AGREEMENT WITH INDEPENDENT CONTRACTOR

Contractor Name and Address
Bartle Wells Associates
1889 Alcatraz Avenue
Berkeley, CA 94703
(510) 653-3399
dove@bartlewells.com

Contractor: Upon completion of work or agreed-upwork periods, mail invoice with above Agreement Number to:
Department: Public Works - Engineering
Attention: Pam Lowe
Address: 701 Laurel Street
City, State, Zip: Menlo Park, CA 94025
Phone: (650) 330-6740

2015 Water Rate Study

It is agreed between the City of Menlo Park, California, and Contractor as follows:

1. **Services to be performed by Contractor.** In consideration of the payments hereinafter set forth, Contractor shall perform services for City in accordance with terms, conditions and specifications set forth herein and in Exhibit "A" attached hereto for the City of Menlo Park.

2. **Contract Term.** The term of this agreement shall be from **Nov. 4, 2014** to **Project Completion** unless mutually agreed upon by City and Contractor in writing.

3. **Payments.** In consideration of the services rendered in accordance with all terms, conditions and specifications set forth herein and in Exhibit "A," City shall make payment to Contractor in the manner specified herein and in Exhibit "A." Payments shall be monthly for the invoice amount or such other amount as approved by City. City shall have the discretion to approve the invoice and the work competed statement. Payment shall be for the invoice amount or such other amount as approved by City. City shall have the right to receive, upon request, documentation substantiating charges billed to City. City shall have the right to perform an audit of the Contractor’s relevant records pertaining to the charges. In the event that the City makes any advance payments, Contractor agrees to refund any amounts in excess of the amount owed by the City at the time of contract termination. The City reserves the right to withhold payment if the City determines that the quantity or quality of the work performed is unacceptable. In no event shall total payment for all services under this agreement exceed $46,765.00 of the contract amount if needed and only if approved by both parties in writing.

4. **Relationship of the Parties.** Contractor agrees and understands that the work/services performed under this agreement are performed as an Independent Contractor and not as an employee of the City and that Contractor acquires none of the rights, privileges, powers or advantages of City employees.

5. **Insurance and Indemnity.** Contractor, at its own expense, shall provide and keep in force, commercial liability insurance insuring against liability for bodily injury and property damage arising out of its work in an amount of not less than One Million Dollars ($1,000,000.00) for injury to, or death of one person in any one accident or occurrence, and in an amount of not less than One Million Dollars ($1,000,000.00) for injury to, or death of more than one person in any one accident or occurrence, and in the amount of not less than One Million Dollars ($1,000,000.00) per occurrence in respect to damage to property. City shall be named as an additional insured on Contractor’s insurance policy. Contractor shall provide City with a certificate of insurance coverage evidencing said coverage, including a copy of all declarations of exclusions, prior to commencing work. The Contractor shall maintain Automobile Liability Insurance pursuant to this Contract in an amount of not less than One Million Dollars ($1,000,000) for each occurrence combined single limit or not less than One Million Dollars ($1,000,000) for any one (1) person, and one million dollars ($1,000,000) for any one (1) accident, and three hundred thousand dollars, ($300,000) property damage. Contractor shall maintain a policy of professional liability insurance, protecting it against claims arising out of the negligent acts, errors, or omissions of contractor pursuant to this Agreement, in the amount of not less than One Million Dollars ($1,000,000) combined single limit. Said professional liability insurance is to be kept in force for not less than one (1) year after completion of services described herein. To the full extent permitted by law Contractor agrees to defend, indemnify and hold City, its employees, agents, and officers, harmless from any and all claims, damages, and liability in any way occasioned by or arising out of the contractor's negligent
performance of services under this agreement, breach of contract or construction defects arising out of Contractor's work.

6. Non-assignability. Contractor shall not assign this Agreement or any portion thereof to a third party without the prior written consent of City, and any attempted assignment without such prior written consent in violation of this Section shall automatically terminate this Agreement.

7. Termination of Agreement. The City may, at any time, terminate this Agreement, in whole or in part, for the convenience of City, by giving written notice specifying the effective date and scope of such termination. In the event of termination, all finished or unfinished documents, data, studies, maps, photographs, reports, and materials (hereinafter referred to as materials) prepared by Contractor under this Agreement shall become the property of the City and shall be promptly delivered to the City. Upon termination, the Contractor may make and retain a copy of such materials. Contractor shall be entitled to receive payment for work/services provided prior to termination of the Agreement. Such payment shall be that portion of the full payment which is determined by comparing the work/services completed to the work/services required by the Agreement.

8. Worker's Compensation Insurance. Contractor agrees and understands that the City does not provide Worker's Compensation Insurance to, or on behalf of, the Contractor for the work/services performed, but that said insurance is the sole responsibility of the undersigned.

9. Payment of Permits/Licenses. Contractor shall obtain any license, permit, or approval if necessary from any agency whatsoever for the work/services to be performed, at his/her own expense, prior to commencement of said work/services or forfeit any right to compensation under this Agreement.

10. Non-Discrimination. No person shall illegally be excluded from participation in, denied the benefits of, or be subjected to discrimination under this Agreement on account of their race, sex, color, national origin, religion, age, or disability. Contractor shall ensure full equal employment opportunity for all employees under this Agreement.

11. Retention of Records. Contractor shall maintain all required records for three years after the City makes final payment and all other pending matters are closed, and shall be subject to the examination and/or audit of the City, a federal agency, and the state of California.

12. Merger Clause. This Agreement, including Exhibit "A" and "B" attached hereto and incorporated herein by reference, constitutes the sole Agreement of the parties hereto and correctly states the rights, duties, and obligations of each party as of this document's date. Any prior agreement, promises, negotiations, or representations between the parties not expressly stated in this document are not binding. All subsequent modifications shall be in writing and signed by the City. In the event of a conflict between the terms, conditions, or specifications set forth herein and those in Exhibit "A" attached hereto, the terms, conditions, or specifications set forth herein shall prevail.

