



Cabazon Water District
14-618 Broadway Street • P.O. Box 297
Cabazon, California 92230

SPECIAL BOARD MEETING

AGENDA

Meeting Location:
Cabazon Water District Office
14-618 Broadway Street
Cabazon, California 92230

Meeting Date:
October 24, 2016 – 4:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

CONSENT CALENDAR

All matters in this category are considered to be consistent with the Board/District goals, District Policies and Regulations adopted and/or approved by the Board of Directors, and will be enacted in one motion. There will be no separate discussion of these items. If discussion is required, items may be removed from the consent calendar and will be considered separately.

1. Approval of: None
2. Warrants – None
3. Awards of Contracts – None

UPDATES

NEW BUSINESS

OLD BUSINESS

1. Discussion/Action: NBS Government Finance Group – Board to approve contract to perform a water rate study and workshop.

PUBLIC COMMENTS

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District that is not listed on the agenda; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))

GENERAL MANAGER/BOARD COMMENTS

1. Future Agenda Items

The Board Chair or the majority of the Board may direct staff to investigate and report back to an individual(s) and the Board on matters suggested or direct the General Manager/Board Secretary to place the matter on a future Board meeting.

- Suggested agenda items from the Public.
- Suggested agenda items from Management.
- Suggested agenda items from Board Members.

2. Management Comments

Staff members may speak on items of information not requiring comment or discussion to the Board and public. Topics which may be included on a future meeting agenda may be presented but cannot be discussed. (3 minutes)

3. Board Member Comments

Board members may speak on items of information not requiring comment or discussion to the Board and public. (3 minutes)

MISCELLANEOUS

1. Future Board Items/Next Board Meeting Date(s)

- a. Finance & Audit Workshop – Tuesday – November 15, 2016, 5:00 pm
- b. Regular Board Meeting – Tuesday – November 15, 2016, 6:00 pm
- c. Personnel Committee – None
- d. San Geronio Pass Regional Water Alliance – Alliance Meeting - Wednesday – October 26, 2016 - 5:00 PM to 7:00 PM

ADJOURNMENT

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide access.

**CABAZON WATER DISTRICT
PROFESSIONAL SERVICES AGREEMENT**

This Agreement is made and entered into as of October 17, 2016 by and between the Cabazon Water District ("District"), and NBS Government Finance Group, dba NBS, a California corporation with its principal place of business at 32605 Temecula Parkway, Ste 100, Temecula, CA 92592 (hereinafter referred to as "Consultant"). District and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

RECITALS

A. District is a public agency of the State of California and is in need of professional services for the following project:

2016 District Rate Study Services project (hereinafter referred to as "the Project").

B. Consultant is duly licensed and has the necessary qualifications to provide such services.

C. The Parties desire by this Agreement to establish the terms for District to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide the District with the services described in the Scope of Services attached hereto as Exhibit "A."

2. Compensation.

a. Subject to paragraph 2(b) below, the District shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit "B."

b. In no event shall the total amount paid for services rendered by Consultant under this Agreement exceed the sum of **\$15,000**. This amount is to cover all printing and related costs, and the District will not pay any additional fees for printing expenses. Periodic payments shall be made within 30 days of receipt of an invoice which includes a detailed description of the work performed. Payments to Consultant for work performed will be made on a monthly billing basis.

3. Additional Work.

If changes in the work seem merited by Consultant or the District, and informal consultations with the other party indicate that a change is warranted, it shall be processed in the following manner: a letter outlining the changes shall be forwarded to the District by Consultant with a statement of estimated changes in fee or time schedule. An amendment to this Agreement shall be prepared by the District and executed by both Parties before performance of such services, or the District will not be required to pay for the changes in the

scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the contract period and for four (4) years from the date of final payment under the contract for inspection by District.

5. Time of Performance.

Consultant shall perform its services in a prompt and timely manner and shall commence performance upon receipt of written notice from the District to proceed ("Notice to Proceed"). The Notice to Proceed shall set forth the date of commencement of work. Consultant shall complete the services required hereunder within **150 calendar days** from the commencement date specified in the Notice to Proceed.

6. Delays in Performance.

a. Neither District nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

b. Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government, including Cal/OSHA requirements.

b. If required, Consultant shall assist the District, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies.

c. If applicable, Consultant is responsible for all costs of clean up and/ or removal of hazardous and toxic substances spilled as a result of his or her services or operations performed under this Agreement.

8. Standard of Care

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Subconsultant

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the District, which may be withheld for any reason. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Nothing contained herein shall prevent Consultant from employing independent associates, and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Consultant

Consultant is retained as an independent contractor and is not an employee of District. No employee or agent of Consultant shall become an employee of District. The work to be performed shall be in accordance with the work described in this Agreement, subject to such directions and amendments from District as herein provided.

11. Insurance. Consultant shall not commence work for the District until it has provided evidence satisfactory to the District it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has secured all insurance required under this section.

a. Commercial General Liability

(i) The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to the District.

(ii) Coverage for Commercial General Liability insurance shall be at least as broad as the following:

(1) Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 00 01) or exact equivalent.

(iii) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; (3) products/completed operations liability; or (4) contain any other exclusion contrary to the Agreement.

(iv) The policy shall give District, its officials, officers, employees, agents and District designated volunteers additional insured status using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

b. Automobile Liability

(i) At all times during the performance of the work under this Agreement, the Consultant shall maintain Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to the District.

(ii) Coverage for automobile liability insurance shall be at least as broad as Insurance Services Office Form Number CA 00 01 covering automobile liability (Coverage Symbol 1, any auto).

(iii) The policy shall give District, its officials, officers, employees, agents and District designated volunteers additional insured status.

c. Workers' Compensation/Employer's Liability

(i) Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing work under this Agreement.

(ii) To the extent Consultant has employees at any time during the term of this Agreement, at all times during the performance of the work under this Agreement, the Consultant shall maintain full compensation insurance for all persons employed directly by him/her to carry out the work contemplated under this Agreement, all in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof, and Employer's Liability Coverage in amounts indicated herein. Consultant shall require all subconsultants to obtain and maintain, for the period required by this Agreement, workers' compensation coverage of the same type and limits as specified in this section.

d. Professional Liability (Errors and Omissions)

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability or Errors and Omissions insurance appropriate to its profession, in a form and with insurance companies acceptable to the District and in an amount indicated herein. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form coverage specifically designed to protect against acts, errors or omissions of the Consultant. "Covered Professional Services" as designated in the policy must specifically include work performed under this Agreement. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend.

e. Minimum Policy Limits Required

(i) The following insurance limits are required for the Agreement:

	<u>Combined Single Limit</u>
Commercial General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate for bodily injury, personal injury, and property damage
Automobile Liability	\$1,000,000 per occurrence for bodily injury and property damage
Employer's Liability	\$1,000,000 per occurrence

Professional Liability

\$1,000,000 per claim and aggregate (errors and omissions)

(ii) Defense costs shall be payable in addition to the limits.

(iii) Requirements of specific coverage or limits contained in this section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally provided by any insurance. Any available coverage shall be provided to the parties required to be named as Additional Insured pursuant to this Agreement.

