the baseline scenario generated in the previous task, we will start generating expenditure scenarios by varying operation, depreciation, capital costs and reserve levels. We will review CIP information to determine: 1) short-term, high-priority needs; 2) annual depreciation of assets, replacement and repair schedules; and 3) assumptions and methodologies used to assess the basis for the CIP projects.

We propose to include a 10-year analysis of anticipated capital requirements, as well as adequate reserve funding. In reviewing the CIPs, it is necessary to know current policy on available funding sources and the type of improvements and costs to fund through rates on a Pay-As-You-Go basis (PAYGO) or connection fees. As such, these funding options play a role in determining the total amount of revenue required in any given year.

These options will be included within the model to allow staff the ability to optimize PAYGO and CIP financing alternatives while minimizing shock on water rates.

Subtask 2.E: Cost of Service Analysis

The principal in establishing adequate rate schedules that are fair and equitable is that rates should reflect the costs of providing service. Our approach recognizes differences in the cost of providing services to different types of customers, areas and levels of service. The cost incurred by the users should be incurred by those whom benefit. Accordingly, cost allocation procedures should recognize the particular service requirements of the customer for not only total volume of water, but pumping/distribution costs and other factors.

This analysis will include gathering cost information associated with water and non-potable water services and allocation to functions, classification and allocation of costs to each existing customer class. Since demand patterns of various customers differ, depending on their peak-day and peak-hour rates of demand relative to average demands, we will review the number and type of existing customer classes and make recommendations to add or consolidate customer classes, if necessary.

Subtask 2.F: Rate Design Analysis and Update

Utilizing the cost-of-service approach, the level of the City's rates is a function of the utility's costs and customer demands.

Willdan will fully modify and provide scenario planning to reflect the impact of different rates and/or revenue adjustments, including options for tiered rates and/or a drought surcharge. Willdan will recommend updates to the current water rates that are designed to focus on deficiencies in the current structure, and address and uphold key objectives, notably short and long-run financial stability, minimal economic stress for customers, equity and defensibility. Our recommendations will comply with the cost-of-service guidelines of Proposition 218, AWWA, WEF, existing bond covenants and current legislation.

The methodology utilized to determine how the water utility costs are allocated is expressed in the bullets below. While the methodology may be an "industry standard," our experience and understanding of key variables allow for a comprehensive and well-rounded rate design process:

- **Existing Rate Compatibility to the City's Objectives:** Rate structure is the area of the study that tends to generate the most attention and scrutiny. Prior to implementing new rates, Willdan will work collaboratively with staff to verify that key objectives for the City and stakeholders, such as understandability, avoidance of rate shock, public outreach (public buy-in), conservation, revenue stability, etc., have been addressed.
- **Existing Rate Structure:** When updating rates, there are numerous variables and considerations, ranging from access and quality of data, cost-causation, price elasticity, conservation, and weather conditions. Willdan will work with staff to provide recommended revisions to the City's existing water rate structure to ensure key issues are addressed.

The rate design task will involve modeling several alternative rate structures using the City's financial data and billing statistics to demonstrate the resulting customer impacts and to identify key issues associated with the new rates and charges.

Basic standards for rate design accepted by the industry are:

- **Revenue sufficiency** – rate revenue should provide sufficient income so that, when combined with other sources of funds, total system costs are covered;
- **Fairness and equity** – based on cost responsibility, as reflected in cost of service allocations, in accordance with industry standards;
- **Resource conservation** – under conditions of scarcity, the pricing of water as a commodity should promote conservation and discourage unnecessary water use;
- **Administrative simplicity** – so that rates are understandable to customers and efficiently administered by staff;
- **Customer acceptance** – customers understand the rates, view them as fair, and consider them to be reasonable compared to other costs and other utilities; and
- **Public health and welfare** – rates are structured so that essential domestic water consumption is encouraged through affordability.

Task 3: Wastewater Rate Study

Willdan will undertake the following steps to provide a comprehensive model and financial plan, and update wastewater rates, similar to the work on the water utility. The wastewater analysis closely mirrors the cost of service and rate setting approach for water. The following outlines unique tasks specific to this rate study.

Subtask 3.A: Determine Discharge Characteristics and Loadings

Willdan will calculate the average and total wastewater discharged by each user class. Additionally, we will determine the number of users by class, annual water use, projected growth, and appropriate discharge factors. Similar to water, flow is not the only factor to consider. Loading factors, based on the strength of the effluent (discharge), will be calculated and incorporated into the rate analysis. Based on the design of the wastewater system and facilities, we will make recommendations regarding appropriate classification of customers.

Subtask 3.B: Cost Projection Analysis

To determine annual required revenue, we will analyze and project the utility Operations Fund and Capital Fund. Furthermore, we will discuss the best way to finance the essential and prioritized projects required to operate the wastewater system. Willdan will analyze the City's planned CIP, and any necessary adjustments, based on staff discussions and reviews of the existing planning documents. As such, we will generate "what-if" funding scenarios (financing, phasing, and costs) to illustrate the impact of different options on revenues and rates.

Subtask 3.C: Revenue Requirements Analysis

Similar to the water utility, we will prepare a comprehensive financial forecast for the wastewater enterprise with the objective of funding the utility's cash needs. Numerous financial projections of cash-flows will be based on various scenarios that reflect adjustments to O&M, capital expenditures, and funding sources, debt covenants, and reserve targets. We will make recommendations on reserve funds and rate of accrual to reach reserve targets.

As with the water analysis, Willdan will summarize total cash flows for a period of ten years, to support a five-year rate plan. To create a baseline, the project team will confirm the current rate-based revenues based on customer loads by comparing the calculated and actual revenues by customer class under the current rate structure.

Subtask 3.D: Scenario Planning

As previously mentioned, it is important to identify and avoid rate shock from excessive and compounding simultaneous changes. As such, the rate recommendations will include an evaluation of the effects of the combined utility bills on customers under several variations of inputs. In addition to the financial presentation of data, for each scenario our model also displays a sample customer bill to easily demonstrate the customer bottom line.

Subtask 3.E: Cost Distribution to Billable Parameters

A system of billable parameters is required to relate the costs of providing wastewater service to the City's customers, as prescribed by the WEF rate setting recommendations, which include the following:

Evaluating the City's cost of service for each customer class and billing parameter

Determining appropriate wastewater billable parameters

Determining unit costs for each billable parameter

Subtask 3.F: Wastewater Rate Design Analysis and Update

Based on the costs distribution developed in the prior subtask, we will update the current rates based on feedback received from City staff. We will review the rate structure and provide various recommendations for residential, multi-family and commercial rates based upon water use, discharge and strength characteristics, or other bases to achieve equity between customer classes. Each alternative derives the same required revenue and will be adaptable to work on the current billing system. Each revenue requirement scenario developed will demonstrate the impact of different assumptions on each of the developed rate structures.

Willdan will list the advantages and disadvantages of each alternative, and prepare comparison bills for each scenario. For the recommended alternative, we will project the annual unit rates for each customer class, and the current versus proposed bills for typical customers in each class.

Task 4: Capacity Fee Study

Task 4.A: Review Existing Fee Methodology and Resolve Policy Issues

Under AB 1600 (Government Code 66000 through 66024), connection (or capacity) fees must be developed based on an established incremental impact that new developments places on available capacity. Willdan will identify and resolve policy issues that may be raised by the study and determine appropriate facility and fee categories as they relate to current programs.

To establish an incremental impact that new development places upon available capacity, the costs of existing and proposed facilities must be segregated by their benefits to new or existing users. This cost to benefit nexus is the fundamental principal of AB 1600. For each utility related capital project, Willdan will work with the City to identify a base year for estimating existing levels of development and for calculating facility standards based on existing facility inventories. We will consult with City staff to identify new development projects and growth projections to a defined planning horizon (10 to 30 years). We will review all available and relevant documentation to ensure comprehensive and consistent projections.

Task 4.B: Identify Facility Standards

Facility standards provide a critical link in documenting the nexus between growth, the facilities required to accommodate it, and a defensible fee. Facility standards are used to demonstrate a reasonable rational relationship between new development and the need for new facilities.

We will rely primarily on our review of the City's fixed asset records and capital improvement plans along with input from City staff to identify the facility standards used to plan for new facilities. Typical utility standards for facility planning include average, monthly and peak demand factors, plus treatment and pumping requirements.

Task 4.C: Determine Facilities Needs and Costs

Identify the type, amount and cost of facilities required to accommodate growth and correct deficiencies, if any. A critical component of this task will be distinguishing between the following:

- Facilities needed to serve growth (that can be funded by capacity fees); and
- Facilities needed to correct existing deficiencies for the existing service population (that cannot be funded by capacity fees).

Based on discussions with City staff, and others as necessary, Willdan will develop a sound and defensible allocation of planned capital facilities costs between the existing service population and growth. Depending on the engineering and cost data available, we will determine the metrics to appropriately allocate the capital facilities costs based on engineering-level estimates for each unit cost based on discussions with City staff and through our team experience acquired through prior projects.

Task 4.D: Fee Calculation Analysis

Based on the cost analysis previously discussed, Willdan will design and calculate capacity fees that will best reflect future demand and use. Willdan will prepare draft report tables for City staff to review that document each step of the fee analysis, including a schedule of maximum justified.

Task 5: Drought Rate Analysis and Preparation

As we develop the revenue requirements, cost of service analyses and rate structure recommendations, we will incorporate analysis of potential drought rate or surcharge options. The financial plan will demonstrate financial impacts of Drought Rate scenarios, including appropriate adjustments in operating costs and cost of service functional allocations, and corresponding revenue and rate adjustments necessary to ensure revenue sufficiency.

The objective of this task is to develop drought rates that ensure revenue stability when a Drought Rate is activated, and Drought Rates imposed. As you know, a goal of Drought Rates is to encourage conservation. But without proper calibration of the Drought Rates, the effect of that reduced consumption would be reduced revenue.