THIS CONTRACT IS NOT VALID UNTIL SIGNED BY BOTH PARTIES

Alex D. McIntyre, City Manager

Date 11/5/14

Attest: City Clerk

Douglas R. Dowe, President

Date 11/5/14

Contractor Name Printed

Date 10/29/14

Contractor Signature

94-1664409

Contractor’s Tax I.D. Number or Social Security Number

Attachment: Exhibit A – Scope of Work
Exhibit B – Dispute Resolution
October 16, 2014

City of Menlo Park
701 Laurel St.
Menlo Park, CA 94025

Attn: Pam Lowe, P.E.
Re: Proposal for Water Rate Study

Bartle Wells Associates is pleased to submit this proposal to develop a comprehensive water rate study for the City of Menlo Park Municipal Water District (City). Our firm specializes in providing independent financial advisory and utility rate consulting services to California water and wastewater agencies. We have extensive expertise developing long-term financial plans, utility rates, and development impact fees for a wide range of agencies.

Bartle Wells Associates was established in 1964. We have served over 500 public agencies throughout the Western United States, predominantly in California, and have completed over 1,000 utility rate and fee studies. Our clients have ranged from small cities and districts to large cities, special districts, joint power authorities, and counties.

We have completed water rate studies for the City in 1990, 2006, and 2010 and are very familiar with the City’s water rate structure and financing situation. In 1990 we developed a $0.30 per hundred cubic feet (hcf) capital charge that has allowed the City to finance projects on a pay-as-you-go basis since then. The capital charge was increased to $0.35/hcf as a result of our 2006 study, and since our 2010 study is now at $0.51/hcf. We developed the increasing block water rate structure tiers now in place.

Our study will result in a system of water rates that provide revenue sufficiency, rate equity, comply with state and federal laws, and prove acceptable and practical. We will identify the impacts of revising tier structures, as well as exploring the feasibility of irrigation, separate residential, and drought rates, and developing alternative rate structure recommendations for such. We would work closely with staff to exactly determine the City’s requirements and would tailor our work product accordingly.

We have helped a number of agencies develop strategic financial plans to address escalating costs of operating expenses and long-term infrastructure needs. We have also helped many agencies modify their existing rate structures in order to provide a better balance of revenue stability and conservation incentive, and capable of managing decreased water consumption and emergency water rates. Our rate studies are based on a comprehensive analysis of each agency’s customer base and consumption patterns in order to ensure rate structure recommendations reflect local needs and objectives.
We propose to assign Douglas R. Dove, president of the firm and one of our principal consultants, as project manager. Doug is highly experienced in developing wastewater rates for California cities and special districts. Doug will be assisted by Catherine Tseng, a senior financial analyst. Resumes for Doug and Catherine are included.

We have enjoyed working with the City on our prior assignments and are very interested in assisting the City with the water rate study. We hope this proposal provides a suitable basis for our selection. Please contact me if you have any questions or would like any additional information.

Sincerely,

BARTLE WELLS ASSOCIATES

[Signature]

Douglas R. Dove, CIPFA, PE
President

Catherine Tseng, CIPFA
Senior Financial Analyst

Doug Dove
Bartle Wells Associates
1889 Alcatraz Avenue
Berkeley, CA 94703
ddove@bartlewells.com
(510) 653-3399, ext. 110
Section 1: Work Plan and Schedule

This section presents our methodology and proposed scope of services that we believe forms a sound basis for completing this assignment. We will work with the City to finalize a scope of services that meets the City’s objectives and schedule. At the end of the study, BWA will produce a legally defensible document that outlines a comprehensive, reasonable financial plan attainable through sound, industry-standard recommendations.

TASK A. PROJECT INITIATION & INVESTIGATION

1. Project Team Orientation
   
   To initiate our work, hold a kickoff meeting to accomplish the following:
   
   - Identify members of City staff, as well as City Council and other consultants/advisors, who will participate in the project.
   - Determine the roles and responsibilities of all project participants.
   - Establish project schedule and key milestone dates.
   - Confirm the key goals and expectations of the project team.

2. Investigation and Data Collection
   
   Assemble the information necessary to understand the City’s water system, finances, customers and usage, rate and fee structures, legal agreements, debt covenants, and capital program. The objectives of investigation and data collection are to develop a complete understanding of the City and its finances, and to reach an agreement on basic assumptions to be used in the study as well as key alternatives for evaluation.

3. Review Key Background Information
   
   Review key background information including the City’s regulatory requirements, bond covenants, and legal agreements. Analyze historical and projected revenues, operating expenses, debt service requirements, and reserve policies such as working capital, renewal, and replacement. Review billing and collection procedures, surcharges, previously-approved rates, and customer information and usage data.

   Task A Deliverables Include:
   - Project kickoff meeting
   - List of project goals and objectives
   - Project schedule and budget
   - Project team contact list
   - Review Background Information
   - List of key assumptions & alternatives underlying the financial plan & rate study

TASK B. 10-YEAR FINANCIAL PLAN

1. Develop Forecasts and Projections for Each Alternative Scenario
   
   Based on evaluation of the data assembled and input provided by staff and other members of the project team, prepare forecasts and projections to be used in the development of financial projections for the City’s water enterprise.

   Develop projections for the following areas (and others as appropriate):

   - Water Demand & Revenue Volatility: Using historical water consumption numbers, project the sensitivity of Menlo Park water consumption to changes in water prices. Water demand projections will enable BWA to better project future consumption during water rate increase scenarios.
- **Anticipated Future Water Costs:** Analyze future sources of water supply and related costs for the City. Determine the portion of these costs which are variable versus fixed and how best to plan for them.

- **Capital Improvements Including Long-Term Capital Repairs & Replacements:** Identify future capital costs and alternatives to include in the financial analysis and determine a reasonable amount to include for future, ongoing capital repairs and replacements. BWA often recommends that agencies phase in funding for long-term system rehabilitation.

- **Growth and Development/Redevelopment:** Evaluate historical growth trends and develop appropriate and conservative assumptions for future development and redevelopment that can be incorporated into the financial plan/rate model.

- **Cost Escalation Factors:** Review historical cost trends and work with project team to develop reasonable cost escalation factors for both operating and capital expenditures. Work with the City to identify future changes in operating and maintenance costs that should be accounted for when developing financial projections.