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with the District evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 00 01 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (Acord Form 25-S or equivalent), together with required endorsements. All evidence of insurance shall be signed by a properly authorized officer, agent, or qualified representative of the insurer and shall certify the names of the insured, any additional insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies, and the expiration date of such insurance.

g. Policy Provisions Required

(i) Consultant shall provide the District at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to the District at least ten (10) days prior to the effective date of cancellation or expiration.

(ii) The Commercial General Liability Policy and Automobile Policy shall each contain a provision stating that Consultant's policy is primary insurance and that any insurance, self-insurance or other coverage maintained by the District or any named insureds shall not be called upon to contribute to any loss.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) All required insurance coverages, except for the professional liability coverage, shall contain or be endorsed to waiver of subrogation in favor of the District, its officials, officers, employees, agents, and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against District,

and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(v) The limits set forth herein shall apply separately to each insured against whom claims are made or suits are brought, except with respect to the limits of liability. Further the limits set forth herein shall not be construed to relieve the Consultant from liability in excess of such coverage, nor shall it limit the Consultant's indemnification obligations to the District and shall not preclude the District from taking such other actions available to the District under other provisions of the Agreement or law.

h. Qualifying Insurers

(i) All policies required shall be issued by acceptable insurance companies, as determined by the District, which satisfy the following minimum requirements:

(1) Each such policy shall be from a company or companies with a current A.M. Best's rating of no less than A:VII and admitted to transact in the business of insurance in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law.

i. Additional Insurance Provisions

(i) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by the District, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(ii) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, District has the right but not the duty to obtain the insurance it deems necessary and any premium paid by District will be promptly reimbursed by Consultant or District will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, District may cancel this Agreement.

(iii) Neither the District nor any of its officials, officers, employees, agents or volunteers shall be personally responsible for any liability arising under or by virtue of this Agreement.

j. Subconsultant Insurance Requirements. Consultant shall not allow any subcontractors or subconsultants to commence work on any subcontract until they have provided evidence satisfactory to the District that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors or subconsultants shall be endorsed to name the District as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, District may approve different scopes or minimum limits of insurance for particular subcontractors or subconsultants.

12. Indemnification.

To the fullest extent permitted by law, Consultant shall defend (with counsel reasonably approved by the District), indemnify and hold the District, its officials, officers, employees, agents and volunteers free and harmless from any and all claims, demands, causes of action, suits, actions, proceedings, costs, expenses, liability, judgments, awards, decrees, settlements, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, (collectively, "Claims") in any manner arising out of, pertaining to, or incident to any alleged acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services, the Project or this Agreement, including without limitation the payment of all consequential damages, expert witness fees and attorneys' fees and other related costs and expenses. Notwithstanding the foregoing, to the extent Consultant's services are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to Claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by the District, its officials, officers, employees, agents or volunteers.

13. California Labor Code Requirements.

a. Consultant is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq., which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects. If the services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws, if applicable. Consultant shall defend, indemnify and hold the District, its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the Consultant and all subconsultants to comply with all California Labor Code provisions, which include but are not limited to prevailing wages, employment of apprentices, hours of labor and debarment of contractors and subcontractors.

b. If the services are being performed as part of an applicable "public works" or "maintenance" project, then pursuant to Labor Code Sections 1725.5 and 1771.1, the Consultant and all subconsultants performing such Services must be registered with the Department of Industrial Relations. Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants, as applicable. This Project may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant's sole responsibility to comply with all applicable registration and labor compliance requirements.

14. Verification of Employment Eligibility.

By executing this Agreement, Consultant verifies that it fully complies with all requirements and restrictions of state and federal law respecting the employment of undocumented aliens, including, but not limited to, the Immigration Reform and Control Act of 1986, as may be amended from time to time, and shall require all subconsultants and sub-subconsultants to comply with the same.

15. [Reserved].

16. Laws and Venue.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Riverside, State of California.

17 Termination or Abandonment

a. District has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, District shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. District shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by District and Consultant of the portion of such task completed but not paid prior to said termination. District shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to District only in the event of substantial failure by District to perform in accordance with the terms of this Agreement through no fault of Consultant.

18 Documents. Except as otherwise provided in "Termination or Abandonment," above, all original field notes, written reports, Drawings and Specifications and other documents, produced or developed for the Project shall, upon payment in full for the services described in this Agreement, be furnished to and become the property of the District.

19. Organization

Consultant shall assign Greg Clumpner as Project Manager. The Project Manager shall not be removed from the Project or reassigned without the prior written consent of the District.

20. Limitation of Agreement.

This Agreement is limited to and includes only the work included in the Project described above.

21. Notice

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

DISTRICT:

CONSULTANT:

Cabazon Water District
P.O. Box 297
14618 Broadway Street
Cabazon, CA 92230
Attn: Calvin Louie

NBS
32605 Temecula Parkway, Suite 100
Temecula, CA 92592
Attn: Greg Clumpner, Director

and shall be effective upon receipt thereof.

22. Third Party Rights

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the District and the Consultant.

23. Equal Opportunity Employment.

Consultant represents that it is an equal opportunity employer and that it shall not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, sex, age or other interests protected by the State or Federal Constitutions. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

24. Entire Agreement

This Agreement, with its exhibits, represents the entire understanding of District and Consultant as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. Each party acknowledges that no representations, inducements, promises or agreements have been made by any person which are not incorporated herein, and that any other agreements shall be void. This Agreement may not be modified or altered except in writing signed by both Parties hereto. This is an integrated Agreement.

25. Severability

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the provisions unenforceable, invalid or illegal.

26. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each party to this Agreement. However, Consultant shall not assign or transfer by operation of law or otherwise any or all of its rights, burdens, duties or obligations without the prior written consent of District. Any attempted assignment without such consent shall be invalid and void.

27. Non-Waiver

None of the provisions of this Agreement shall be considered waived by either party, unless such waiver is specifically specified in writing.

28. Time of Essence

Time is of the essence for each and every provision of this Agreement.

29. District's Right to Employ Other Consultants

District reserves its right to employ other consultants, including engineers, in connection with this Project or other projects.

30. Prohibited Interests

Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, District shall have the right to rescind this Agreement without liability. For the term of this Agreement, no director, official, officer or employee of District, during the term of his or her service with District, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

[SIGNATURES ON FOLLOWING PAGE]

**SIGNATURE PAGE FOR PROFESSIONAL SERVICES AGREEMENT
BETWEEN THE CABAZON WATER DISTRICT
AND NBS**

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

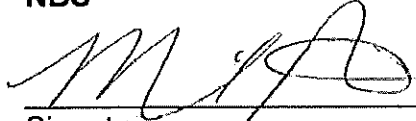
CABAZON WATER DISTRICT

Approved By:


Calvin Louie
General Manager

Date

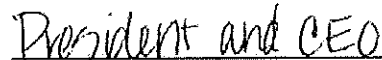
NBS




Signature



Name



Title



Date

EXHIBIT A
Scope of Services

EXHIBIT B

Schedule of Charges/Payments

Consultant will invoice District on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent on each task. Consultant will inform District regarding any out-of-scope work being performed by Consultant. This is a time-and-materials contract.