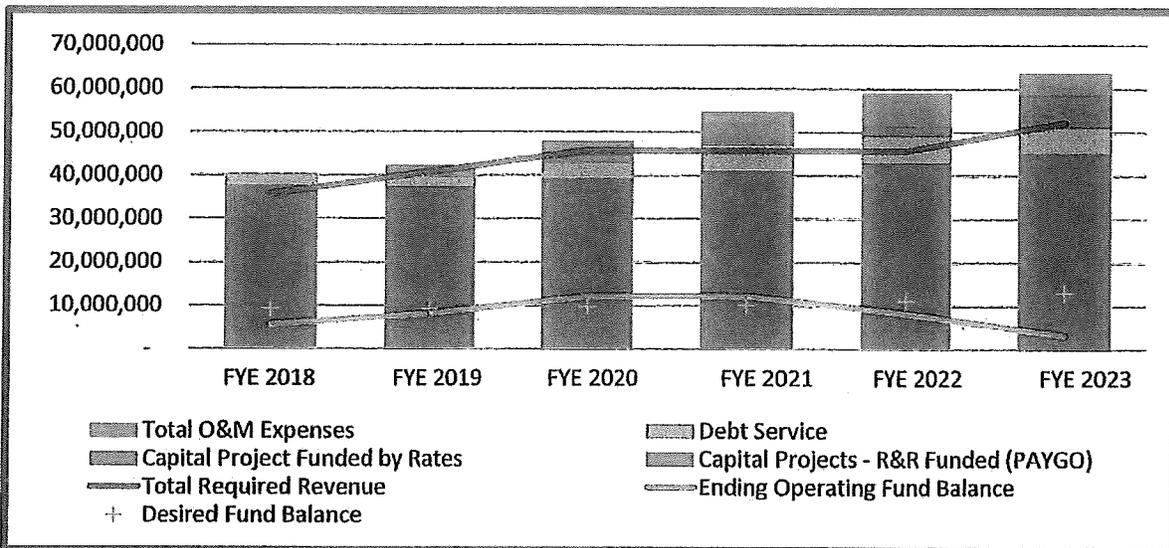
Task 6: Communicating the Results — Presentations and Meetings

Willdan believes in proactive stakeholder outreach, feedback and understanding during the entire process, not only at the time the results are proposed. Throughout the course of the study, in addition to the project kick-off, **Willdan will conduct discussions with key staff and the City Council** to walk-through the model, discuss the preliminary findings, and to discuss the draft results and study findings. We anticipate up to six (6) meetings with the City during the course of this project, two (2) meetings with staff to discuss and present results; two (2) community workshops; and two (2)

meetings with City Council, to discuss the proposed financial plan and rates, and provide support at the Public Hearing, and to initiate the Proposition 218 process. Additionally, we have increasingly been utilizing the effective online communication tools provided by GoToMeeting® and Join.me® to better facilitate discussion and feedback. This has proven to be more beneficial than common conference calls and does not count as a formal meeting, which can add unnecessary additional costs to the project.

During the presentation of the combined findings and reports to the community and City Council, the final presentation will include easy-to-follow graphics (see below) and color handouts of the study assumptions, methodologies, findings and conclusions, and will include a discussion period for questions and answers. We will also work with the City to develop sample bills for customers impacted by rate adjustments.

We utilize the model as an important tool during our presentation of study results, including demonstration of scenarios, evaluation of policy assumptions, and effects of different rate alternatives. Furthermore, the model includes a bill calculator that can select different classes of customers, and calculate their estimated water bill under proposed rate scenarios. This calculator can also be incorporated into other presentation materials.



Task 7: Prepare and Document Rate Recommendations

Willdan will document the results of the study in a report consistent with the tasks identified throughout this task. The documentation will include an executive summary, methodology, background assumptions, findings, recommendations and conclusions.

The presentation and report will include a comparison of Calexico water and wastewater rates and fees to select neighboring water agencies. We will provide City staff with a digital copy of the preliminary draft report for review and comment, and based on the comments received, prepare a final printed and digital copy of the report. The City will also have full access to Willdan's fully customized, non-proprietary, Excel-based model for its use in the future.

Task 8: Customize Rate Model – Preparation and Delivery

As part of our scope, Willdan will deliver a version of its financial planning and rate design model for staff. The model will allow City staff to monitor financial performance, and perform necessary analysis to identify necessary adjustments. Specifically, the model will allow for:

- Performance of sensitivity analyses; by quickly changing inputs such as growth rates, cost escalation factors, policy assumptions, cost of capital, costs of operation, and monitoring the effect on the overall financial plan;
- Calculation and analysis of costs of operation such as purchase, treatment and distribution of water;
- Analysis of costs of service, and their impact on rates;
- Evaluation of CIP financing alternatives such as debt or PAYGO;
- Ability of revenue to fund debt repayment and coverage requirement, and estimate debt capacity; and
- Use of the graphical user interface dashboard to quickly make changes and evaluate their effects.

City Staff Responsibilities

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

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

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

Willdan will rely on the validity and accuracy of the City's data and documentation to complete our analysis. Willdan will rely on the data as being accurate without performing an independent verification of accuracy, and that we will not be responsible for any errors that result from inaccurate data provided by the client or a third party.

Project Schedule

Willdan understands time is of the essence for the City to begin this engagement. Willdan prides itself on being responsive to customer needs. We have developed a general timeline that will begin in December 2017 with analysis and report completed by February 28, 2018. Because of the noticing requirements of Proposition 218, public hearings are anticipated to occur after February 28. A specific schedule of events and milestones will be developed in concert with City staff. Based on these factors and our current understanding of the solicitation, Willdan has developed the following preliminary project schedule:

City of Calexico Water and Wastewater Rate Study					
Project Schedule					
Scope of Work	December 4 11 18 25	January 1 8 15 22 29	February 5 12 19 26	March 5 12 19 26	April 2 9 16 23 30
Task 1: Project Kick-off, Data Gathering & Study Preparation					
Task 1.A: Data Evaluation and Validation					
Task 2: Water Rate Study					
Task 2.A: Consumption and Billing Analysis					
Task 2.B: Revenue Requirements Analysis					
Task 2.C: Baseline Analysis					
Task 2.D: Scenario Development					
Task 2.E: Cost of Service Analysis					
Task 2.F: Rate Design Analysis and Update					
Task 3: Wastewater Rate Study					
Task 3.A: Determine Discharge Characteristics and Loadings					
Task 3.B: Cost Projection Analysis					
Task 3.C: Revenue Requirements Analysis					
Task 3.D: Scenario Planning					
Task 3.E: Cost Distribution to Billable Parameters					
Task 3.F: Wastewater Rate Design Analysis and Update					
Task 4: Capacity Fee Study					
Task 4.A: Review Existing Fee Methodology and Resolve Policy Issues					
Task 4.B: Identify Facility Standards					
Task 4.C: Determine Facility Needs and Costs					
Task 4.D: Fee Calculation Analysis					
Task 5: Drought Rate Analysis and Preparation					
Task 6: Communicating the Results – Presentations & Meetings					
Task 7: Prepare & Document Rate Recommendations					
Task 8: Customize Rate Model – Preparation & Delivery					

Fee Schedule

Willdan Financial Services will perform the tasks described within our scope of services, for a **fixed fee of \$67,625 for the full project, not including direct expenses related to mailing, processing and postage for Prop 218 notices. These costs would be billed to the City at our cost, with no markup.**

City of Calexico Water and Wastewater Rate Study						
Cost Proposal						
	C. Fisher PIC - Project Manager	J. McGarvey Tech Advisor & QA/QC	K. Burnett Lead Project Consultant	T. Thrasher Analytical Support	Total	
	\$250	\$240	\$185	\$165	Hours	Cost
Scope of Work						
Task 1: Project Kick-off, Data Gathering & Study Preparation	1.0	1.0	2.0	2.0	6.0	\$ 1,190
Task 1.A: Data Evaluation and Validation	1.0	-	3.0	3.0	7.0	1,300
Task 2: Water Rate Study						
Task 2.A: Consumption and Billing Analysis	-	-	16.0	6.0	22.0	3,950
Task 2.B: Revenue Requirements Analysis	1.0	-	18.0	10.0	29.0	5,230
Task 2.C: Baseline Analysis	1.0	2.0	12.0	4.0	19.0	3,610
Task 2.D: Scenario Development	1.0	-	4.0	2.0	7.0	1,320
Task 2.E: Cost of Service Analysis	-	-	12.0	4.0	16.0	2,880
Task 2.F: Rate Design Analysis and Update	1.0	1.0	14.0	4.0	20.0	3,740
Task 3: Wastewater Rate Study						
Task 3.A: Determine Discharge Characteristics & Loadings	-	1.0	3.0	4.0	8.0	1,455
Task 3.B: Cost Projection Analysis	-	-	6.0	8.0	14.0	2,430
Task 3.C: Revenue Requirements Analysis	1.0	1.0	8.0	4.0	14.0	2,630
Task 3.D: Scenario Planning	1.0	-	2.0	1.0	4.0	785
Task 3.E: Cost Distribution to Billable Parameters	-	2.0	6.0	-	8.0	1,590
Task 3.F: Wastewater Rate Design Analysis & Update	2.0	2.0	6.0	2.0	12.0	2,420
Task 4: Capacity Fee Study						
Task 4.A: Review Existing Fee Methodology and Resolve Policy Issues	1.0	1.0	3.0	2.0	7.0	1,375
Task 4.B: Identify Facility Standards	1.0	1.0	4.0	2.0	8.0	1,560
Task 4.C: Determine Facility Needs and Costs	-	1.0	8.0	4.0	13.0	2,380
Task 4.D: Fee Calculation Analysis	1.0	1.0	16.0	6.0	24.0	4,440
Task 5: Drought Rate Analysis and Preparation	1.0	-	16.0	6.0	23.0	4,200
Task 6: Communicating the Results - Presentations & Meetings (6)	16.0	-	20.0	12.0	48.0	9,690
Task 7: Prepare & Document Rate Recommendations (Reports)	3.0	3.0	16.0	20.0	42.0	7,730
Task 8: Customized Rate Model - Preparation & Delivery	1.0	-	8.0	-	9.0	1,730
Total Willdan Fees	34.0	17.0	203.0	106.0	360.0	\$ 67,625
Additional Meetings (Per Meeting)						\$ 1,850

Notes:

- The City of Calexico will be invoiced on a **monthly percentage-completion basis**.
- Invoices will include a description of services, as well as a summary of costs to date by task.
- We will perform additional tasks, outside our scope of services, as requested and authorized by the City for an additional fee.
- The City shall reimburse Willdan for any costs Willdan incurs, including without limitation, copying costs, digitizing costs, travel expenses, employee time and attorneys' fees, to respond to the legal process of any governmental agency relating to the City or relating to this project. Reimbursement shall be at Willdan's rates in effect at the time of such response.

Hourly Rates

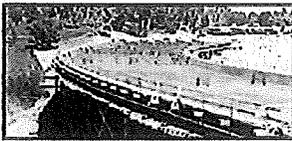
Additional services may be authorized by the City of Calexico and will be billed at our then-current hourly overhead consulting rates. Our current hourly rates are listed below.