- **Justify Recommended Rate Changes:** Include justification for any water surcharge, rate change or increase in the administrative record. All suggested rate changes will be proportional and equitable based on cost of service and in compliance with California Law and regulations including Proposition 218.

Review projections and alternatives with City staff for agreements on assumptions, interpretation of data, and completeness of approach.

2. **Evaluate Financing Alternatives for Capital Improvements**
   Evaluate options for financing proposed capital improvement projects. Our evaluation will:
   - Estimate the amount and timing of any debt, if needed, to finance capital projects.
   - Evaluate the alternative borrowing methods available including bonds, COPs, state and federal loan programs such as the State Revolving Fund (SRF), bank loans and lines of credit, as well as pay-as-you-go cash funding.
   - If appropriate, recommend type of debt, term and structure, and estimate debt service.

3. **Review Current Capacity Fee Structure and Recommend Modifications if Warranted**
   We suggest adding to the City’s scope of services a review of the City existing water Capacity Fees as well as related City policies and procedures. Work with the City to identify objectives for new or modified capacity fees. Identify and evaluate alternative methods for calculating capacity fees. Calculate the current value of the City’s water assets. Review fee for compliance with Government Code Section 66000 et. seq. (AB1600). Recommend a method to annually or periodically adjust capacity fees and miscellaneous charges so they keep aligned with future costs. For example, development fees can be adjusted annually based on the change in the Engineering News-Record’s Construction Cost Index, a widely used measure of construction cost inflation.

4. **Recommend Prudent Fund Reserve Targets**
   Evaluate existing reserve levels and any fund reserve policies. Recommend fund reserve targets based on the City’s operating and capital funding needs. Develop an implementation plan for achieving and maintaining the recommended reserve fund levels in future years.

5. **Develop Long-Term Financial Projections**
   Develop cash flow projections showing the financial position of the water enterprise over the next 10 years. The cash flows will project fund balances, revenues, expenses, and will incorporate the forecasts developed
with staff input. After developing a base-case cash flow scenario, we can develop alternatives for additional 
evaluation such as capital project alternatives, project financing alternatives, and the impacts of various 
levels of water demand, conservation, and costs of supply, etc. During this phase, BWA will work closely with 
the project team to evaluate financial and rate projections under alternative scenarios and conduct 
sensitivity analysis to assess the impacts of changes in key assumptions.

6. Forecast Operating Results Reflecting Only Previously Approved Rate Increases
Examine the impact of a “no action” scenario (without additional rate increases) on water system finances. 
These forecasts can be used as a baseline for comparison with rate alternatives. Discuss the adequacy of 
adopted rates to support projected operating and capital needs, meet debt covenants, and achieve required 
fund reserve levels.

7. Evaluate Rate Increase Options
Forecast rate increases and recommended structure needed to meet operating requirements, debt 
requirements, capital improvements including repairs and replacements, regulatory obligations, and reserve 
funding levels. Evaluate the financial impact of various rate increase alternatives, such as phasing in rate 
increases over a number of years. Work with the City’s project team to develop rate increase 
recommendations and/or alternatives for Council and public input.

8. Develop User-Friendly Financial Model and Rate Calculator
Develop a user-friendly financial model and rate calculator in Excel designed to be used by City staff to 
update financial projections, evaluate “what if” scenarios and their impacts on finances and rates, and track 
financial results. BWA recommends the model be as straightforward as possible and avoid unnecessary 
complexity. We will work with City staff to ensure the model is easy to update and meets the City’s needs 
and objectives.

**Task B Deliverables Include:**
- Identification of key assumptions for development of financial plan
- Evaluation of financing alternatives for capital improvements
- Recommend fund reserve targets
- Development of 10-year financial projections to evaluate alternatives
- Evaluation of alternative rate increase scenarios
- Development of a user-friendly financial model and rate calculator to evaluate finances & track results
- Meet with the City’s project team to present findings, discuss alternatives, gain input, and develop preliminary recommendations

**TASK C. WATER RATE ANALYSIS**
1. Review Current Cost Allocations
Analyze and understand how the current water budget allocates charges to single family residential customers. 
Provide independent review of the City’s existing water rate structure and rates. Review for:
- general equity and compliance with the substantive requirements of Proposition 218
- fixed and variable rate recovery
- industry standards such as guidelines from the American Water Works Association
  (Note: the CUWCC is in the process of re-evaluating BMP 1.4).
- Pros and cons of the tier breakdowns on the existing increasing block water rate structure.
2. **Conduct Water Rate Survey**
Review and summarize water rates and water rate structures of other regional and/or comparable agencies, such as other Bay Area Water Supply and Conservation Agency (BASWCA). Summarize results in easily understandable tables and/or charts.

3. **Analyze Water Consumption Data**
Analyze current and historical water usage and utility billing data to determine reasonable and conservative estimates of water demand to use in developing rate options. Water use can fluctuate from year to year depending on various factors such as weather and local and regional conservation efforts. Ideally, we would prefer to analyze 2 to 3 years of utility billing data in order to determine slightly conservative demand projections.

4. **Develop & Evaluate Water Rate Alternatives**
Identify potential rate structure alternatives and modifications, such as revising existing tier structures, in order to help improve rate equity, conservation incentive, or help achieve other City objectives. Discuss pros and cons of different rate structure options and their general impacts on different types of customers. Rate structure options will be refined as the study progresses based on input from the City’s project team. Determine if separate irrigation, separate residential, and drought rates are feasible and if so make recommendations. Determine if feasible to apply residential rates to each multi-family dwelling unit, rather than meter, and if residential and non-residential should differ. Develop 5 year recommendations for each scenario starting with the 2015-16 fiscal year.

5. **Evaluate Drought Rate Responses**
Evaluate the financial impacts of 20%, 30%, 40%, and 50% reductions in water demand in response to a drought. Develop rate and surcharge recommendations to help the City achieve the required cuts to water use while ensuring adequate revenue recovery. BWA often recommends a phase in of escalating drought rate responses in response to clear trigger points. BWA will develop a fully functioning drought factor to that will provide funding for short-term, dry year water market prices.