EXHIBIT C
Activity Schedule



32605 Temecula Parkway, Suite 100
Temecula, CA 92592
Toll free 800 676 7516 (P) 951 296 1997
www.nbsgov.com

October 5, 2016

Calvin Louie
General Manager
Cabazon Water District
14618 Broadway Street
Cabazon, California 92230

SUBJECT: PROPOSAL FOR A WATER RATE STUDY

Dear Mr. Louie,

Thank you for requesting this proposal for a water rate study. Based on our discussions with Kelly Salt and Cindy Byerrum, we are submitting this proposal to prepare a Water Rate Study for the District.

We understand that some of the key objectives of this study are to evaluate and adjust both the rate design and water rates that reflect the District's projected costs, changes in water sales, and provide long term revenue stability. Broader objectives include ensuring that rates are fair and equitable and comply with Proposition 218 (Prop 218), in particular the San Juan Capistrano decision.

Since the District places a high priority on transparently communicating with the residents and businesses in the community, we will plan to meet with your Board to discuss proposed new rates and monthly bill impacts. We will also work with District staff, your legal counsel (Kelly Salt) and financial consultant (Cindy Byerrum) to develop rates that are sound and implementable.

Thank you for considering our proposal. Please do not hesitate to contact Greg Clumpner at 530.297.5856 (cell) or 800.676.7516 (office) if you have any questions.

Sincerely,

Greg Clumpner
Director - Utility Rate Practice Group

Michael Rentner
President & CEO



1. STUDY UNDERSTANDING

Cabazon Water District is a small district of only 995 connections and one source of supply (groundwater) that needs a cost of service and rate study performed. The District is almost entirely residential, with a few commercial customers. A revenue requirement analysis has been prepared, that will be relied upon in developing a financial plan for this rate study. We understand that the District would like this study completed by February at the latest. Below is the District's current schedule of water rates.

Fixed Charges by Meter Sizes:

5/8"	\$44.16
3/4"	\$59.47
1"	\$88.26
1 1/2"	\$188.97
2"	\$286.61
3"	\$384.25
4"	\$536.82
6"	\$718.63

Conservation Tiered Volumetric Rates:

Tier (Conservation) 0 - 500 cubic feet Included in monthly service charge.

Tier 2 501 - 2500 cubic feet \$2.21 per hundred cubic feet

Tier 3 2501-5000 cubic feet \$4.36 per hundred cubic feet

Tier 4 5001 or more cubic feet \$5.05 per hundred cubic feet

The absence of charges for the first 500 HCF will need to be addressed in the rate study.

NBS will work cooperatively with District staff to confirm the financial plans and develop rate recommendations that are well-suited to the District's needs, are practical and implementable, and can be confidently defended from both a technical and legal perspective. This study will focus on a number of key components that will be critical for the success of this study:

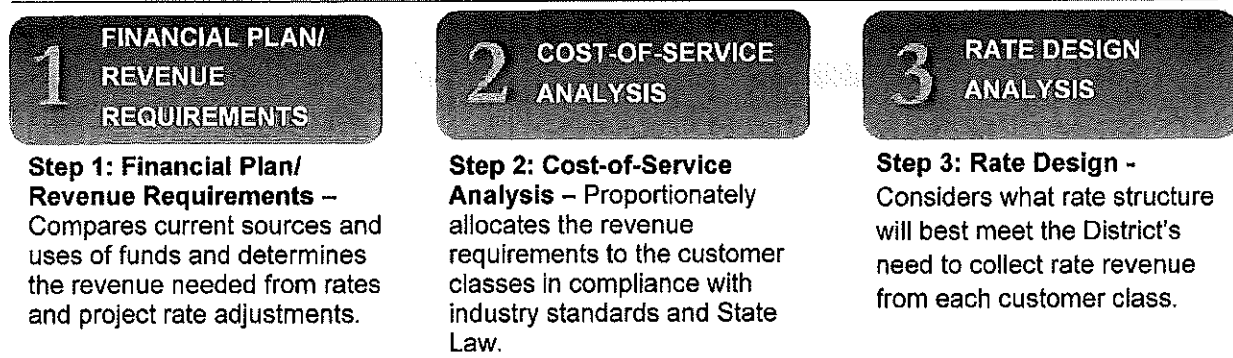
- **Revenue Sufficiency and Stability** – Preparing annual revenue requirements that will fully fund O&M and capital improvement needs. This task will address revenue *sufficiency*. In contrast, revenue *stability* is significantly impacted by the rate design the District chooses; the combination of fixed and volumetric rates (that is, the percent of revenue collected from each), is critical. Related issues include the tiered rate design (vs. a uniform volumetric rate), and how well the recommended rates will perform under future changes in levels of conservation in response to drought mandates.
- **Defensibility and Meeting Prop 218 Requirements** – The water rate environment has substantially changed in the last few years and continues to be a fluid one. Understanding the current direction and implications of these changes—such as the San Juan Capistrano appellate court decision, state conservation mandates, the newly adopted SB 814, and drought rates—will be an important aspect of this study. NBS will fully vet these issues with District staff as part of the process of selecting and developing new water rates.
- **Transparency and Communication** – NBS strives for a high level of transparency and communication regarding the study methodology, assumptions, and results. We believe that “complexity is the enemy of understanding”—therefore we strive to provide concise, simple, and clear explanations during the study.



2. SCOPE OF SERVICES

NBS follows basic industry standards, which are shown in Figure 1 and are intended to reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association (AWWA) Principles of Water Rates, Fees, and Charges¹, also referred to as Manual M1. We will also address requirements under Prop 218 that rates not exceed the cost of providing the service and that they are proportionate to the cost of providing service for all customers. In terms of the chronology of the study, these three steps represent the order they will be performed in this Study.

Figure 1. Primary Components of a Rate Study



NBS will plan to work cooperatively with District Staff and the Board of Directors to develop financial plans and rate recommendations that are well-suited to the District's needs, are practical and implementable, and can be confidently defended from both a technical and legal perspective.

The scope of services NBS offers for completing the water rate study is presented below. These tasks serve as the basis for the budget for this study.

Task 1. Kickoff Meeting and Data Collection

Task Objectives: Clearly communicate and work with District staff to obtain necessary data and review study objectives, tasks, and schedule. *This kick-off meeting will be by telephone.*

Task Deliverables:

- Data request provided to District staff prior to the kick-off meeting.
- Review of initial data provided.
- Kick-off meeting with District staff.
- Preliminary schedule for meetings and workshops.

The kick-off meeting will be used to review and discuss the data from the District's billing and accounting system and data requirements in general. The water data the District will need to provide includes customer accounts, meter sizes, monthly consumption records for each customer, total rate revenue collected, and financial data typically reported in financial statements.

¹ Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, sixth edition, 2012.

Task 2. Review of Current Rates and Policies

Task Objectives: The District's tiered rates will be further examined in light of the San Juan Capistrano requirement for cost-based tiered rates, particularly the first 5 hcf that is included in the fixed charge. We will work with District staff and their legal counsel to review and evaluate current water rate structures, and general rate-related policies at the beginning of the study, as well as specific financial policies.

Task Deliverables:

- Assessment of *current rate structures* (pros and cons, areas for improvement, etc.).
- Assessment of *equity* of the rates for the various meter sizes.
- Assessment of *current rate-related policies* compared to industry practices and how they may relate to the District's rates.
- Recommendations for changes to and/or additional policies for the Board to consider, as well as a greater degree of direction on rate alternatives for further evaluation.