Willdan Hourly Rate Schedule	
Position	Hourly Rate
Group Manager	\$250
Managing Principal	\$240
Principal Consultant	\$210
Senior Project Manager	\$185
Project Manager	\$165
Senior Project Analyst	\$135
Senior Analyst	\$125
Analyst II	\$110
Analyst I	\$100

3. Qualifications and Personnel

Firm Profile

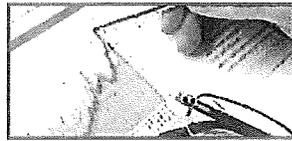
Willdan Financial Services is one of four operating divisions within Willdan Group, Inc. (WGI), which was founded in 1964 as an engineering firm working with local governments. Today, WGI is a publicly traded company (NASDAQ ticker: WLDN). WGI provides technical and consulting services that ensure the quality, value, and security of our nation's infrastructure, systems, facilities, and environment. The firm has been a consistent industry leader in providing all aspects of municipal and infrastructure engineering, public works contracting, public financing, planning, building and safety, construction management, homeland security, and energy efficiency and sustainability services. Today, WGI has over 800 employees operating from offices in *Arkansas, Arizona, California, Colorado, District of Columbia, Florida, Illinois, Kansas, Nevada, New Jersey, New York, Ohio, Oregon, Texas, and Washington.*



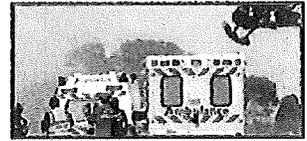
ENGINEERING, PLANNING, & INFRASTRUCTURE



ENERGY EFFICIENCY & SUSTAINABILITY



FINANCIAL & ECONOMIC CONSULTING SERVICES



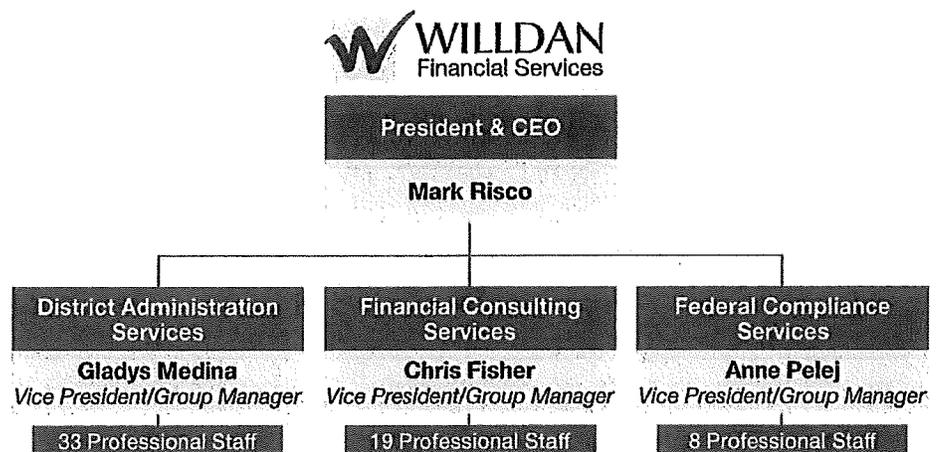
NATIONAL PREPAREDNESS & INTEROPERABILITY

Established on June 24, 1988, Willdan Financial Services, a California Corporation, is a national firm, and is one of the largest public sector financial consulting firms in the United States. Since that time, we have helped over 800 public agencies successfully address a broad range of financial challenges, such as financing the costs of growth and generating revenues to fund desired services. Willdan assists local public agencies by providing the following services:

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

Our staff of over 70 full-time employees supports our clients by conducting year-round workshops and on-site training to assist them in keeping current with the latest developments in our areas of expertise.

The organization chart located to the right represents Willdan's reporting structure, including the operating groups and the responsible manager, as well as the assets available to the City of Calexico.

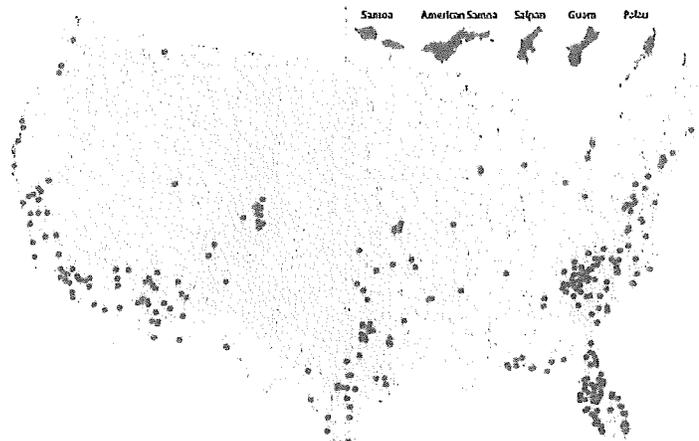


Utility Rate Experience

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

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

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

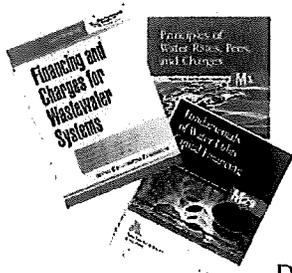


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Our expertise spans across the following utility financial planning services:

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

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



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

Project Team

Our management and supervision of the project team is very simple: staff every position with experienced, capable personnel in sufficient numbers to deliver a superior product to the City, on time and on budget. With that philosophy in mind, we have selected experienced professionals for this engagement. We are confident that our team possesses the depth of experience that will successfully fulfill your desired work performance.

Mr. Chris Fisher will serve as the **Principal-in-Charge and Project Manager** for the City's engagement. With more than 18 years of experience at Willdan, Mr. Fisher has managed an array of financial consulting projects for public agencies in California, Arizona, Colorado, and Florida, coordinating the activities of resources within Willdan, as well as those from other firms working jointly on projects. He is one of the firm's leading experts for utility rate analysis and Proposition 218 compliance. Mr. Fisher is a Willdan Financial Services Vice President and the Financial Consulting Services Group Manager.

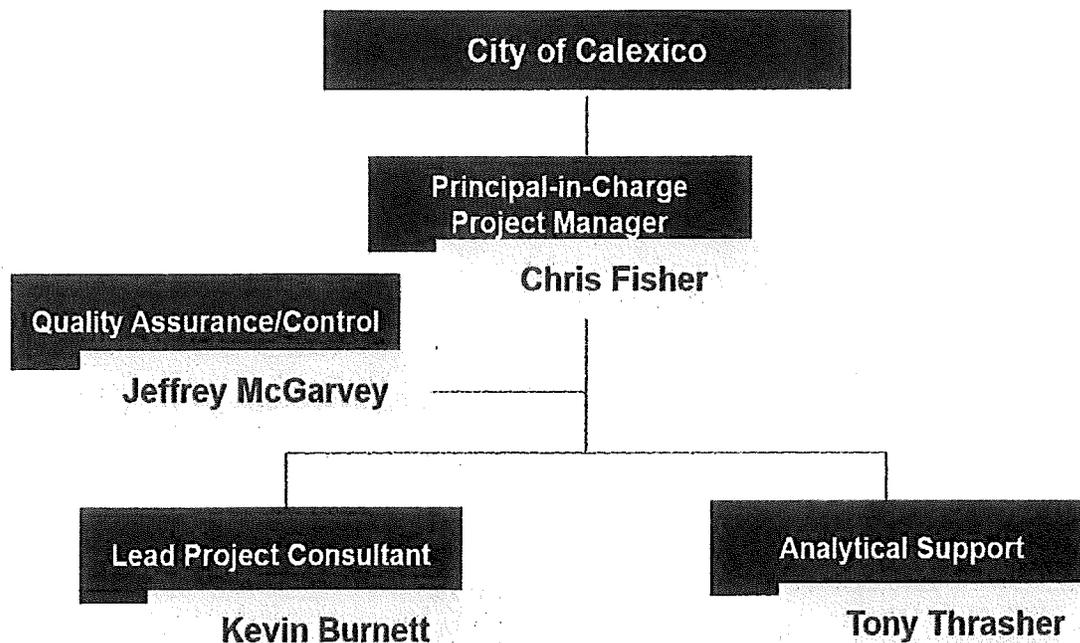
Mr. Jeff McGarvey will provide **Technical and Policy Guidance, as well as Quality Control/Quality Assurance** for the City's engagement. With over 25 years of experience, Mr. McGarvey is a Managing Principal in Willdan's Financial Consulting Services group; and has provided professional consulting services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

Mr. Kevin Burnett will serve as the **Lead Project Consultant** for the City's engagement. He has served as a municipal utility rate consultant for 16 years, during which he has conducted over 100 rate studies across the country. His experience extends across a variety of utility rate and financial studies, including: retail and wholesale rate and cost of service studies; connection/impact fee studies; miscellaneous fee and charge studies; bond feasibility reports; interactive rate model development; CIP financial scenario planning; rate ordinance drafting; and billing system validation/rate testing.

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

Organizational Chart

The chart to the right identifies Willdan's proposed project team, and their role within the City of Calexico project.



Current Workload

Willdan's Financial Consulting Services group is composed of a team of senior-level professional consultants with experience and expertise specific to financial matters. While each member of the project team currently has work in progress with other clients, the workload is at a manageable level with sufficient capacity to meet the needs of the City with regard to the schedule and budget for this engagement. Furthermore, Willdan as a whole is composed of over 800 employees, including a cadre of public finance experts. If necessary, Mr. Fisher can recruit additional, qualified individuals from our employee roster to assist with the completion of this engagement to deliver the final materials on time and within budget. We do not anticipate staffing changes during the course of this engagement, however, should the situation arise a resolution will be formulated in collaboration with the City.

Willdan Financial Services Project Team

Current Assignments

Bluffs CSD, CA	AD Formation
Borrego Springs FPD, CA	2017-1 Annexation
City of Banning, CA	Water and Wastewater Rate Study
City of Claremont, CA	Cost Allocation Plan and User Fee Study
City of Coachella, CA	CFD Formation
City of Colton, CA	Cost Allocation Plan
City of El Centro, CA	User Fee Study
City of El Cerrito, CA	Cost Allocation Plan and User Fee Study
City of Galt, CA	CFD Formation
City of Lake Elsinore, CA	Cost Allocation Plan and User Fee Study
City of Lynwood, CA	CFD Formation
City of Lynwood, CA	Cost Allocation Plan and User Fee Study
City of Murrieta, CA	Cost Allocation Plan and User Fee Study
City of Murrieta, CA	CFD Formation
City of National City, CA	Cost Allocation Plan and User Fee Study
City of Perris, CA	Green Valley CFD Formation
City of Rocklin, CA	User Fee Study
City of Santa Ana, CA	User Fee Study
City of Selma CA	CFD Fiscal Impact
City of Selma CA	CFD Restructuring Services
City of Soledad, CA	Soledad UF Study
County of San Benito, CA	User Fee Study
County of San Diego, CA	Harmony Grove Special Tax Engineering
County of San Diego, CA	Horse Creek Ridge CFD
County of San Diego, CA	Stormwater BMP Funding
Monte Vista Water District, CA	Connection Fee Study
Sacramento Public Library, CA	Cost Allocation Plan
Sulphur USD, CA	Aliento and Vista CFD Formations
Town of Apple Valley, CA	Solid Waste Nexus Study
Town of Apple Valley, CA	Sewer Rate Study
Town of Cave Creek, AZ	Sewer and Water Rate Study
Town of Fountain Hills, AZ	Fountain Hills Biennial Impact Fee Audit
Town of Queen Creek, AZ	Preliminary Feasibility of Acquisition Analysis
Town of Queen Creek, AZ	Water and Wastewater Rate Capacity Fee Study
Town of Queen Creek, AZ	Library, Town Facility, Police, Fire & Parks Impact Fee Study
Town of Queen Creek, AZ	Impact Fee Audit
Truckee Donner PUD, CA	CFD Formation

Staff Continuity

Vice President and Group Manager Chris Fisher has been assigned to serve as the City's representative; and has been selected for this role due to his extensive experience, which includes the preparation and supervision of numerous utility rate studies, as well as his experience presenting to governing bodies, stakeholders, and industry groups. ***It is important to note that Mr. Fisher has been with Willdan for more than 18 years, ensuring the City of Calexico of continuity and dedication in staffing during the completion of this project.***

Level of Effort

Based on the project tasks identified within the scope of work, we have provided staff allocation hours and percentages of project in the table below. The breakdown addresses the estimated time for all project-related activities including gathering data, developing an analysis model, attending meetings and preparing report documents.