6. **Develop Equitable Cost Allocations**
Optimize the fixed operating cost percentage covered by monthly meter charges and standardize the monthly meter charge for different sized water meters used to serve single family residential customers. Allocate revenue recovery targets identified in the financial plan to appropriate fixed and variable rate components to determine the underlying unit charges that will be used to calculate rates. Apply the underlying unit rates to calculate rates for each customer class and meter size. Rates will be designed to ensure equity between different types of customer classes and comply with the substantive requirements of Proposition 218.

7. **Develop Preliminary & Final Rate Recommendations with City Input**
Based on the evaluation of rate structure alternatives and the financial plan update, develop draft rate alternatives for City input. Final rate recommendations will be designed to:

   A. Fund the water utility’s long-term costs of providing service,
   B. Be fair and equitable to all customers,
   C. Comply with California Urban Water Conservation Council best management practices,
   D. Conform to the City’s utility billing system capabilities
   E. Provide a prudent balance of revenue stability and conservation incentive,
   F. Provide an analysis of recommended rate changes as compared to similar regional agencies,
   G. Be easy to understand and administer, and
H. Comply with the substantive requirements of Proposition 218.

8. Evaluate Rate Impacts on a Range of City Customers
Calculate the impacts of rate alternatives on a range of City customers. Discuss additional rate structure adjustments that may reduce the impact on certain customers if warranted.

**Task C. Deliverables Include:**
- Evaluation of current water rates
- Water rate survey
- Analysis of utility billing data
- Identification and evaluation of rate structure and allocation alternatives and their impacts
- Evaluation of drought rate responses and development of a drought factor
- Detailed cost allocations to support development of equitable rates
- Development of preliminary rate recommendations
- Surcharge and possible pass-through charge rate updates
- Calculation of rate impacts on a range of City customers

**TASK D. MEETINGS, PRESENTATIONS, REPORTS, & PROP. 218**

1. **Project Team Meetings** (4 team meetings with City staff, including kickoff meeting)
Meet with the City’s project team to present findings, discuss alternatives and their impacts, gain ongoing input, and develop and hone recommendations. We generally recommend deferring the kickoff meeting until we have had time to review background information and gain an initial understanding of the water system and its finances and rates.

2. **Public and City Council Meetings** (4 meetings)
Present finding, key alternatives, and recommendations to the public (2 meetings) and the City Council (2 meetings). Develop PowerPoint presentations summarizing key study objectives, findings, draft recommendations, financial and rate alternatives, and impacts on a range of customers. Incorporate City input and hone alternatives and recommendations as warranted to achieve City objectives. If desired, the Proposition 218 hearing can count as one of the public meetings.

3. **Prepare Draft & Final Reports**
Develop a draft report summarizing key background issues, study objectives, findings, assumptions, methodologies, draft recommendations and alternatives, impacts on ratepayers, and the rate and fee surveys. The report will clearly explain the rationale for recommendations and will drafted for a non-technical audience in plain English. Submit a draft report for City review and feedback (provide the City with hard copies and an electronic copy as needed). Revise report based on City input and develop a final report (provide the City with hard copies and an electronic copy as needed).

4. **Proposition 218 Rate Hearing Presentation** (summary presentation at the Prop. 218 Hearing)
Present a summary of findings and recommendations at the Proposition 218 rate hearing. Assist staff in responding to questions as directed by the City Council.

5. **Proposition 218 Assistance**
Identify substantive and procedural requirements for Proposition 218 and discuss requirements and options with City staff. As directed by the City, draft or assist in drafting the required Proposition 218 notice. BWA recommends the notice go beyond the minimum legal requirements and provide clear and concise explanation of the reasons for any rate adjustments as well as any actions the City has taken to help reduce
costs. BWA has helped many agencies adopt rates via the Proposition 218 process. We have found that ratepayers are more accepting of rate increases or rate structure modifications when they understand the reasons underlying the adjustments.

6. Public Education and Consensus-Building
Rate and fee adjustments are often controversial. BWA has extensive experience developing clear presentations that facilitate public understanding of the need for rate increases. We understand the importance of building consensus and public acceptance for our recommendations and can assist the City and public relations consultant in developing public education materials.

**Task D Deliverables Include:**
- 4 meetings with the City’s project team
- 2 City Council meetings, and 2 public presentations/workshops
- Summary presentation at the Proposition 218 Rate Hearing
- Develop PowerPoint presentations summarizing key findings, alternatives, and recommendations for meetings and/or public presentations
- Develop draft and final report incorporating City input
- Assist with Prop. 218 notice, public education and/or outreach efforts

**Scheduling**
This section presents a preliminary draft schedule for completing the project with a potential target of a project due date of March 2015, with the city Council approving new rates in May/June 2015. BWA will work with City staff to develop key milestones and a final schedule.

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*Note: Individual project milestones will be established based on consultation with the project team.*
Section 2: Consultant Qualifications

BARTLE WELLS ASSOCIATES
Leaders in California Water & Wastewater Finance

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

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

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

RATE AND FEE STUDIES  Our rate studies employ a cost-of-service approach and are designed to maintain the long-term financial health of a utility enterprise while being fair to all customers. We develop practical recommendations that are easy to implement and often phase in rate adjustments over time to minimize the impact on ratepayers. We also have extensive experience developing impact fees that equitably recover the costs of infrastructure required to serve new development. BWA has completed over 1,000 utility rate and fee studies. We have helped communities implement a wide range of water and wastewater rate structures and are knowledgeable about the legal requirements governing rates and impact fees including Proposition 218 and Government Code 66000. We develop clear, effective presentations and have represented public agencies at hundreds of public hearings to build consensus for our recommendations.

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

Our offices are located in Berkeley, in a circa 1900 Victorian Building.
PROJECT FINANCING  Our project financing experience includes over 300 bond sales and numerous bank loans, lines of credit, and various state and federal grant and loan programs. We generally recommend issuing debt via a competitive sale process to achieve the lowest cost financing possible. To date, we have helped California agencies obtain over $5 billion of bond financing, $500 million in low-rate SRF loans and grants, and hundreds of millions in bank loans and lines of credit. We work only for public agencies; we are independent financial advisors and do not buy, trade, or resell bonds. Our work is concentrated on providing independent advice that enables our clients to finance their projects on the most favorable terms—lowest interest rates, smallest issue size, and greatest flexibility.