Task 3. Financial Plan

Task Objectives: Review the District's existing revenue requirement analysis that details water revenues, expenditures, reserves, capital improvement costs, and net revenue requirements. Any changes will be incorporated into the financial plan in order to better evaluate the current financial management concerns.

Task Deliverables:

- A 20-year financial projection model that will serve as a financial "roadmap" for the water utility.
- Summary of current and projected net revenue requirements.
- Update reserve fund policies and target reserve fund balances.
- Projected year-end reserve fund levels.
- Calculated debt service coverage ratios.

This financial plan will lay the groundwork for the cost-of-service and rate design analyses addressed in Tasks 4 and 5. The following subtasks are anticipated:

- **Projected Revenues and Expenditures** – Using a cash-basis reflecting the District's system of accounts, NBS will prepare a 20-year projection of revenues, expenses, and increases in rate revenue needed to meet all obligations. This will provide the District with the financial planning tools needed for smoothing out future rate increases and maintaining appropriate reserve fund levels in light of revised budget projections.
- **Evaluate Reserve Fund Sufficiency** – NBS will evaluate the sufficiency of existing reserve funds, target reserves, reserve fund policies, and related issues such as debt service coverage ratios. We will provide recommendations for reserve fund targets that are tailored to the water utility specific needs.
- **Review Capital Improvement Funding** – NBS will incorporate the capital improvement plans, and evaluate the timing, costs, and available reserves used to fund various projects. We will work with District staff to develop a well-conceived approach to funding these capital needs. This includes an appropriate balance between debt-funded and cash-funded projects.

Figures 2, 3 and 4 are examples of the types of charts and tables we use to summarize these results (District's chart of accounts will serve as the basis for the actual analysis and tables).

Figure 2. Example of Five-Year Revenue Requirements and Rate Increases

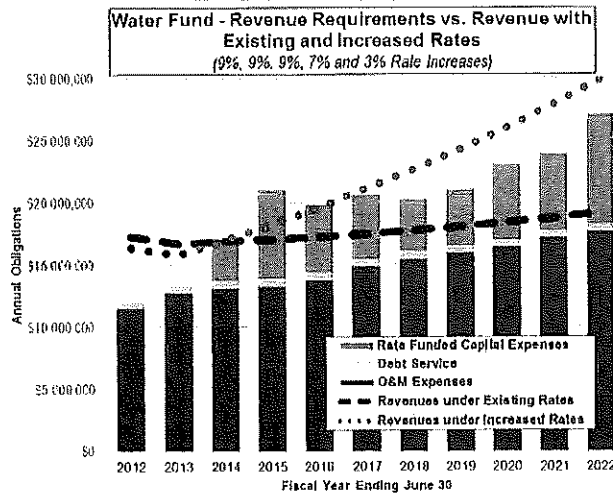
Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		Projected			
	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Sources of Water Funds						
Rate Revenue Under Prevailing Rates	\$ 16,369,534	\$ 16,097,988	\$ 16,216,629	\$ 16,337,209	\$ 16,460,963	\$ 16,607,810
Non-Rate Revenues	892,188	473,436	478,925	480,471	484,111	488,430
Interest Earnings	-	125,894	158,844	124,126	106,331	118,995
Total Sources of Funds	\$ 17,261,722	\$ 16,697,318	\$ 16,852,399	\$ 16,941,807	\$ 17,051,404	\$ 17,215,234
Uses of Water Funds						
Operating Expenses	\$ 11,575,494	\$ 12,791,032	\$ 13,197,960	\$ 13,312,000	\$ 13,813,880	\$ 14,928,296
Debt Service	497,608	498,608	489,138	488,652	490,108	492,153
Rate-Funded Capital Expenses	-	-	3,515,232	7,310,656	5,620,544	5,217,171
Total Use of Funds	\$ 12,073,102	\$ 13,289,640	\$ 17,202,330	\$ 21,111,308	\$ 19,924,532	\$ 20,637,620
Surplus (Deficiency) before Rate Increase	\$ 5,188,621	\$ 3,407,678	\$ (349,931)	\$ (4,169,501)	\$ (2,873,128)	\$ (3,422,386)
Additional Revenue from Rate Increases	-	-	1,135,164	2,367,262	3,704,424	5,161,641
Surplus (Deficiency) after Rate Increase	\$ 5,188,621	\$ 3,407,678	\$ 785,233	\$ (1,802,239)	\$ 831,296	\$ 1,739,255
Cumulative Rate Increases	0.0%	0.0%	7.0%	14.5%	22.5%	31.1%
Net Revenue Requirement¹	\$ 12,107,490	\$ 13,584,642	\$ 17,530,548	\$ 21,545,848	\$ 20,454,390	\$ 21,239,610

1. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from water rates.

Figure 3. Example of Five-Year Reserve Fund Balances

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		Projected			
	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17
Operating Reserve						
Beginning Balance	\$ 3,500,000	\$ 926,000	\$ 1,023,000	\$ (106,447)	\$ (3,986,961)	\$ (5,396,263)
Recommended Minimum Target	926,000	1,023,000	1,056,000	1,065,000	1,105,000	1,194,000
Capital Rehab & Replacement Reserve						
Beginning Balance	\$ 8,187,410	\$ 10,243,366	\$ 8,350,605	\$ 2,575,000	\$ 2,575,000	\$ 2,575,000
Recommended Minimum Target	2,500,000	2,500,000	2,575,000	2,652,250	2,731,818	2,813,772
Debt Reserve						
Beginning Balance	\$ 1,027,210	\$ 1,027,210	\$ 1,027,210	\$ 1,013,913	\$ 1,013,913	\$ 1,013,913
Recommended Minimum Target	1,027,210	1,027,210	1,013,913	1,013,913	1,013,913	1,013,913
Total Beginning Balance (w/o Debt Proceeds and w/o Pump House #1 Reserves)	\$ 12,714,620	\$ 12,196,576	\$ 10,400,815	\$ 3,482,466	\$ (398,048)	\$ (1,807,350)
Total Recommended Minimum Target	\$ 4,453,210	\$ 4,550,210	\$ 4,644,913	\$ 4,731,163	\$ 4,850,731	\$ 5,021,685
Ending balance, for reference	\$ 12,196,576	\$ 10,400,815	\$ 3,482,466	\$ (398,048)	\$ (1,807,350)	\$ (2,486,924)
Surplus/(Deficit)	\$ 7,743,366	\$ 5,850,605	\$ (1,162,447)	\$ (5,129,211)	\$ (6,658,081)	\$ (7,508,609)

Figure 4. Example of Revenue Requirements and Existing vs. Proposed Rates



Task 4. Cost of Service Analysis

Task Objectives: Equitably allocate the revenue requirements to each meter size.² This analysis provides a critical component necessary for establishing a defensible administrative record for cost-based water rates. (The proportion of rate revenue collected from fixed charges vs. volumetric rates will be addressed in the rate design task.)

Task Deliverables: Cost of service summary tables will be developed and incorporated into the rate design and rate study report.