Staff Allocation			
Team Member	Project Role	Percentage of Project	Project Hours
Chris Fisher	PIC - Project Manager	9%	34
Jeffrey McGarvey	Tech Advisor & QA/QC	6%	17
Kevin Burnett	Lead Project Consultant	56%	203
Tony Thrasher	Project Analyst	29%	106
Total Hours			360.0

Resumes

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

Chris Fisher

Principal-in-Charge/Project Manager

<p>Education <i>Bachelor of Science, Finance; San Francisco State University</i></p>	<p>Mr. Fisher has been selected to serve as the Principal-in-Charge and Project Manager of the City's engagement, due to his extensive experience managing multi-disciplinary teams. He also possesses extensive knowledge regarding Proposition 218 compliance.</p>
<p>Areas of Expertise <i>Multi-disciplinary Team Management</i></p>	<p>Mr. Fisher is the Vice President and Financial Consulting Services Group Manager at Willdan Financial Services. With more than 18 years' at Willdan, he has managed an array of financial consulting projects for public agencies throughout California, Arizona, Colorado and Florida; coordinating the activities of resources within Willdan, as well as those from other firms working on these projects.</p>
<p><i>Special District Formations</i></p> <p><i>Cost of Service Studies</i></p> <p><i>Proposition 218</i></p> <p><i>Utility Rate Studies</i></p>	<p>Select Relevant Experience</p> <p>Mission Springs Water District, CA – Comprehensive Water and Wastewater Financial Plan and Rate Study: Mr. Fisher served as the Principal-in-Charge and Project Manager for the District's comprehensive financial plan and rate study. He established the overall project approach to achieve the District's objectives, coordinated the activities of Willdan staff, and was responsible for quality control. A key focus of this study was on the need to address the Chromium 6 detected in the groundwater. Willdan developed a comprehensive financial model, and updated water and wastewater rates. Mr. Fisher worked with and presented the final report to District Staff as well as the Water Commission and Board of Directors.</p>
<p>Affiliations <i>California Society of Municipal Finance Officers</i></p> <p><i>Municipal Management Association of Northern California</i></p>	<p>Nevada Irrigation District, CA – Water Rate and Cost of Services Studies: Willdan finalized a water rate and cost of services study for the Nevada Irrigation District. Mr. Fisher was the project manager for this engagement; the project has been completed, and Prop 218 notices mailed. This engagement included review of existing charges, particularly treated and raw water, to ensure the defensibility of the District's tiered rates, as well as recovery of the true costs of providing utility services to its customer base. Particular sensitivity surrounded the question of equity between agricultural and residential customers since the agricultural interests in the area are well known and established. Stakeholder outreach meetings were held to explain the process and results to key interested parties. Willdan developed a comprehensive revenue requirements analysis, with extensive due diligence paid to establishing and verifying expenses and fund balances, and developing, reviewing and analyzing various CIP financing strategies. Willdan staff attended numerous meetings with the Board of Directors to demonstrate the functions of our financial model, including the review of possible revenue and rate scenarios, and attended the final Public Hearing.</p>
<p><i>California Municipal Treasurers Association</i></p>	<p>Elk Grove Water District, CA – Water Rate Services: Mr. Fisher oversaw the initial preparation of a comprehensive financial plan and water rate study for the District. This engagement included the development of a comprehensive financial model, updated water rates, and connection fees, as well as an analysis of multi-family accounts, a comparison of current and proposed rates, including rates of comparable jurisdictions, comparative rate and cost analysis. Mr. Fisher provided technical assistance throughout this project and oversaw and coordinated the work of the sub consultant who finished the project after he left Willdan.</p>
<p>18 Years' Experience</p>	<p>McKinleyville Community Services District, CA – Water and Wastewater Capacity Fee Study: Mr. Fisher served as principal-in-charge of this project. The prior connection fees had not been updated for a number of years and were relatively low in comparison to similar agencies. In addition, there were several new local development projects in the planning stages requiring the District to provide utility services; placing even greater demand upon existing facilities and possibly requiring expansion of existing facilities, or construction of new ones. Willdan worked with staff to compile a list of proposed capital improvements and their estimated cost, and conducted an analysis of existing and proposed development within the District boundaries. Finally, the team analyzed existing demand on the current utility systems and calculated remaining capacity in order to develop fair and equitable capacity fees.</p>
	<p>City of Soledad, CA – Water Rate Study: Mr. Fisher was the project manager for this engagement with the City of Soledad, to complete a comprehensive financial plan and rate study for their water utility. The City's water rates and connection fees had not been updated since 1996. Several times in the past ten years, proposed water rates were put off due to economic and political uncertainty.</p>



C. Fisher
Resume Continued

The water utility was losing money with existing rates and would have continued to do so if not addressed; they also needed to invest significantly in capital repair and replacement projects, as well as system upgrades. Mr. Fisher worked with City staff through the process of gathering and verifying data, developing a comprehensive revenue sufficiency analysis, including an on-site meeting to review the budget in detail. He also oversaw the development of the rate and financial model, including the basic revenue requirements, cost causation and basic rate scenarios. Once complete, Mr. Fisher finalized the rate recommendations with City staff prior to presentation to the City Council.

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

City of Covina, CA – Tiered Water Rate Study: Mr. Fisher served in the role of principal-in-charge of the City's tiered water rate study. His responsibilities included the scheduling of key meetings and deliverables, review of progress throughout the development of the project, and quality control. The City's existing rate structure, which was updated in 2007 by Willdan, demonstrated that current utility rate revenues were not sufficient to fund the current operating and maintenance costs and necessary capital improvements. The updated rate analysis incorporated additional customer classes with unique discharge characteristics, which distributed the full cost of the utility services to the City's customer base in proportion to the service demands they place on the utility systems.

Jeffrey McGarvey

Technical Advisor, Quality Control/Quality Assurance

Education
*Bachelor of Science,
 Finance, University of
 Central Florida*

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

Areas of Expertise
Alternatives Analysis

Strategic Planning

Rate Studies

Rate and Cost of Service Studies

*Cost of Service
 Studies*

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

Revenue Bonds

Feasibility Analyses

Revenue Bonds, Feasibility Analyses and Capital Funding

Capital Funding

Mr. McGarvey has been involved in the preparation of capital financing plans and feasibility studies associated with the issuance of several hundred million dollars in municipal revenue bonds and bond anticipation notes (BANs). The funding proceeds have been utilized for such purposes as utility acquisitions, expansion of facilities and various other capital improvement needs. In addition, Mr. McGarvey has developed capital funding strategies utilizing various combinations of bonds, bank loans, government assistance loans (i.e. State Revolving Funds) and grants. As financial feasibility consultant, Mr. McGarvey has made numerous presentations on behalf of clients to various bond insurers and rating agencies (Moody's, Standard & Poor's, and Fitch).

Acquisitions

Valuation Analyses

Affiliations

*American Water
 Works Association*

Business and Strategic Planning

*The Water
 Environment
 Federation*

Mr. McGarvey has experience in developing complex financial and economic evaluation models for water, wastewater, solid waste, electric and natural gas systems throughout the country. Such experience generally relates to the development of business and strategic plans as well as performing structured alternatives analyses and sensitivity analyses related to the evaluation and implementation of system modifications such as service and operational changes, as well as planning for customer growth and capital expenditures.

*The Utility
 Management
 Conference*

*The WaterReuse
 Foundation*

Acquisitions and Valuation Analyses

Mr. McGarvey has been involved in numerous acquisitions and valuation analyses for utility systems. Acquisition projects generally involve financial due diligence, valuations, negotiations and financing activities associated with such transactions. Mr. McGarvey has performed valuation analyses utilizing various generally accepted methodologies including cost approach (value of the cash flows generated by the system), original cost less depreciation (book value), comparable sales (actual transactions for other systems), replacement cost new less depreciation and reproduction cost new less depreciation (value of system assets).

25 Years' Experience

Selected Relevant Experience

The following is a select list of Mr. McGarvey's recent utility rate clients and projects.

- **Rainbow Water District, CA - Water and Wastewater Asset Cost and Capacity Fee Study**
- **City of Blythe, CA – Water and Wastewater Rate Study**
- **City of Brighton, CO – Water, Wastewater and Storm Drainage Comprehensive Fee and Rate Study**
- **City of Durango, CO – Water and Wastewater Services Rate Study**
- **City of Lee's Summit, MO – Water and Wastewater Consulting Services**

Kevin Burnett

Lead Project Consultant

Education

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

Bachelor of Arts,
University of Waterloo,
Ontario

Areas of Expertise Financial Planning

Cost of Service
Studies

Rate Design

Impact Fees

Bond Feasibility

Affiliations

American Water Works
Association

16 Years' Experience

Mr. Burnett is a senior financial consultant with 16 years of utility analysis experience, possessing extensive experience with utility rate and cost of service studies for retail and wholesale use. His project experience includes water, wastewater, reuse, and stormwater rate studies using state-of-the-art utility financial planning tools. He has developed both short and long-term financial plans for utilities of all sizes – including regional water authorities and regional wastewater providers with individual wholesale service contracts.

Select Relevant Experience

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

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

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

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

Town of Erie, CO – Water and Sewer Cost of Service Rate and Tap Fee Study: Served as the project manager and lead analyst on a water and sewer cost of service rate and tap fee study. The Town adopts five-year financial and rate design plans premised on the equitable allocation of costs between residential, commercial and irrigation customer classes. The Town explored options for cost recovery of reclaimed water services. Tap fees were examined to recover the cost of rapid growth to ensure that existing customers do not experience undue rate increases to subsidize future customers.