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

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

Consultants

BWA uses a team approach for most projects, typically assigning two consultants to each assignment, including at least one principal consultant.

BWA proposes to assign Douglas R. Dove, a principal and President of the firm, as project manager and principal-in-charge for this engagement. Douglas has extensive experience developing financial plans and utility rate and fee studies for California water and wastewater agencies. He is a Certified Independent Public Finance Advisor and registered Professional Engineer (PE) with expertise in evaluating financing alternatives for capital improvement programs. He has substantial experience working to build consensus with public agencies and community advisory groups.

Douglas R. Dove will be assisted by Catherine Tseng, a Senior Financial Analyst. Catherine Tseng has substantial experience assisting in the development of utility rate and fee studies. In recent years she has worked on a variety of water and wastewater rate and fee studies.

Resumes are located on the subsequent pages.

Principal in Charge / Project Manager  Senior Financial Analyst
Douglas R. Dove, PE, CIPFA  Catherine Tseng, CIPFA
Tel: 510.653.3399 (x110)  Tel: 510.653.3399, (x103)
E-mail: ddove@bartlewells.com  E-mail: ctseng@bartlewells.com

Other BWA consultants are available to assist this project team if ever needed.
DOUGLAS R. DOVE, CIPFA, PE

Project Manager
Douglas R. Dove is President of Bartle Wells Associates and a principal consultant with over twenty years of infrastructure finance and cost of service ratemaking experience. He specializes in strategic financial planning, bond marketing, utility rate setting, and development impact fees. Since joining BWA in 1990, he has worked for a wide variety of public agencies and developed financing plans to support over 100 public works capital programs.

Mr. Dove assists public agencies in evaluating financing alternatives for capital projects, conducting utility rate and development impact fee studies, and in securing project financing including state and federal grants and loans and bonds. He has extensive experience developing rates and charges for water, wastewater, reclaimed water, and stormwater enterprises. He has substantial experience representing public agencies as an independent financial advisor on the issuance of debt. He recently finished his term on the board of directors of the National Association of Independent Public Finance Advisors.

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

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

Memberships
National Association of Independent Public Finance Advisors (former board member)
California Association of Sanitation Agencies

Recent Assignments
- Big Bear Area Regional Wastewater Agency: Wastewater rate study and refinancing.
- Running Springs Water District: Water, wastewater, fire and ambulance enterprise financial plans and rate studies.
- City of Chula Vista: Wastewater capacity fee analysis.
- City of Lemon Grove: Water and wastewater rate studies and 10-year financial plan.
- Big Bear City Community Services District: Regional wastewater rate study, sale of bonds (2 issues), bank loans (2 loans), and refunding.
- Home Gardens Sanitary District: Sewer rate study and capacity fee.
- City of Glendale: Cost of service water rate study with new meter capacity ratios and drought rates.
- City of Santa Clarita: Sewer maintenance feasibility study. Analysis of the costs of sewer operation under the current agreement with the Los Angeles County Consolidated Sewer Maintenance District and under City operation.
- Lake Arrowhead Community Services District: Financial master plan, $28 million revenue bond refinancing and water and wastewater rate studies.
- Helendale Community Services District: Water and wastewater utility rate studies. $2.8 million project financing.
- Indian Wells Valley Water District: Cost of service based water rate study and conservation rates. Financial advisor for $20 million bond sale.
CATHERINE TSENG, CIPFA

Senior Financial Analyst
Catherine L. Tseng is a senior financial analyst with Bartle Wells Associates. She works closely with public agency staff, engineers, and other consultants to develop water, wastewater, and recycled water rates, connection fees, and long-term financial plans for utility enterprises. Ms. Tseng assists with the development of financial projections, design of equitable rate structures, evaluation of utility billing data, calculations of financial impacts on ratepayers, and development of rate surveys. She also helps agencies assess financing options for public works projects and issue debt via bonds, bank loans, and various state-subsidized loan programs. She is a Certified Independent Public Finance Advisor. Prior to joining Bartle Wells Associates, Ms. Tseng worked in the City of Oakland Planning Department.

Education
B.A. – U.C. Berkeley, Berkeley, California
M.S.U.P (Master of Science in Urban Planning) – Columbia University, New York

Certifications
CIPFA – Certified Independent Public Finance Advisor

Representative Projects
- Running Springs Water District: Prepared financial plan and rate studies for the water, wastewater, fire/ambulance utilities.
- Big Bear Area Regional Water Agency: Reviewed wastewater rates and developed recommendations for rate increases, reserve levels, and capital funding mechanisms.
- City of Glendale: Assisted with the water rate cost of service study and drought rate analysis.
- City of Monterey: Completed long-range financial plan and wastewater rate study.
- Sonoma County Water Agency: Prepared sewer rate study for the Agency’s eight sanitation zones and districts. Developed pilot program to implement residential volumetric sewer rates.
- Indian Wells Valley Water District: Updated cost of service based water rate study and developed conservation rates under an inclining block water rate structure. Assisted with $20 million bond sale.
- City of Mountain View: Prepared water, wastewater, and recycled water rate studies.
- Montara Water and Sanitary District: Updated rates, charge, and connection fees for District’s water and sewer systems.
- City of Benicia: Completed raw water rate study that developed rate method for the Valero Refinery. Prepared water rate study and capacity fee study.
- Town of Yountville: Completed a long-range financial plan for the water and wastewater enterprise to phase out subsidies from the general fund. Developed recycled water rates for peak and off-peak consumption and assisted with contract negotiations with recycled water customers.
- City of Davis: Developed water enterprise financial plan and conservation-oriented rate structure study.
- Soquel Creek Water District: Developed water financial plan and rate study that developed drought emergency rates. Currently assisting with competitive $18 million bond sale for water infrastructure
Section 5: References