Cost of Service Analysis

The revenue requirements will be equitably allocated to individual meter sizes based on industry standard methodologies. We will review each meter size to determine if any changes should be made in order to comply with industry standards. The main components of the cost-of-service analysis are as follows:

Functionalization/Classification of Expenses – Functionalizing the expenses means arranging costs into basic categories, such as source of supply, treatment, transmission, and distribution, as well as administrative and overhead costs. Once the costs have been functionalized, they are then classified to their various cost components, such as fixed capacity, variable (commodity), or customer related costs, as illustrated in Figure 5.

Figure 5. Example of Classification of Water Revenue Requirements

Budget Categories	Total Revenue Requirements	Commodity	Capacity	Customer	% Allocation		
	2013/14	(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)
Operating Expenses							
Administration	\$ 1,623,270	\$ 600,610	\$ 762,937	\$ 259,723	37%	47%	16%
Purchased Water	\$ 704,330	\$ 704,330	\$ -	\$ -	100%	0%	0%
Water Treatment	\$ 5,919,390	\$ 3,788,410	\$ 2,130,980	\$ -	64%	36%	0%
Water Distribution	\$ 4,950,970	\$ 1,584,310	\$ 1,584,310	\$ 1,782,349	32%	32%	36%
Subtotal: Operating Expenses	\$ 13,197,960	\$ 6,677,660	\$ 4,478,228	\$ 2,042,072	51%	34%	15%
Other Expenses							
Debt Service	\$ 489,138	\$ 244,569	\$ 244,569	\$ -	50%	50%	0%
Rate Funded Capital	\$ 3,515,232	\$ 1,757,616	\$ 1,757,616	\$ -	50%	50%	0%
TOTAL REVENUE REQUIREMENTS	\$ 17,202,330	\$ 8,679,845	\$ 6,480,412	\$ 2,042,072	50%	38%	12%
<i>Less: Non-Rate Revenues</i>	<i>\$ (476,926)</i>	<i>\$ (240,644)</i>	<i>\$ (179,666)</i>	<i>\$ (56,615)</i>	<i>50%</i>	<i>38%</i>	<i>12%</i>
Net Revenue Requirements	\$ 16,725,404	\$ 8,439,201	\$ 6,300,747	\$ 1,985,457			
Allocation of Revenue Requirements	100%	50%	38%	12%			

Allocation of Costs to Customer Classes – These costs are then allocated to individual meter sizes based on allocation factors specific to each cost classification, producing fixed and variable revenue requirements for each meter size. These allocations will be used for the actual rate calculations. Figure 6 describes the allocation factors that will be developed in this phase of the analysis and used to allocate water utility costs.

² While many similar water districts use customer classes (single-family, commercial, irrigation, etc.), because of the short time-frame and other changes to rates, NBS will not plan to evaluate changing the District's rate design from meter sizes to these types of customer classes.

Figure 6. Example of Water Allocation Factors

Cost Classification Category	Commodity	Capacity	Customer
Allocation Factors	Water Consumption by Customer Class	Peak Water Use	Number of Accounts by Customer Class
Types of Costs	Costs associated with the consumption of water over time.	Costs associated with the maximum demand required at one point in time or the maximum size of facilities required to meet this demand.	Costs associated with having customers connected to the system.
Examples of Costs	<ul style="list-style-type: none"> • Variable Cost of Purchased Water • Electricity • Chemicals 	<ul style="list-style-type: none"> • Primarily capital facilities • Fixed cost of purchased water 	<ul style="list-style-type: none"> • Meter Reading • Customer Billing • Customer Service

As a result of applying these allocation factors to the cost classifications, the revenue required from each meter size is accumulated by meter size, as shown in Figure 7.

Figure 7. Example of Allocation of Revenue Requirements to Customer Classes

Customer Class	Classification Components			Total
	Commodity	Capacity	Customer	
Net Revenue Requirements	\$ 9,730,242	\$ 4,823,021	\$ 1,528,227	\$ 16,081,490
	61%	30%	10%	100%
Single-Family Residential	\$ 6,251,321	\$ 3,230,845	\$ 1,284,960	\$ 10,767,126
Multi-Family Residential	\$ 490,683	\$ 206,841	\$ 57,405	\$ 754,929
Commercial	\$ 2,988,238	\$ 1,385,335	\$ 185,862	\$ 4,559,436
Total	\$ 9,730,242	\$ 4,823,021	\$ 1,528,227	\$ 16,081,490

Note: While this example shows single-family, multi-family and commercial classes, the District's meter sizes will serve as customer classes.

Task 5. Rate Design Analysis

Task Objectives: NBS will work with District staff to review the current rate structures for the water utility and ensure that they meet broader rate design goals and objectives.

Task Deliverables: NBS will consider rate alternatives for water rate structures and, if advisable, include an evaluation of the pros and cons of rate structure alternatives.

Develop Rate Design Recommendations – Water rates will be developed based on the cost of service analyses and include a discussion of the relative merits (pros and cons) of the current water rate structures and any new alternatives. This discussion and analysis will include issues such as the amount of revenue collected from fixed vs. volumetric charges, the price differential between tiers, total quantities of water included in each tier, and amount of revenue collected in each tier.

Criteria for Improving the Rate Design – Revenue sufficiency and stability are critical components to consider when evaluating rate designs. In projecting future rates and rate increases, NBS' approach is a generally a conservative one in which we want to ensure that there are no significant under-collections of rate revenue, which represents a "worse-case" scenario.

Erring on the conservative side (that is, one where there is a minimal chance of under-collecting) would potentially enable the utility to potentially reduce future rate increases, without leaving reserves under-

funded. There are a number of criteria that NBS will discuss with District staff in considering new rate structures, including:

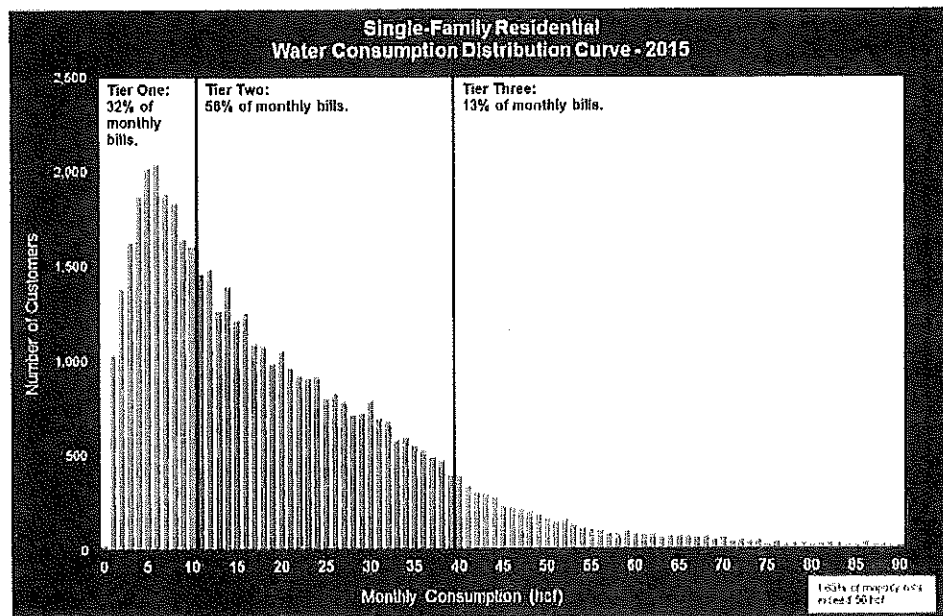
- How costs allocated to fixed and volumetric rates affect revenue stability.
- How decreased water usage (conservation) affects new rates.
- How meter sizes are used in calculating fixed charges.
- The number of tiers that should be implemented.
- The amount of revenue that should be collected within each tier.
- How "price elasticity" responses to rate increases may impact rates.
- Impacts on customer monthly bills.