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

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

K. Burnett
Resume Continued

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

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

City of Durango, CO – Rate Study for Water and Wastewater Services: Served as project manager to provide long-term financial plan, cost of service based rates and an update to the City's plant investment fees. The City was required to complete an estimated \$50 million in improvements to the lone wastewater treatment plant in order to comply with CDPHE requirements. In addition to developing a balanced financial plan, incorporating rate increases and anticipated debt to fully fund requirements, rates were designed to provide equity amongst customer classes and minimize customer impact. Water rates developed for the City sought to meet cost of service as well as strike a balance between encouraging conservation while maintaining adequate revenue stability. Sewer rates were developed to meet class cost of service and provide revenue stability for the utility.

Tony Thrasher

Financial Analyst

Education
*Bachelors of Science
 in Economics
 (Primary Focus was
 Econometrics);
 California
 Polytechnic
 University of
 Pomona*

Areas of Expertise
Utility Rate Studies

OMB A-87-compliant
*Cost Allocation
 Plans*

Fiscal Analyses for
User Fees and Rates

Proposition 218
*Utility
 Rate Compliance*

9 Years' Experience

Mr. Thrasher has been selected to serve as financial analyst due to his utility rate analysis experience. He is a Project Manager within Willdan's Financial Consulting Services group and his responsibilities include supporting project managers and conducting fiscal analyses for numerous types of public finance studies.

Prior to joining Willdan, Mr. Thrasher was a financial analyst working in bond, equity, and mortgage-backed security markets for Wells Fargo Bank, Bank of New York Mellon, and Deutsche Bank. His prior experience includes portfolio accounting, differential analysis, and forecasting.

Select Relevant Experience

City of Dinuba, CA – Cost Allocation Plan Update and Utility Rate Study: Mr. Thrasher served as the financial analyst on the City of Dinuba engagement. He assisted with the utility rate study and cost allocation plan update for the City. Duties included reviewing relevant documentation, gathering information related to indirect staffing and functions, assisting in the preparation of a comprehensive draft cost allocation model and plan, and testing and reviewing the model and results with project management staff.

City of Lompoc, CA – Water and Wastewater Rate Study Update: Willdan was contracted to provide a comprehensive review, and financial plan update for the City's water and wastewater rates. The project approach includes a thorough review of the CIP, each utility's operating budget, and other important policy and financial documents. The City sought to fund an increasing CIP and increasing operations and maintenance expenses; and the financial plan must ensure appropriate revenues are generated in light of the adoption of California Senate Bill No. 7 (20 x 2020), coupled with decreasing consumption levels. Costs associated with water production, delivery was analyzed, and an appropriate fixed charge component of the rate structure developed. The study also included the feasibility of creating an agriculture rate.

Phelan Piñon Hills Community Services District (CSD), CA – Water Rate and Fee Study: Mr. Thrasher served in the role of financial analyst for this comprehensive revenue requirement analysis and financial plan, which provided targeted rate and fee structure recommendations. He was responsible for collecting and analyzing data related to water operations, planned capital improvement projects, existing debt obligations, the acquisition of water rights, and ongoing maintenance and repair operations. A comprehensive pro forma financial analysis was prepared focusing on primary rate and financial objectives. The analysis resulted in rate structures that provided adequate revenue to fund operations; and created a secure and reliable funding source for future capital improvements.

City of Pinole, CA – Wastewater Rate Analysis: The City retained Willdan to prepare a wastewater rate analysis that included a new rate schedule that met current and near-term projected system revenue requirements. Mr. Thrasher provided analytical support for this engagement, gathered and verified necessary data, and assisted in the development of the model and the completion of the report.

City of Soledad, CA – Water Rate Study: Mr. Thrasher served in the role of lead financial analyst for the City's engagement. The City's water rates and connection fees had not been updated since 1996. The water utility was losing money with existing rates, and they needed to invest significantly in capital repair and replacement projects, as well as system upgrades. Mr. Thrasher worked with City staff through the process of gathering and verifying data, including an on-site meeting to go through the budget in detail. He developed the model, including the basic revenue requirements, cost causation, and basic scenarios. Mr. Thrasher worked with the City to develop scenarios for presentation to the City Council.

City of Durango, CO – Rate Study for Water and Wastewater Services: Served in the role of financial analyst supporting Mr. Burnett and Mr. McGarvey. To comply with State wastewater treatment standards and to provide available capacity for new growth, the City needed to perform \$50 million in improvements to the wastewater treatment plant. Mr. Thrasher assisted with the gathering of data, as well as inputting it into the financial model prepared.

Project Management

Project Management Approach

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

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

Finally, following key stakeholder discussions, we will schedule a call to summarize findings and direction with City staff, to make certain that we are in agreement with stated objectives, and that feedback is incorporated as appropriate.

All of these steps guarantee that as the project moves forward success will be achieved by continually aligning our approach and work with stakeholder and City objectives, adjusting where necessary.

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

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

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

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

Quality Assurance / Quality Control Process

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

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

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

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

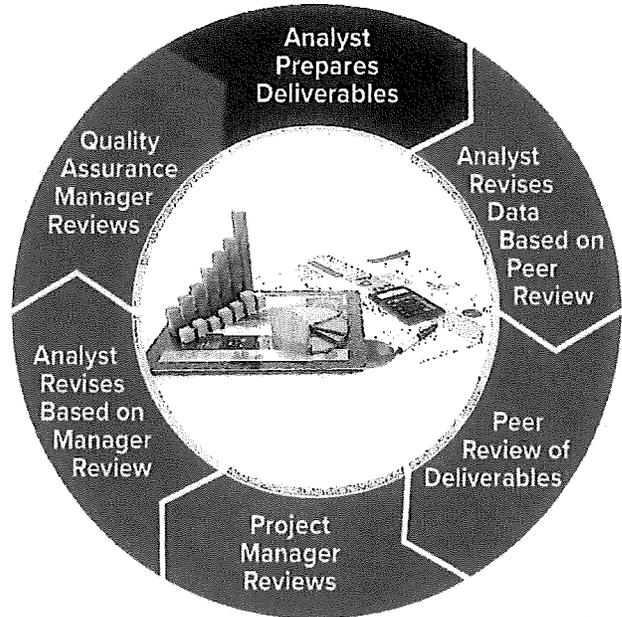
The goals of the Willdan quality assurance / control process team are to:

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

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

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

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



4. References

Similar Projects

Representative project descriptions, including client contact information, are provided below. We are proud of our reputation for customer service and encourage you to contact our past clients in regard to our commitment to completing these assignments within the agreed upon project budget and timelines.

City of Dinuba, CA

Water and Wastewater Rate Study

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

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

Client Contact: Mr. George Avila, Business Manager
1088 E. Kamm Avenue, Dinuba, CA 93618
Tel #: (559) 591-5924 | Email: gavila@dinuba.ca.gov

City of Tulare, CA

Water and Wastewater Rate Study

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

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

Client Contact: Ms. Trisha Whitfield, Field Services Manager
411 East Kern Avenue, Tulare, CA 93274
Tel #: (559) 684-4319 | Email: twhitfield@tulare.ca.gov

City of La Palma, CA

Water and Sewer Rate Study

Willdan was retained by the City of La Palma to conduct a comprehensive financial planning, cost of service, and rate design analyses for the City's water and sewer utilities. The team worked collaboratively with City staff and management, using our interactive consulting approach. An optimal solution was obtained that limited needed rate increases to City customers while achieving the operational and capital objectives of the City.

Willdan consultants presented the study findings to elected officials in one-on-one workshops to address concerns and answer questions before presenting the final results to the Council. The cost of service portion of the study was completed, and meets California Proposition 218 requirements.

Client Contact: Mr. Mike Belknap, Community Service Director
7821 Walker Street, La Palma, CA 90623
Tel #: (714) 690-3356 | Email: mikeb@cityoflapalma.org

Mission Springs Water District, CA

Water and Sewer Rate Study

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

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

Client Contact: Mr. Arden Wallum, General Manager
66575 Second Street, Desert Hot Springs, CA 92240
Tel #: (760) 327-6448 | Email: awallum@mswd.org

McKinleyville Community Services District, CA

Water & Sewer Rate and Capacity Fee Study

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

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

Client Contact: Mr. Greg Orsini, General Manager
1656 Sutter Road, McKinleyville, CA 95519
Tel #: (707) 839-3251 | Email: mcsdgm@mckinleyvillecsd.com

San Diego County Sanitation Department, CA

Sewer Rate and Standby Charge Study

Willdan worked with San Diego County Sanitation on a comprehensive wastewater financial plan and rate study, for an area of new development in the northern portion of the County known as Harmony Grove Village. We completed a rigorous revenue sufficiency analysis and financial plan, resulting in revenue requirements, operating projections, and scenarios that reflected different levels of proposed development. The Plan and scenarios balanced funding between a standby charge assessment revenue stream and user rate revenue, as development was projected to progress in the area. The analysis incorporated operating and capital requirements, as well as reserve funding.

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

Client Contact: Mr. Daniel Brogadir, PE, DPW Program Manager, San Diego County Sanitation District,
5500 Overland Avenue, Suite 315, San Diego, CA 92123
Tel #: (858) 694-2714 | Email: daniel.brogadir@sdcounty.ca.gov
Mr. Jeff Bosvay, DPW Unit Manager, San Diego County Sanitation District
Tel #: (858) 694-2711 | Email: jeff.bosvay@sdcounty.ca.gov