Similar Projects over the previous Five Years

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

Alameda County Water District
Apple Valley, Town of
Arvin-Edison Water Storage District
Benicia, City of
Big Bear City Community Services District
Brentwood, City of
Cambria Community Services District
Central Costa County Water District
Coastside County Water District
Cotati, City of
Davis, City of
Diablo Water District
Dixon, City of
Downey, City of
Dublin - San Ramon Services District
East Bay Municipal Utility District
East Palo Alto Sanitation District
Fairbanks North Star Borough
Fresno, City of
Helendale Community Services District
Hesperia, City of
Humboldt Bay Municipal Water District
Huntington Park, City of
Indian Wells Valley Water District
Ironhouse Sanitary District
James Irrigation District
Joshua Basin Water District
Keyes Community Services District
Las Gallinas Valley Sanitary District
Lemon Grove, City of
Marina Coast Water District
Menlo Park, City of
Mid-Peninsula Water District
Milpitas, City of
Montara Water & Sanitary District
Monterey, City of
Monterey Peninsula Water Mgmt District
Morgan Hill, City of
Moulton Niguel Water District
Mountain View, City of
Mountain View Sanitary District
Novato Sanitary District
Palm Springs, City of
Patterson, City of
Petaluma, City of
Placerville, City of
Port Hueneme, City of
Poway, City of
Ramona Municipal Water District
Redwood City, City of
Riverdale Public Utility District
Rodeo Sanitary District
Running Springs Water District
San Bruno, City of
San Carlos, City of
San Diego County Water Authority
San Francisco Public Utilities Commission
San Juan Bautista, City of
San Mateo, City of
Santa Clara, City of
Santa Ynez Water Conservation District
Sewer Agency of Southern Marin
Silicon Valley Clean Water
Sonoma County Water Agency
Soquel Creek Water District
South San Francisco, City of
South Tahoe Public Utility District
Stege Sanitary District
Sunnyslope County Water District
Sunnyvale, City of
Thousand Oaks, City of
Triunfo Sanitation District
Tulare, City of
Tulare Lake Drainage District
Union Sanitary District
Vacaville, City of
Victor Valley Wastewater Reclamation Authority
West Valley Sanitation District
Williams, City of
Willits, City of
Windsor, City of
Winton Water and Sanitary District
Woodland, City of
Woodside, Town of
Yountville, Town of
Zone 7 Water Agency
Project References

BWA has provided water and wastewater rate and financial advisory services to over 500 public agencies throughout California. A vast number of these projects exhibit close similarities with the City of Chino, i.e. water and wastewater studies that determine whether rate increases will be sufficient for projected capital projects, or if borrowing is necessary. This section includes descriptions and references of some relevant BWA assignments. Additional job descriptions and references are available upon request.

City of Glendale, CA (Glendale Water and Power)

The City of Glendale adopted a four-year phased in water rate increase in 2012 based on a rate study completed by another rate consultant. In 2013, the City determined that the rates were not producing revenues projected by the 2012 rate study. The City retained BWA to review the 2012 rate study and determine why the rates were producing revenue shortfalls. BWA reviewed the prior work and determined that the prior rate consultant had made a critical error in their analysis by wrongly assuming the bi-monthly consumption amounts for the residential classes were monthly consumption amounts and thereby overestimating the consumption for those customer classes. The error resulted in the under collection of approximately $9 million in water sales revenue. BWA developed a comprehensive cost of service analysis to correct the error and assisted the City in implementing new water rates through 2017/18. In response to the State’s water shortage, BWA also developed drought rates based on various stages of water curtailment.

Agency Contact:
Contact: Ramon Abueg, Chief Assistant General Manager
Address: 141 N Glendale Ave, Glendale, CA 91206
Phone Number: 818.548.3297
Email: R.Abueg@glendaleca.gov

West Valley Sanitation District (Campbell, CA)

West Valley Sanitation District operates a sewer collection system that serves a population of over 100,000 and is a tributary agency to the San Jose/Santa Clara regional wastewater treatment plant. BWA has recently completed sewer rate studies, financing plans, capacity fee studies and a bond financing for the District. The District has a very aggressive sewer line maintenance and replacement program and its rates are among the lowest in the region. The District levies flat sewer rates to residential customers and usage-based rates to commercial and industrial accounts. The commercial/industrial sewer usage rates are based on water consumption data provided by the San Jose Water Company. The District levies two capacity fees for new development; one is for the District’s collection system and the other is for regional treatment.

BWA also completed a comprehensive fee analysis for West Valley Sanitation District. Working closely with District staff, we developed detailed analyses of all fees included in their ordinance, including wastewater capacity and collection system fees, inspection fees, plan check and review fees, and annexation fees. Our analysis focused on estimating the true cost to the District of providing these services to customers,
ensuring that the District achieves full cost recovery for each fee, while at the same time streamlining and simplifying the fee administration process for both District staff and the customer.

Interviews with staff allowed us to accurately measure the labor cost associated with each activity, while also capturing costs for equipment and materials that may be required to provide the service requested. At the conclusion of our analysis we assisted District staff in revising the structure and language of the relevant ordinance. On a prior assignment, BWA served as the District’s financial advisor in connection with the sale of $7.5 million of Revenue Bonds. Financings: $6.4 million 2010 Sewer Revenue Refunding Bonds and $7.5 million 2000 Sewer Revenue Bonds

Agency Contact:
Contact: John Newby, District Manager and Engineer
Address: 100 East Sunnyoaks Avenue, Campbell, CA 95008
Phone Number: 408.378.2407
Email: jnewby@westvalleysan.org

City of Davis

In 2012, BWA worked with the City of Davis to develop water rates to fund the City’s share of a $330 million regional surface water treatment and distribution project with its neighbor, the City of Woodland. The project is needed to improve groundwater quality issues as the City currently relies 100% on groundwater for its water supply. The groundwater has relatively high salts which has caused the City’s wastewater to exceed discharge limits on salts. There are also concerns about the sustainability of the quantity of the groundwater supply and the City’s ability to meet increasingly stringent wastewater discharge regulations and drinking water standards.

For over a year, BWA worked closely with City staff and a 15-member Water Advisory Committee (WAC) to review water rate structure alternatives, evaluate various financing scenarios, and develop a gradually phased-in set of rate increases to support the surface water project. The WAC recommended implementing a new rate structure called the consumption-based fixed rate (CBFR) to recover a portion of the fixed costs based on each customer’s actual consumption. Instead of using meter size as the basis for recovering all of the water system’s fixed costs, CBFR is structured so that each ratepayer’s proportional share of the fixed costs related to water supply and treatment is based on their actual water usage from the previous summer months when consumption is typically at its peak. The 2012 water rate study recommended rate increases through 2017/18 to assist the City in obtaining State loans and grants as well as other debt financing alternatives.