The rate structure alternatives selected will, in the end, provide the basis for comparing monthly customer bills under both the current and new rate structures. However, all rate structures will be "revenue neutral" because they will all collect the same amount of revenue overall.

Evaluation of Consumption Patterns – If a sufficient level of detailed consumption data is available, NBS will analyze and identify the *number* of customers at various levels of consumption and the *total water use* that occurs within each tier.

This type of data analysis provides a more accurate projection of the revenue that will be collected within each tier, and allows for testing various rate structure alternatives (for example, changing tier breakpoints and rates) in order to accurately design water rate tiers and recover sufficient revenues. Figure 8 illustrates the type of distribution curve that summarizes the number of customers by consumption level.

Figure 8. Example of a Consumption Distribution Analysis



However, we note that the *San Juan Capistrano* case requires the District to demonstrate a cost-basis for tiered water rates. This will require, in addition to detailed consumption data, costs and quantities of the District's sources of supply and how those are allocated to meter sizes and tiers.

Calculate Fixed and Volumetric Charges – Fixed costs consider the number of accounts, equivalent meters, and the number and size of meters. In contrast, variable costs are typically allocated in proportion

to consumption. We note that although a strict cost-of-service methodology would determine the percentages of rate revenue collected from fixed and variable rates, other factors are typically considered in this process. Other factors include revenue stability, water conservation goals, ease of understanding, and ease of administration. NBS will recommend a rate structure that provides a balance between fixed and variable charges.

Figures 9, 10 and 11 illustrate how the rate-design analysis recovers customer costs based on the total number of meters, capacity costs from each meter size based on the hydraulic capacity, and how commodity costs are recovered from customers based on water consumption. However, the District's water supply costs and quantities will need to be examined and incorporated into the tiered rate design analysis.

Figure 9. Example of Fixed Charges Calculations

Meter Size	Number of Meters	Hydraulic Capacity Factor ¹	Total Equivalent Meters	Fixed Service Charges		
				Customer Costs (\$/Acct/ mo.)	Capacity Costs (\$/Acct/ mo.)	Total Fixed Service Charge
5/8 x 3/4 inch	34	0.67	23	\$4.50	\$6.51	\$11.01
3/4 inch	30,207	1.00	30,207	\$4.50	\$9.76	\$14.26
1 inch	14,295	1.67	23,825	\$4.50	\$16.27	\$20.77
1 1/2 inch	1,280	3.33	4,267	\$4.50	\$32.55	\$37.05
2 inch	2,314	5.33	12,341	\$4.50	\$52.07	\$56.57
3 inch	190	10.00	1,900	\$4.50	\$97.64	\$102.14
4 inch	96	16.67	1,600	\$4.50	\$162.73	\$167.23
6 inch	30	33.33	1,000	\$4.50	\$325.46	\$329.96
8 inch	62	53.33	3,307	\$4.50	\$520.73	\$525.23
10 inch	8	80.00	640	\$4.50	\$781.10	\$785.60
Total	48,516	-	79,109	-	-	-

Figure 10. Example of Commodity Rate Calculations

Customer Classes	Number of Accounts	Projected Water Consumption ¹	Target Revenue Requirement	Uniform Commodity Rates (\$/hcf)	Proposed Rate Structure
Single-Family Residential	23,257	6,396,362	\$ 6,251,321	\$0.977	Tiered
Multi-Family Residential	1,039	502,068	\$ 490,683	\$0.977	Uniform
Commercial	3,364	3,057,570	\$ 2,988,238	\$0.977	Uniform
Total	27,660	9,956,000	\$ 9,730,242	-	-

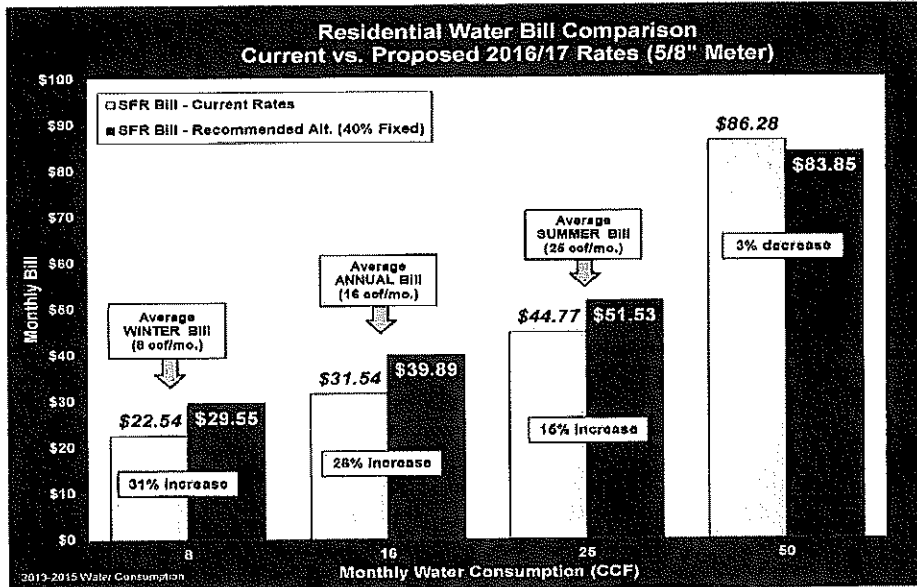
1. Assumes all customer classes will consume 5% less water than in FY 2012/13 due to conservation efforts. Again, while this example shows single-family, multi-family and commercial classes, the District's meter sizes will serve as customer classes.

Figure 11. Example of Single-Family Residential, Three-Tier Rate Calculations

Water Customer Class	Single-Family Tiers	Upper Tier Breakpoint	Price Differential Between Tiers	Projected Water Consumption	Proposed Commodity Rates (\$/hcf)	Tier Revenue Generated
Single Family Residential	Tier 1	11.0 hcf/mo.	--	2,686,499	\$0.416	\$1,118,250
	Tier 2	36.0 hcf/mo.	50%	2,443,475	\$1.281	\$3,129,777
	Tier 3	-	24%	1,266,388	\$1.582	\$2,003,294
Total	-	-	-	6,396,362	-	\$6,251,321

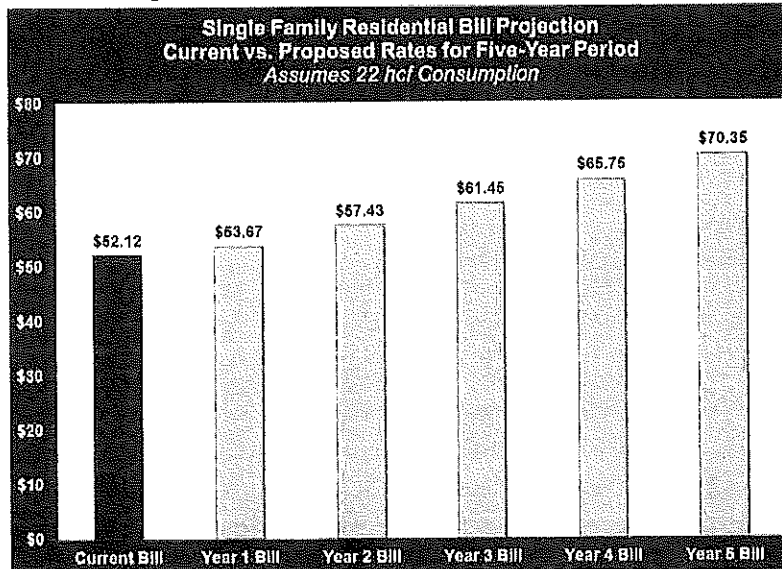
Comparison of Monthly Bills – We will prepare an analysis of monthly water bills for the most common meter sizes with low-, average-, and high-water usage under each rate alternative evaluated in the study. This analysis is useful when evaluating the effects of different rate structures on customers, as illustrated in Figure 12.