5. Additional Data

Utility Rate Project Experience

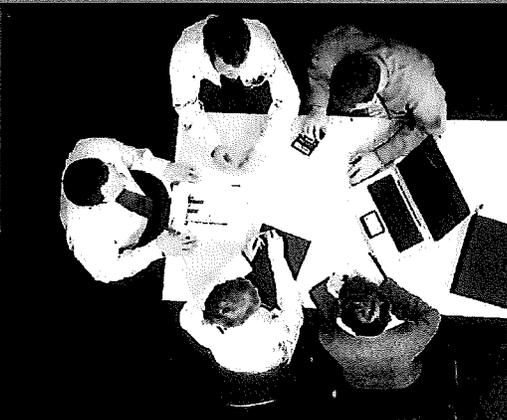
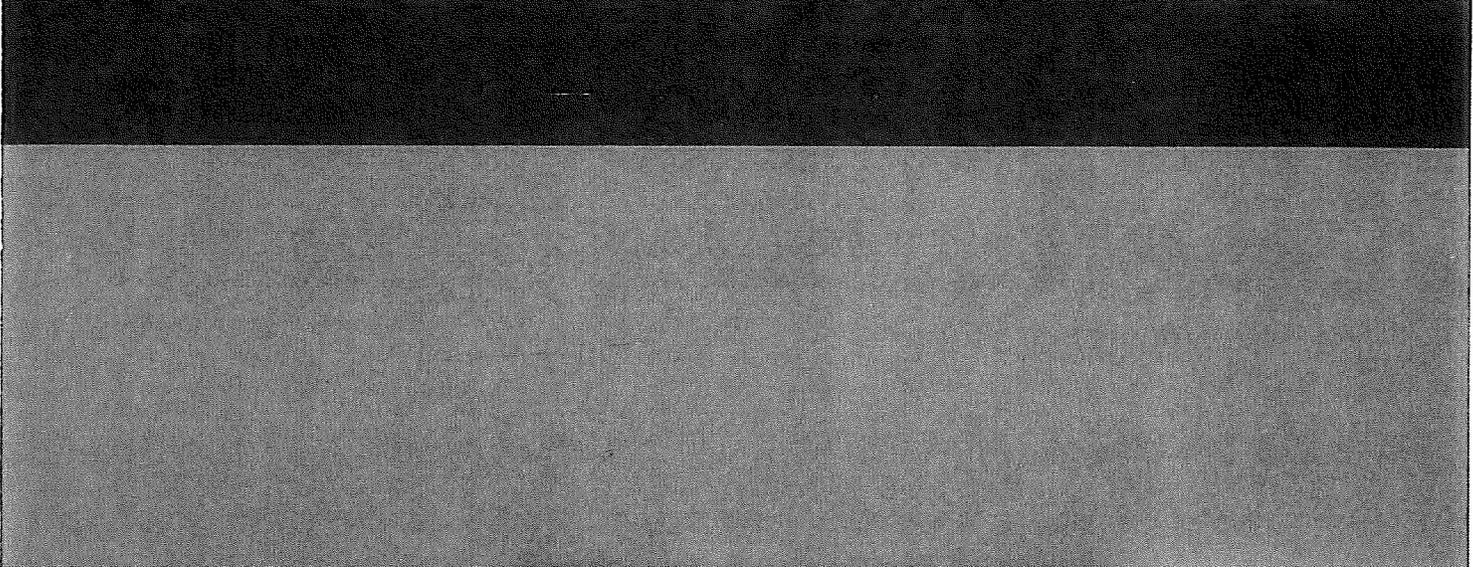
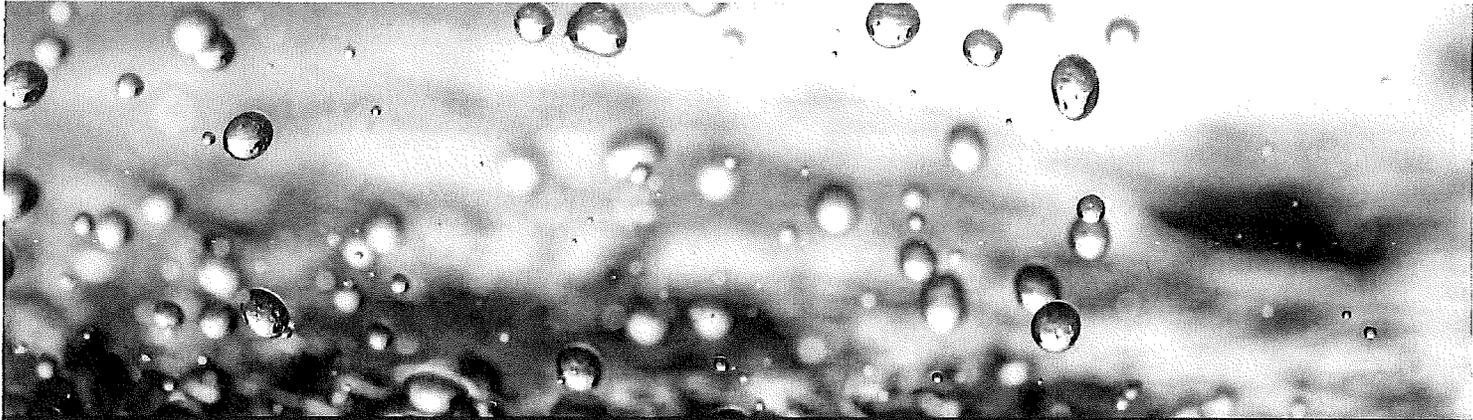
Provided in the table below is an abbreviated listing of local government agencies, in which projects of a similar nature are currently in progress, or have been completed in the previous five years, from our Temecula division headquarters.

Willdan Financial Services Current Experience

Agency	Project
City of Albany, CA	Sewer Rate Study
City of Avenal, CA	Water and Sewer Rate Study
City of Banning, CA	Water, Wastewater and Reclaimed Water Rate Study
City of Blythe, CA	Water and Sewer Rate Study
City of Chandler, AZ	Water and Sewer Cost of Service Rate Study
City of Coachella, CA	Proposition 218 Sewer Mailing
City of Covina, CA	Water and Sewer Rate Study Update
City of Crescent City, CA	Water and Sewer Rate Study
City of Delano, CA	Water, Sanitary Sewer, Solid Waste and Street Cleaning Utility Rate Study
City of Dinuba, CA	Water, Sewer, & Solid Waste Rate Study
City of Durango, CO	Water Rate Study
City of El Mirage, AZ	Water, Sewer and Solid Waste Rate Study
City of Fillmore, CA	Water and Sewer Rate Study
City of Flagstaff, AZ	Utility Rate Analysis
City of La Palma, CA	Water and Sewer Rate Study
City of Lompoc, CA	Utility Rate Update for Water and Wastewater
City of Norwalk, CA	Water Rate Study
City of Pinole, CA	Wastewater Rate and Fee Study
City of Soledad, CA	Water Rate Study Consulting Services
City of Tracy, CA	Water Fee Justification Study
City of Tulare, CA	Water and Wastewater Rate Study
County of San Diego, CA	Develop Sewer User Rates and Charges
Elk Grove Water District, CA	Water Rate Study Consultant Services
McKinleyville CSD, CA	Water and Wastewater Capacity Fee Study
Mission Springs Water District, CA	Water and Sewer Rate and Fee Study
Monte Vista Water District, CA	Connection Fee Study
Nevada Irrigation District, CA	Water Rate and Fee Study

**Willdan Financial Services
Current Experience**

Agency	Project
Phelan Piñon Hills CSD, CA	Water Rate and Connection Fee Study
Rainbow Municipal Water District, CA	Water and Wastewater Asset Cost and Capacity Fee Study
Town of Apple Valley, CA	Sewer Rate Study
Town of Apple Valley, CA	Solid Waste Nexus Study
Town of Cave Creek, AZ	Sewer and Water Rate Study
Town of Paradise Valley, AZ	Sewer Rate and Impact Fee Study
Town of Queen Creek, AZ	Water and Wastewater Rate Study
Town of Queen Creek, AZ	Water and Wastewater Capacity Fee Review and Update
Town of Queen Creek, AZ	Preliminary Feasibility of Acquisition Analysis



27368 Via Industria, Suite 200
Temecula, California 92590-4856
800.755.6864 | 951.587.3500 | Fax: 951.587.3510
www.willdan.com

REQUEST FOR PROPOSAL

CITY OF CALEXICO

Water and Wastewater Rate Study 2018

Proposals Due: Wednesday, October 25, 2017 at 5:00 p.m.

City of Calexico
Public Works Department

608 Heber Avenue
Calexico, CA 92231
Phone: (760) 768-2100
engineering@calexico.ca.gov



"Where California And Mexico Meet"

Overview

The City of Calexico, California invites qualified professional firms to submit proposals to conduct a cost of service rate study for the City's water and wastewater utilities; recommend changes to the rate structure and rate adjustments to fully cover the cost of operating, maintaining and upgrading the water and wastewater systems.

Background

The City of Calexico owns and operates a water treatment plant, water distribution system, wastewater collection and treatment systems. The City provides service within its jurisdictional boundaries and within unincorporated areas outside City limits.

Other local cities have recently increased their water and wastewater rates due to rising costs to purchase, treat and distribute water; and collect and treat wastewater to increasingly stricter State of California Department of Water Resources regulations. Infrastructure that was installed in the mid 1900's is starting to fail and requires costly replacement.

The City last conducted a Water and Wastewater Rate Study in 2006, with annual increases through 2009. There have been no increases to the rates since FY 2009. With annual inflation rates above 2%, the cost of collection and treatment of wastewater and the treatment and distribution of potable water have risen greatly since 2009. Also, the City has identified a substantial Capital Improvement Program (CIP) for the next five years that requires funding. Although there are considerable assets in the Enterprise Funds, it is estimated that it is not enough fund the CIP.

The City is implementing the requirements its MS4 National Pollutant Discharge Elimination System (NPDES) stormwater discharge permit. In the past stormwater system maintenance was funded through the General Fund. Senate Bill 231 (SB 231) is in the process of approval from the Governor. SB231 clarifies the definition of the term "sewer" to explicitly include "stormwater", and therefore, a property-related fee for stormwater services would be statutorily exempt from a balloting requirement. Stormwater fees could be raised using the same notice/public hearing Proposition 218 process as is used for water, sewer and refuse collection fees.

From 2016 through 2017, the City replaced all the old existing water meters with radio read meters (Sensus Automatic Meter Reading AMR). The new meter system has facilitated the billing process and increased revenues due to the more precise metering.

The new AMR system allows customers to log on to view their daily water usage. The existing water rate schedule has a residential minimum rate that allows usage up to 3,000 cubic feet (the City's meters read in cubic feet).

The City is looking to modify the rate schedule so that even with a potential recommended rate increase, low-income residents and owners can reduce their water bill by reducing water consumption and so be billed for what they use. The commercial water schedule also requires modification to include multiple commercial, manufacturing and Industrial units.

Scope of Work

In preparing a response to this Request of Proposal (RFP), the Consultant shall address the following specific components that should be included in the scope of work. The final scope of work will be coordinated with City staff and the selected Consultant.

A. Services to be performed by Consultant

1. Meet with City Staff members to collect and review available information and review the methodology to be used in the development of the recommended rate structures for water and wastewater services.
2. Review historical account and operational cost information and calculate future costs for the 5-year study period of FY 2018-19 through FY 2023-24 including consumption, capacity and operational forecasts.
3. Prioritize Capital Improvement funding needs from the City's Five-Year CIP budget and facility improvement plans, and other supplemental improvements that the City may deem warranted.
4. Develop a forecast of annual revenue requirements. Changes to the residential consumption are occurring due to the new metering system. The City is still in the process of completing the installation of approximately 200 of the 8,700+ total meters. Therefore, the consultant will need to review current consumption data and compare it from FY2012 through current data. Expenses have also changed recently because of changes to the Public Works Organization and recent hires. The consultant will need to verify all current expenses as opposed to using outdated information.
5. Recommend rate structure that will generate the level of revenue needs with a distribution of those costs on an equitable basis by customer category. Provide "sample bills" for all customer categories illustrating recommended rate increases. Rates shall be increased gradually each year for 5-years (FY 2018-19 through FY 2023-24). The consultant

will review the existing rate structure to determine if a more equitable rate structure will be recommended. The existing rate structure requires payment for up to 3,000 cubic feet (22,000 gallons) of water per month. This does not encourage conservation and results in a higher bill for those residents that use less than 22,000 gallons. The consultant will evaluate and recommend a rate structure that addresses water conservation pricing, potential tiered rates, and/or drought surcharges.