In June 2014, the citizens of Davis repealed the March 2013 rates. Accordingly, BWA worked with the newly formed Utilities Rate Advisory Committee (URAC) to update the projections used in the 2012 study and to develop a new water rate structure. The City Council ultimately decided on a rate structure based on an 87 percent variable and 13 percent fixed revenue recovery allocation with a uniform block volume rate by customer class. The 2014 update also included a drought surcharge based on the City’s Water Shortage Contingency Plan. The Proposition 218 hearing to approve rates will be held on September 16, 2014.

Agency Contact:
## Section 4: Budget

<table>
<thead>
<tr>
<th>Task Description</th>
<th>Estimated Hours</th>
<th>D. Dove @ $235/hr</th>
<th>C. Tseung @ $165/hr</th>
<th>Total Cost</th>
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<tbody>
<tr>
<td><strong>TASK A. PROJECT INITIATION &amp; DATA COLLECTION</strong></td>
<td></td>
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<tr>
<td>1. Project Team Orientation</td>
<td>18</td>
<td>6</td>
<td>12</td>
<td>$3,390</td>
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<tr>
<td>2. Investigation &amp; Data Collection</td>
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<tr>
<td>3. Review Key Background Information</td>
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<tr>
<td><strong>TASK B. 10-YEAR UTILITY ENTERPRISE FINANCIAL PLANS</strong></td>
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<tr>
<td>1. Develop Forecasts and Projections for Each Scenario</td>
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<tr>
<td>2. Evaluate Financing Alternatives for Capital Improvements</td>
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<tr>
<td>3. Review Current Connection Fee Structure and Recommend</td>
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<tr>
<td>Modifications if Warranted</td>
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<tr>
<td>4. Recommend Prudent Fund Reserve Targets</td>
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<td>5. Develop Ten-Year Cash Flow Projections</td>
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<td>6. Evaluate Rate Increase Options</td>
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<td>7. Review Existing Financial Policies &amp; Recommend New Policies as Appropriate</td>
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<tr>
<td><strong>TASK C. WATER RATE ANALYSIS</strong></td>
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<tr>
<td>1. Review Current Cost Allocations and Water Budget</td>
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<tr>
<td>2. Conduct Water Rate Survey</td>
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<td>3. Analyze Water Consumption Data</td>
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<tr>
<td>4. Develop &amp; Evaluate Water Budget &amp; Rate Alternatives</td>
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<td>5. Evaluate Drought Rate Responses</td>
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<td>6. Develop Equitable Cost Allocations</td>
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<td>7. Develop Preliminary &amp; Final Rate Recommendations with City Input</td>
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<td>8. Evaluate Rate Impacts on a Range of City Customers</td>
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<tr>
<td><strong>TASK D. MEETINGS, PRESENTATIONS, REPORTS, &amp; PROP. 218</strong></td>
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<tr>
<td>1. Meetings/Presentations</td>
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<tr>
<td>2. Prepare Draft &amp; Final Reports &amp; Present Findings</td>
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<tr>
<td>3. Develop a User-Friendly Rate Model</td>
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<tr>
<td>4. Compliance With Proposition 218</td>
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<tr>
<td>5. Public Education and Consensus-Building</td>
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<tr>
<td><strong>TOTAL ESTIMATED HOURS</strong></td>
<td>243</td>
<td>81</td>
<td>162</td>
<td>$45,765</td>
</tr>
</tbody>
</table>

**ESTIMATED DIRECT EXPENSES**
- Travel/copies/binding/phone/fax/mail/miscellaneous: $1,000

**TOTAL PROJECT COSTS**: $46,765

**Contingency/Additional Analysis and/or Meetings (Optional)**: $10,000
Billing Rates

BARTLE WELLS ASSOCIATES
BILLING RATE SCHEDULE 2014
Rates Effective 1/1/2014

<table>
<thead>
<tr>
<th>Professional Services</th>
<th>Rate</th>
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<tbody>
<tr>
<td>Financial Analyst I</td>
<td>$95 per hour</td>
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<tr>
<td>Financial Analyst II</td>
<td>$135 per hour</td>
</tr>
<tr>
<td>Senior Financial Analyst</td>
<td>$165 per hour</td>
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<tr>
<td>Senior Consultant</td>
<td>$195 per hour</td>
</tr>
<tr>
<td>Principal Consultant</td>
<td>$235 per hour</td>
</tr>
</tbody>
</table>

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

The above rates will be in effect through December 31, 2014 at which time they will be subject to change.

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

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

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

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

1. Bartle Wells Associates is prepared to begin work upon the City’s authorization to proceed.

2. During the project development period, we will be available at all reasonable times and on reasonable notice for meetings and for consultation with City staff, attorneys, consulting engineers, and others as necessary.

3. Bartle Wells Associates will perform all work related to the assignment. Doug Dove, a firm principal and President will be assigned as project leader on this assignment. He will serve as the lead contact person for BWA and will be involved with the project a day-to-day basis.

4. The fees for services outlined in this proposal will not exceed $46,765 including direct expenses estimated not to exceed $1,000. The fee is based on the following assumptions:
   a. The project will be completed by March 1, 2015 or other mutually agreeable date preferred by the City. BWA will work to meet all City scheduling requirements and deadlines.
   b. All necessary information will be provided by the City and/or its other consultants in a timely manner.
   c. Development of a draft and a final version of tables and report. Time and expenses involved in revising tables and assumptions and additional report revisions may constitute additional services if not achievable within the budget.
   d. The fee is based on a total of up to 9 meetings and/or presentations, including the Prop 218 hearing.

5. Progress payments and direct expenses are payable monthly on a time and materials basis as the work proceeds as provided in our Billing Rate Schedule 2014, which will remain in effect for the duration of this project.

6. In addition to the services provided under this proposal, the City may authorize Bartle Wells Associates to perform additional services, which may include, but are not limited to:
   ▪ Changes in project scope
   ▪ Delays in project schedule resulting in additional revisions
   ▪ Additional meetings and presentations
   ▪ Any other services not specified

7. Bartle Wells Associates will maintain in force, during the full term of the assignment, insurance as provided in the Certificate of Insurance attached.