Figure 12. Example of Monthly Bill Comparison



Five-Year Rate Schedule – We will provide the District with a rate schedule that includes proposed rates for the next five years and a projection of the typical bill for the five-year period, as illustrated in Figure 13.

Figure 13. Example of Monthly Bill Projection



Task 6. Prepare a Written Study Report

Task Objectives: Prepare a study report.

Task Deliverables: Draft and final reports for review by District Staff that include final recommendations for the financial plans and rates. Sufficient information will be provided in the report for staff, the Board and the public to review and understand the study.

We will prepare draft and final reports, and final rate study reports that include proposed rates for the next five years, although the financial models will cover a 20-year period. An executive summary and introduction will present the purpose of the report and results of the study. Tables, graphs, and charts will be used as appropriate, but the emphasis will be on providing a clear, concise and understandable report that will provide the District with a thorough administrative record that addresses:

- Findings and recommendations.
- Overall study methodology, with reference to AWWA M1 Manual and industry standards as needed.
- Five-year financial plan, including a revenue and expense projection.
- Description of the capital improvement program, as provided by the District
- Supporting justification in the form of calculation tables that a judge and the general public could easily understand.
- Appropriate figures and tables summarizing key aspects and results of the study.
- Proposed water rates for a five-year period.
- Customer bill comparisons including current vs. proposed rates.

We will provide an electronic file in Microsoft Word format of the draft report for the District's review and comment. Once we have received the District's comments³, we will incorporate those comments into a final report.

Task 7. Board Meetings

Task Objectives: Effectively communicate with the District Board and the public as needed to successfully complete the study.

Task Deliverables: Provide two onsite presentations⁴ with the District Board as requested.

NBS will provide two (2) workshops with the District Board. In these workshops, NBS will present study results, recommendations, proposed rates, and receive general input and answer questions from the District Board and the public. Additional workshops/presentations can be provided as needed, but would require additional study budget. We will prepare all presentation material required for the adoption of new water rates, including a PowerPoint presentation with visual aids, graphics, charts and any additional worksheets or handouts.

³ We assume District staff's comments will be in an electronic Microsoft Word file using track-changes mode.

⁴ NBS will assume that District staff will provide final comments and edits to the presentations no later than two (2) days prior to the date of presentation, particularly changes in rate study results, assumptions, etc.

3. BACKGROUND AND EXPERIENCE

Background and History of NBS



Helping communities fund tomorrow. NBS was founded in 1996 by experienced finance and engineering professionals, and has worked with more than 300 public agencies to date. NBS is an independent consulting firm serving local governmental agencies, including cities, towns, counties, municipal utilities, and special purpose districts. The ultimate goal of NBS is to provide support, expertise and solutions that allow these local agencies to focus on community needs and core services. NBS currently has 48 employees located in Temecula (corporate headquarters), Irvine, Davis, and San Francisco.

Our Financial Consulting Practice focuses primarily on cost recovery mechanisms and supporting justification for various agency revenue streams, including the following:

- ✓ Rate studies for municipal water, sewer, storm drainage and solid waste utilities.
- ✓ Financial plans for public utilities.
- ✓ System capacity and development impact fees.
- ✓ User and regulatory fees for a wide variety of local government programs and services.
- ✓ Overhead cost allocation analysis.

These services are performed within the requirements and framework of California-specific statutes and guidelines, including:

- ✓ Proposition 218, 26, and subsequent case law.
- ✓ Article XIII of the California state Constitution (as applies to user and regulatory fees).
- ✓ State Controller's Office Handbook of Cost Plan Procedures; and federal guidelines, including the Office of Management and Budget Circular A-87.
- ✓ Mitigation Fee Act (Government Code 66000 et seq., codified by "AB 1600").

NBS also provides special financing district consulting and administration focusing on the formation and ongoing administration of Assessment Districts, Business Improvement Districts (BIDs), Community Facilities Districts (CFDs), Local Improvement Districts (LIDs), property-related fee districts, and special parcel tax districts. NBS is staffed with seasoned experts dedicated to providing our clients with the best possible results. The company is in a strong financial position with little to no debt and continually invests in the highest-quality software and technology.

The NBS Project Team has an in-depth understanding of all changes to laws, codes, and regulations affecting local governments, including Prop 218. Recognized as leaders in their field, they are often asked to teach continuing education courses and participate in workouts for troubled agencies. In addition, NBS works with its clients as partners by developing an intimate knowledge of their needs and responding with strategic and timely solutions.

CITY OF FORT BRAGG
LINDA RUFFING
City Manager

"Yours was the third utility rate study that I have been involved with... it was by far the most intelligible process and work product. You have an extraordinary ability to translate the complicated mechanisms involved in creating a financial plan and rate model into easily understood concepts."

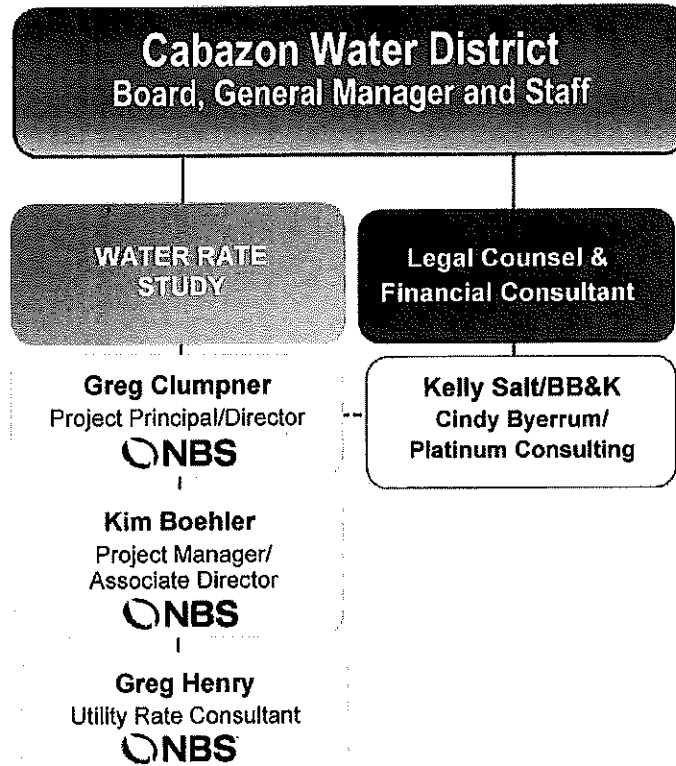


MSRB Municipal Advisor: NBS is registered with the Municipal Securities Rulemaking Board (MSRB) as a Municipal Advisor.