6. Develop potential water and wastewater capacity charges that shall be based on a nexus between new development and the cost to accommodate it.
 - a. The recommended capacity charges must consider and make the following provisions for the following factors:
 - i. System value
 - ii. System capacity
 - iii. Projected demand/flow

If the consulting team feels additional studies may be necessary, they should be listed and clearly identified as optional in the scope of work and fee proposal.

B. Timeline Requirements

It is anticipated that the City Council will approve the recommended Rate Study Consultant's Proposal on November 15, 2017 in the regularly scheduled Council Meeting. Consultant shall initiate work by early December 2017 with a completion date of February 28, 2018. This schedule enables the City to conduct a beneficial community engagement process as well as required public hearings for rate increases. If adopted, the rate increase(s) would go into effect on July 1, 2018.

C. Reporting and Communication

1. The consultant will meet continuously during the on-site field work process with the City Manager, Finance Director, Revenue Officer and Public Works Director to discuss issues, concerns, preliminary findings and recommendations.
2. The consultant will provide regular updates to the City regarding process on the analyses and recommendations and request any additional information or direct need to complete the project on time and within budget.
3. Prior to issuing the final report, the consultant will meet with the City Manager, Finance Director, Revenue Officer and Public Works Director to review the draft report and recommendations to be presented to the City Council.

D. Other Considerations

1. All working papers, reports, and records relating to the work performed under the Professional Services Agreement must be retained, at the consultant's expense, for a minimum of five (5) years, unless the Firm is notified in writing by the City of Calexico of the need to extend the retention period.
2. The consultant will be required to make working papers available upon request to the appropriate parties.
3. The consultant will be required to attend (2) community workshop meetings and (2) City Council meetings to present the rate study and answer any questions the Council or community may have regarding the study or recommendations.

E. Proposal Content

Proposal responses must adhere to the requirements outlined in this section. The original proposal and each subsequent copy must be submitted on paper, properly bound, appropriately tabbed and labeled in the following order:

1. **Introduction:** Provide a cover letter and introduction including the name and address of the organization with the name, address, telephone and fax numbers, and e-mail address of the contact person who will be authorized to make representations for the organization. A one- to two-page Executive Summary shall be provided with an overview of the proposal, its highlights, and the approach to successfully completing this project.
2. **Scope of Work and Schedule:** Discuss each task outlined in Section 3 above with a cost estimate and fee proposal for the project including a breakdown of costs by each task requested in service to be performed. Include a scope of work and schedule of completion.
3. **Qualifications and Personnel:** Describe the firm's resources, experience and capabilities as follows:
 - a. Provide an outline of the firm's background, qualifications, and ability to perform the scope of services required. Identify any sub-contractors proposed for the project.
 - b. Provide a list and/or organizational chart to identify the person(s) who will be primarily responsible for contact with the City.
 - c. Identify all key project personnel, their relationship to the project, relevant qualifications and experience, and their level of effort toward completing all needed tasks. Include a description of specific projects like this

request and the specific tasks performed by the project personnel.

- d. Provide a brief outline of the firm's current workload, staffing and ability to meet the schedule and deadlines described in this RFP.
4. **References:** Identify at least 5 (five) successfully completed projects of a similar nature, preferably with direct involvement of municipal governments in California. Each project listed shall include the name of the agency, project manager, phone number, and description of work performed. Consulting projects currently underway may also be submitted for consideration.
5. **Additional Data:** This section will be limited to five (5) pages. Proposals may include any other information the Consultant deems essential to the evaluation of the qualifications and proposal statements.

F. Proposal Submittal

Consultant must submit three (3) copies of their proposal with original Consultant signature. The proposal must be formatted in accordance with the instructions of this RFP. Promotional material may be attached, but are not necessary and will not be considered as meeting any of the requirements of this RFP. Proposals must be enclosed in a sealed envelope or package, clearly marked "SEALED PROPOSAL - DO NOT OPEN WITH REGULAR MAIL " and delivered on or before 5:00p.m. on October 25, 2017 to:

Office of the City Clerk
City Hall
City of Calexico
608 Heber Avenue
Calexico, CA 92231

Emailed or faxed proposals will not be accepted. It is the proposer's responsibility to assure that its proposal is delivered and received at the location specified herein, on or before the date and hour set.

Questions regarding this Request for Proposal may be directed to:

David Dale, PE, Public Works Director/City Engineer
City of Calexico
608 Heber Avenue
Calexico, CA 92251
or via email at ddale@calexico.ca.gov

All questions should be submitted via email to ddale@calexico.ca.gov no later than Thursday, October 19, 2017 at 5:00 p.m., and all prospective consultants will receive copies of the questions and responses.

G. Review and Selection Procedure

A proposal evaluation committee comprised of City Staff will review each proposal. The following evaluation criteria will be used in selecting a Consultant:

1. Experience with similar efforts;
2. Commitment of Senior Staff to the Project;
3. Relevant qualifications of key personnel;
4. Familiarity with applicable State and Federal laws;
5. Knowledge of local issues in the City of Calexico and the Imperial Valley region;
6. Proposed schedule and ability to meet applicable deadlines and fees;
7. Overall responsiveness to this RFP.

The City of Calexico reserves the right to reject any or all proposals for any reason. Minor irregularities of the proposal may be waived at the discretion of the City.

Please note that the ability of the Consultant to complete the overall project within the anticipated completion period will be considered in the selection process. The lowest fee proposal will not necessarily be selected.

AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into as of the 16th day of November 2017, by and between the City of Calexico ("City") and Willdan Financial Consultants ("Consultant").

RECITALS

- A. Consultant is - trained, experienced and competent to perform the special services which will be required by this Agreement; and
- B. Consultant possesses the skill, experience, ability, background, certification and knowledge to provide the services described in this Agreement on the terms and conditions described herein.

AGREEMENT

1. Scope of Services. The Consultant shall furnish the following services in a professional manner. Consultant shall perform the services described on Exhibit A which is attached hereto and incorporated herein by reference. Consultant shall provide said services at the time, place, and in the manner specified in Exhibit A, subject to the direction of the City through its staff that it may provide from time to time.
2. Time of Performance. The services of Consultant are to commence upon execution of this Agreement and shall continue until all authorized work is approved by the City. All such work shall be completed no later than February 28, 2018. Time is of the essence for every provision of this agreement that states a time for performance and for every deadline imposed by the City.
3. Compensation. Compensation to be paid to Consultant shall be as set forth in Exhibit B, which is attached hereto and incorporated herein by reference. Payment by City under this Agreement shall not be deemed a waiver of defects, even if such defects were known to the City at the time of payment.
4. Method of Payment. Consultant shall submit monthly billings to City describing the work performed during the preceding month. Consultant's bills shall include a brief description of the services performed, the date the services were performed, the number of hours spent and by whom, and a description of any reimbursable expenditures. City shall pay Consultant no later than 45 days after receipt of the monthly invoice by City staff.
5. Ownership of Documents. All plans, studies, documents and other writings prepared by and for Consultant, its officers, employees and agents and subcontractors in the course of implementing this Agreement, except working notes and internal documents, shall become the property of the City upon payment to Consultant for such work, and the City shall have the sole

right to use such materials in its discretion without further compensation to Consultant or to any other party. City agrees that any such use not within the purposes intended by this Agreement shall be at the City's sole risk. Consultant shall, at Consultant's expense, provide such reports, plans, studies, documents and other writings to City upon written request.

6. Independent Contractor. It is understood that Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and shall not act as an agent or employee of the City. Consultant shall obtain no rights to retirement benefits or other benefits which accrue to City's employees, and Consultant hereby expressly waives any claim it may have to any such rights.

7. Interest of Consultant. Consultant (including principals, associates and professional employees) covenants and represents that it does not now have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the area covered by and during this Agreement or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of Consultant's services hereunder. Consultant further covenants and represents that in the performance of its duties hereunder no person having any such interest shall perform any services under this Agreement.

Consultant is not a designated employee within the meaning of the Political Reform Act because Consultant:

- a. will conduct research and arrive at conclusions with respect to his/her rendition of information, advice, recommendation or counsel independent of the control and direction of the City or of any City official, other than normal agreement monitoring; and
- b. possesses no authority with respect to any City decision beyond rendition of information, advice, recommendation or counsel. (FPPC Reg. 18700(a)(2).)

8. Professional Ability of Consultant. City has relied upon the professional training and ability of Consultant to perform the services hereunder as a material inducement to enter into this Agreement. Consultant shall therefore provide properly skilled professional and technical personnel to perform all services under this Agreement. All work performed by Consultant under this Agreement shall be in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise.

9. Indemnity. Consultant agrees to indemnify, including the cost to defend, the City, and its officers, agents and employees from any and all claims, demands, costs or liability that arise out of, or pertain to, or relate to the negligence, recklessness, or willful misconduct of Consultant and its agents in the performance of services under this contract. This indemnity does not apply to liability for damages for death or bodily injury to persons, injury to property, or other loss, damage or expense arising from the sole negligence, willful misconduct or defects in design by

the City or its agents, servants, or independent contractors who are directly responsible to the City, or the active negligence of the City.

To the fullest extent permitted by law, the Consultant shall (1) immediately defend and (2) indemnify the City, and its councilmembers, officers, agents, and employees from and against all liabilities regardless of nature or type that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, or its employees, agents, or subcontractors. Liabilities subject to the duties to defend and indemnify include, without limitation, all claims, losses, damages, penalties, fines, and judgments; associated investigation and administrative expenses; defense costs, including but not limited to reasonable attorneys' fees; court costs; and costs of alternative dispute resolution. The Consultant's obligation to indemnify applies unless it is finally adjudicated that the liability was caused by the sole active negligence or sole willful misconduct of an indemnified party. If it is finally adjudicated that liability is caused by the comparative active negligence or willful misconduct of an indemnified party, then Consultant's indemnification obligation shall be reduced in proportion to the established comparative liability.