8. Bartle Wells Associates is an independent public finance advisory firm that is registered as a Municipal Advisor with the Securities and Exchange Commission (SEC Registration No. 867-00740) and the Municipal Securities Rulemaking Board (MSRB ID K0414).

9. If the project is terminated for any reason, Bartle Wells Associates is to be reimbursed for professional services and direct expenses incurred up to the time notification of such termination is received.

10. This proposal may be withdrawn or amended if not accepted within 90 days.
Section 6: Additional Data

Schedule of Insurance

BWA will maintain in effect the following insurance throughout the duration of the project

SCHEDULE OF INSURANCE

Insured: BARTLE WELLS ASSOCIATES

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

<table>
<thead>
<tr>
<th>TYPE OF INSURANCE</th>
<th>COMPANY POLICY NUMBER</th>
<th>COVERAGES AND LIMITS</th>
<th>EXP. DATE</th>
</tr>
</thead>
</table>
| Commercial General Liability | Hartford Insurance Company Policy #35-SBA PA6857 | • $2,000,000 General Aggregate  
• $2,000,000 Products Comp/Op Aggregate  
• $1,000,000 Personal & Advertising Injury  
• $1,000,000 Each Occurrence | 6/1/15 |
| Automobile Liability | Hartford Insurance Company Policy #35-UEC VU2842 | • $1,000,000 Combined Single Limit | 6/1/15 |
| Workers Compensation & Employers' Liability | Hartford Underwriters Insurance Company Policy #35-WEC FG7858 | Workers' Compensation: Statutory Limits for the State of California. Employers' Liability:  
• Bodily Injury by Accident - $1,000,000 each accident  
• Bodily Injury by Disease - $1,000,000 each employee  
• Bodily Injury by Disease - $1,000,000 policy limit | 6/1/15 |
| Professional Liability | Chubb & Son, Inc. BEND094045 | Solely in the performance of services as municipal financing consultants for others for a fee. Limit: $2,000,000 Per Occurrence & Aggregate (including defense costs, charges, and expenses) | 6/1/15 |
Preliminary Info Needs List
The following is a list of preliminary information materials needed to complete the rate studies. We will work with the City to develop a final list for the study.

1) Financial Information
   a) Adopted water and wastewater budgets
   b) Historical financial results in budget format for past 3 years (if available)
   c) Audited financial statements for 3 prior years
   d) Breakdown of utility fund reserve balances as of June 30, 2014 (and for prior 3 years too if readily available)
   e) Outstanding debt service schedules
   f) Fixed asset depreciation schedule for each utility including purchase date, cost, useful life, and depreciation (in an Excel file if possible)
   g) Any other financial information or projections that would be helpful

2) Rates Fees
   a) Current water and wastewater rate and fee ordinances
   b) Historical utility rates for the past 5-10 years
   c) Prior rate studies

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

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

5) Financial Policies & Agreements
   a) Any existing financial policies related to the water and wastewater utilities
   b) Agreements other agencies

6) Other Information
   a) Contacts for project team members and utility engineering consultants
   b) Any other relevant information we should be aware of
EXHIBIT “B”

DISPUTE RESOLUTION

B1.0 All claims, disputes and other matters in question between the FIRST PARTY and CITY arising out of, or relating to, the contract documents or the breach thereof, shall be resolved as follows:

B2.0 Mediation
B2.1 The parties shall attempt in good faith first to mediate such dispute and use their best efforts to reach agreement on the matters in dispute. After a written demand for non-binding mediation, which shall specify in detail the facts of the dispute, and within ten (10) days from the date of delivery of the demand, the matter shall be submitted to a mutually agreeable mediator. The Mediator shall hear the matter and provide an informal opinion and advice, none of which shall be binding upon the parties, but is expected by the parties to help resolve the dispute. Said informal opinion and advice shall be submitted to the parties within twenty (20) days following written demand for mediation. The Mediator's fee shall be shared equally by the parties. If the dispute has not been resolved, the matter shall be submitted to arbitration in accordance with Paragraph 3.1.

B3.0 Arbitration
B3.1 Any dispute between the parties that is to be resolved by arbitration as provided in Paragraph 2.1 shall be settled and decided by arbitration conducted by the American Arbitration Association in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association, as then in effect, except as provided below. Any such arbitration shall be held before three arbitrators who shall be selected by mutual agreement of the parties; if agreement is not reached on the selection of the arbitrators within fifteen (15) days, then such arbitrator(s) shall be appointed by the presiding Judge of the court of jurisdiction of the contract.

B3.2 The provisions of the Construction Industry Arbitration Rules of the American Arbitration Association shall apply and govern such arbitration, subject, however, to the following:

B3.3 Any demand for arbitration shall be writing and must be made within a reasonable time after the claim, dispute or other matter in question as arisen. In no event shall the demand for arbitration be made after the date that institution of legal or equitable proceedings based on such claim, dispute or other matter would be barred by the applicable statute of limitations.

B3.4 The arbitrator or arbitrators appointed must be former or retired judges, or attorneys at law with last ten (10) years' experience in construction litigation.

B3.5 All proceedings involving the parties shall be reported by a certified shorthand court reporter, and written transcripts of the proceedings shall be prepared and made available to the parties.

B3.6 The arbitrator or arbitrators must be made within and provide to the parties factual findings and the reasons on which the decisions of the arbitrator or arbitrators is based.

B3.7 Final decision by the arbitrator or arbitrators must be made within ninety (90) days from the date of the arbitration proceedings are initiated.

B3.8 The prevailing party shall be awarded reasonable attorneys’ fees, expert and non-expert witness costs and expenses, and other costs and expenses incurred in connection with the arbitration, unless the arbitrator or arbitrators for good cause determine otherwise.

B3.9 Costs and fees of the arbitrator or arbitrators shall be borne by the non-prevailing party, unless the arbitrator or arbitrators for good cause determine otherwise.

B3.10 The award or decision of the arbitrator or arbitrators, which may include equitable relief, shall be final, and judgment may be entered on it in accordance with applicable law in any court having jurisdiction over the matter.