(b) The duty to defend is a separate and distinct obligation from Consultant's duty to indemnify. Consultant shall be obligated to defend, in all legal, equitable, administrative, or special proceedings, with counsel approved by the City, the City and its councilmembers, officers, agents, and employees, immediately upon tender to Consultant of the claim in any form or at any stage of an action or proceeding whether or not liability is established. An allegation or determination that persons other than Consultant are responsible for the claim does not relieve Consultant from its separate and distinct obligation to defend under this section. The obligation to defend extends through final judgment, including exhaustion of any appeals. The defense obligation includes an obligation to provide independent defense counsel if Consultant asserts that liability is caused in whole or in part by the negligence or willful misconduct of the indemnified party. If it is finally adjudicated that liability was caused by the comparative active negligence or willful misconduct of an indemnified party, Consultant may submit a claim to the City for reimbursement of reasonable attorneys' fees and defense costs in proportion to the established comparative liability of the indemnified party.

(c) The review, acceptance or approval of the City's work or work product by any indemnified party shall not affect, relieve or reduce the City's indemnification or defense obligations. This Section survives completion of the services or the termination of this contract. The provisions of this Section are not limited by and do not affect the provisions of this contract relating to insurance.

10. Insurance Requirements.

a. Consultant, at Consultant's own cost and expense, shall procure and maintain, for the duration of the contract, the following insurance policies.

i. Workers' Compensation Coverage. Consultant shall maintain Workers' Compensation Insurance and Employer's Liability Insurance for his/her

employees in accordance with the laws of the State of California. In addition, Consultant shall require each subcontractor to similarly maintain Workers' Compensation Insurance and Employer's Liability Insurance in accordance with the laws of the State of California for all of the subcontractor's employees. Any notice of cancellation or non-renewal of all Workers' Compensation policies must be received by the City at least thirty (30) days prior to such change. The insurer shall agree to waive all rights of subrogation against City, its officers, agents, employees and volunteers for losses arising from work performed by Consultant for City. This provision shall not apply if Consultant has no employees performing work under this Agreement. If the Consultant has no employees for the purposes of this Agreement, Consultant shall sign the "Certificate of Exemption from Workers' Compensation Insurance" which is attached hereto as Exhibit C.

ii. General Liability Coverage. Consultant shall maintain commercial general liability insurance in an amount not less than one million dollars (\$1,000,000) per occurrence for bodily injury, personal injury and property damage. If a commercial general liability insurance form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit.

iii. Automobile Liability Coverage. Consultant shall maintain automobile liability insurance covering bodily injury and property damage for all activities of the Consultant arising out of or in connection with the work to be performed under this Agreement, including coverage for owned, hired and non-owned vehicles, in an amount of not less than one million dollars (\$1,000,000) combined single limit for each occurrence.

iv. Errors and Omissions Liability. Consultant shall maintain errors and omissions liability insurance for all work performed under this Agreement in an amount of not less than one million dollars (\$1,000,000).

b. Policy Endorsements. Each general liability and automobile liability insurance policy shall be with insurers possessing a Best's rating of no less than A:VII and shall be endorsed with the following specific language:

i. The City of Calexico, its elected or appointed officers, officials, employees, agents and volunteers are to be covered as additional insureds with respect to liability arising out of work performed by or on behalf of the Consultant, including materials, parts or equipment furnished in connection with such work or operations.

ii. This policy shall be considered primary insurance as respects the City, its elected or appointed officers, officials, employees, agents and volunteers. Any insurance maintained by the City, including any self-insured retention the City may have, shall be considered excess insurance only and shall not contribute with it.

iii. This insurance shall act for each insured and additional insured as though a separate policy had been written for each, except with respect to the limits of liability of the insuring company.

iv. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its elected or appointed officers, officials, employees, agents or volunteers.

v. The insurance provided by this policy shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days written notice has been received by the City.

c. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. At the City's option, Consultant shall demonstrate financial capability for payment of such deductibles or self-insured retentions.

d. Certificates of Insurance and Endorsements. Consultant shall provide certificates of insurance with original endorsements to City as evidence of the insurance coverage required herein. Certificates of such insurance shall be filed with the City on or before commencement of performance of this Agreement. Current certification of insurance shall be kept on file with the City at all times during the term of this Agreement.

11. Compliance with Laws. Consultant shall use the standard of care in its profession to comply with all applicable federal, state and local laws, codes, ordinances and regulations.

12. Licenses. Consultant represents and warrants to City that it has all licenses, permits, qualifications, insurance and approvals of whatsoever nature which are legally required of Consultant to practice its profession. Consultant represents and warrants to City that Consultant shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, insurance and approvals which are legally required of Consultant to practice its profession. Consultant shall obtain a City of Calexico Business License.

13. Controlling Law Venue. This Agreement and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this Agreement shall be held exclusively in a state court in the County of Imperial, California.

16. Entire Agreement. This Agreement constitutes the complete and exclusive statement of Agreement between the City and Consultant. All prior written and oral communications, including correspondence, drafts, memoranda, and representations, are superseded in total by this Agreement.

17. Amendments. This Agreement may be modified or amended only by a written document executed by both Consultant and City and approved as to form by the City Attorney.

18. Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder.

19. Execution. This Agreement may be executed in several counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one copy hereof shall have been signed by both parties hereto. In approving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

20. Assignment and Subcontracting. The parties recognize that a substantial inducement to City for entering into this Agreement is the professional reputation, experience and competence of Consultant. Assignments of any or all rights, duties or obligations of the Consultant under this Agreement will be permitted only with the express consent of the City. Consultant shall not subcontract any portion of the work to be performed under this Agreement without the written authorization of the City. If City consents to such subcontract, Consultant shall be fully responsible to City for all acts or omissions of the subcontractor. Nothing in this Agreement shall create any contractual relationship between City and subcontractor nor shall it create any obligation on the part of the City to pay or to see to the payment of any monies due to any such subcontractor other than as otherwise is required by law.

21. Termination. This Agreement may be terminated by the City immediately for cause or by either party without cause upon fifteen days' written notice of termination. Upon termination, Consultant shall be entitled to compensation for services performed up to the effective date of termination.

*****SIGNATURES ON FOLLOWING PAGE*****

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first written above.

CITY OF CALEXICO:

CONSULTANT:

Armando G. Villa
City Manager

APPROVED AS TO FORM:

ATTEST:

Carlos Campos
Interim City Attorney

Gabriela Garcia
Deputy City Clerk

EXHIBIT A

SCOPE OF SERVICES

(Proposal dated October 24, 2017)

EXHIBIT B
SCHEDULE OF CHARGES

Fee Schedule

Willdan Financial Services will perform the tasks described within our scope of services, for a **fixed fee of \$67,625 for the full project, not including direct expenses related to mailing, processing and postage for Prop 218 notices. These costs would be billed to the City at our cost, with no markup.**

City of Calexico Water and Wastewater Rate Study							
Cost Proposal							
	C. Fisher PIC - Project Manager	J. McGarvey Tech Advisor & QA/QC	K. Burnett Lead Project Consultant	T. Thrasher Analytical Support		Total	
	\$250	\$240	\$185	\$185	Hours	Cost	
Scope of Work							
Task 1: Project Kick-off, Data Gathering & Study Preparation	1.0	1.0	2.0	2.0	6.0	\$ 1,190	
Task 1.A: Data Evaluation and Validation	1.0	-	3.0	3.0	7.0	1,300	
Task 2: Water Rate Study							
Task 2.A: Consumption and Billing Analysis	-	-	16.0	6.0	22.0	3,950	
Task 2.B: Revenue Requirements Analysis	1.0	-	18.0	10.0	29.0	5,230	
Task 2.C: Baseline Analysis	1.0	2.0	12.0	4.0	19.0	3,610	
Task 2.D: Scenario Development	1.0	-	4.0	2.0	7.0	1,320	
Task 2.E: Cost of Service Analysis	-	-	12.0	4.0	16.0	2,880	
Task 2.F: Rate Design Analysis and Update	1.0	1.0	14.0	4.0	20.0	3,740	
Task 3: Wastewater Rate Study							
Task 3.A: Determine Discharge Characteristics & Loadings	-	1.0	3.0	4.0	8.0	1,455	
Task 3.B: Cost Projection Analysis	-	-	6.0	8.0	14.0	2,430	
Task 3.C: Revenue Requirements Analysis	1.0	1.0	8.0	4.0	14.0	2,630	
Task 3.D: Scenario Planning	1.0	-	2.0	1.0	4.0	785	
Task 3.E: Cost Distribution to Billable Parameters	-	2.0	6.0	-	8.0	1,590	
Task 3.F: Wastewater Rate Design Analysis & Update	2.0	2.0	6.0	2.0	12.0	2,420	
Task 4: Capacity Fee Study							
Task 4.A: Review Existing Fee Methodology and Resolve Policy Issues	1.0	1.0	3.0	2.0	7.0	1,375	
Task 4.B: Identify Facility Standards	1.0	1.0	4.0	2.0	8.0	1,560	
Task 4.C: Determine Facility Needs and Costs	-	1.0	8.0	4.0	13.0	2,380	
Task 4.D: Fee Calculation Analysis	1.0	1.0	16.0	6.0	24.0	4,440	
Task 5: Drought Rate Analysis and Preparation	1.0	-	16.0	6.0	23.0	4,200	
Task 6: Communicating the Results - Presentations & Meetings (6)	16.0	-	20.0	12.0	48.0	9,680	
Task 7: Prepare & Document Rate Recommendations (Reports)	3.0	3.0	16.0	20.0	42.0	7,730	
Task 8: Customized Rate Model - Preparation & Delivery	1.0	-	8.0	-	9.0	1,730	
Total Willdan Fees	34.0	17.0	203.0	106.0	360.0	\$ 67,625	
Additional Meetings (Per Meeting)						\$ 1,950	

Notes:

- The City of Calexico will be invoiced on a **monthly percentage-completion basis**.
- Invoices will include a description of services, as well as a summary of costs to date by task.
- We will perform additional tasks, outside our scope of services, as requested and authorized by the City for an additional fee.
- The City shall reimburse Willdan for any costs Willdan incurs, including without limitation, copying costs, digitizing costs, travel expenses, employee time and attorneys' fees, to respond to the legal process of any governmental agency relating to the City or relating to this project. Reimbursement shall be at Willdan's rates in effect at the time of such response.

Hourly Rates

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

Willdan Hourly Rate Schedule	
Position	Hourly Rate
Group Manager	\$250
Managing Principal	\$240
Principal Consultant	\$210
Senior Project Manager	\$185
Project Manager	\$165
Senior Project Analyst	\$135
Senior Analyst	\$125
Analyst II	\$110
Analyst I	\$100

EXHIBIT C

CERTIFICATE OF EXEMPTION FROM WORKERS' COMPENSATION INSURANCE

I hereby certify that in the performance of the work for which this Agreement is entered into, I shall not employ any person in any manner so as to become subject to the Workers' Compensation Laws of the State of California.

Executed on this ____ day of _____, 2017, at _____,
California.

Consultant

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CERTIFICATE OF EXEMPTION FROM WORKERS' COMPENSATION INSURANCE

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Executed on this _____ day of _____, 2017, at _____,
California.

Consultant