As a new rule covered under the Dodd-Frank Wall Street Reform and Consumer Protection Act, any firm that is a provider of debt issuance support services must be registered with the Securities Exchange Commission (SEC) and MSRB in order to legally provide these related services.

Project Team Organizational Chart

NBS Project Team
for the Cabazon Water
District



Project Team Overview

The NBS project team brings together the key attributes that we believe will be critical to the success of this project (*detailed resumes for the project team are included in Appendix A*):

- Project Principal:** Greg Clumpner is an experienced project manager with over 30 years of experience in complicated rate design projects and cost of service analysis. He will provide direction, guidance, and quality control on all technical aspects of the project, including overseeing the evaluation of study alternatives, results, and the delivery of work products. Mr. Clumpner will play a key role in developing the technical and creative aspects of the study in order to provide the best solutions that best fit the District's unique characteristics and issues. His broader background in economics and management consulting in the water industry provides good "big-picture" skills that unique projects such as the District's rate analysis require, along with an intimate familiarity with public workshops and interactions with Boards, committees and public hearings.
- Project Manager:** Kim Boehler is also an experienced project manager who brings over 9 years of experience at NBS in municipal financial consulting and has been focused exclusively on cost-of-service and rate design analysis for water and wastewater utilities for over 6-years. Ms. Boehler will help manage the day-to-day management of the technical and administrative aspects of the project as needed, will work closely with the District's Project Manager, and serve as a key consultant on this study.
- Utility Rate Consultant:** Greg Henry is an experienced consultant who has focused on financial analyses, budgeting, financial and rate projections, and drought planning. Under the direction of Mr. Clumpner and Ms. Boehler, Mr. Henry will assist with all aspects of the analysis.

Detailed resumes for the project team are provided in the Appendix.

4. REFERENCES

We encourage the District to check our references. Below are projects and references for similar projects.

VICTORVILLE WATER DISTRICT WATER RATE STUDY

Project Dates: 2015 – Present



Contact Information

Doug Mathews
Division Head,
Public Works and Water
P: 760.243.6332
E: dmathews@ci.victorville.ca.us

NBS Staff: Kim Boehler, Greg Clumpner and Greg Henry

NBS recently completed a Water Rate Study for the Victorville Water District. The main concerns included developing a \$55 million capital funding plan for rehabilitation and replacement projects, updating the water rate structure to one based on industry standards, transitioning from a consumption-based fixed charge to one based on meter size, and developing drought rates. NBS worked with the Board of Directors to review rate alternatives and provide recommendations for new water rates. NBS is also in the process of completing a Sewer and Recycled Water Rate and Sewer Capacity Fee Study for the City of Victorville.

DESERT WATER AGENCY, PALM SPRINGS WATER, RECYCLED WATER AND SEWER RATE STUDY

Project Dates: 2010-2013, and Update Started March 2016



Contact Information

Martin Krieger
Finance Director
P: 760.323.4971
E: martin@dwa.org

NBS Staff: Kim Boehler, Greg Clumpner, Carmen Narayanan and Greg Henry

After completing an earlier Water, Sewer and Recycled Water Rate Study for the Agency, NBS completed a study focused on developing strategic rate calculation methodologies to meet the revenue requirements for the water utility. This study was necessary due to new federal regulations restricting local agencies from charging Indian Tribes for water service that resulted in legal challenges focusing on how to fund water charges for Tribal customers. NBS' primary tasks included re-structuring water rates for both Tribal and Non-Tribal customers to ensure adequate cost recover of State Water Project and other operating and capital costs. In March 2016, NBS began a new Water, Recycled Water and Sewer Rate Study for the Agency.

CUCAMONGA VALLEY WATER DISTRICT, RANCHO CUCAMONGA WATER RATE AND WATER & RECYCLED WATER CAPACITY FEE STUDIES

Project Dates: 2012 – 2015



Contact Information

Carrie Corder
Director, Financial and
Administrative Services
P: 909.987.2591
E: carriec@cvwdwater.com

NBS Staff: Kim Boehler and Greg Clumpner

Key objectives of this study included developing a methodology for allocating costs to each component of the water rate, evaluating rate structure alternatives and the amount collected from fixed vs. variable charges, developing drought rates, and a new customer assistance program. In 2013, NBS completed a detailed evaluation of water and recycled water capacity fees.



Cabazon Water District
Proposal for a Water Rate Study

CITY OF COLTON
WATER RATE AND CONNECTION FEE STUDY
SEWER CONNECTION FEE STUDY AND SEWER RATE STUDY
 Project Dates: 2013 – Present



Contact Information

Amer Jakher
 Public Works Director (formerly with
 the City of Colton, now with the City
 of Beaumont)
 P: 951.415.2403
 E: ajakher@ci.beaumont.ca.us

NBS Staff: Kim Boehler, Greg
 Clumpner and Greg Henry

NBS recently completed a Water Rate Study, and is in the process of completing a Water and Sewer Connection Fee Study, for the City of Colton. In 2014, we also completed a Sewer Rate Study for the Cities of Colton and Grand Terrace. A key component of the sewer rate study was developing a rate structure that would work for both Cities since the City of Colton is in the process of taking over the operation of Grand Terrace's sewer collection system. This study required thorough analysis of each City's customer usage characteristics in order to equitably allocate costs to each customer class and create a rate structure that is fair and equitable for both communities.

CITY OF REDDING, CA
WATER, SEWER AND SOLID WASTE RATE AND IMPACT FEE STUDY
 Project Dates: 2013 and Update Started in February 2016



Contact Information

Brian Crane Assistant
 Public Works Director
 777 Cypress Ave.
 Redding, CA 96001
 P: 530.225.4170
 E: bcrane@ci.redding.ca.us

NBS Staff: Greg Clumpner, Kim
 Boehler, Carmen Narayanan and
 Greg Henry

NBS completed an extensive and highly visible cost-of-service study of water, sewer, and solid waste rates and system capacity charges. The City had not conducted a cost-of-service rate study in over 15 years, and this study addressed City policies and overall objectives in developing rate structure alternatives for the City to consider. A key part of this study was working with a City Council-appointed Citizens Advisory Group that reviewed rate alternatives and provided recommendations to the Council. NBS is now performing an update of this same study.

Client Testimonial:

"As expected, both you and Kim Boehler displayed the superb technical knowledge needed to complete the study. Further, the willingness of each of you to go above and beyond most expectations by grinding through multiple iterations of the study as requested by the City on short notice was exemplary." – City of Redding

5. COST PROPOSAL

Our detailed project budget is shown below. Our professional fees are based on our understanding of the District's needs and are limited to the hours shown in the table. We express this honestly and transparently through our price proposal. Work will be performed on a time and materials basis, at the hourly labor rates show in the budget table below with a not-to-exceed fee of **\$15,000**. *Additional services requested*, such as additional public meetings or additional rate alternatives, can be provided based on these hourly labor rates. All tasks would be mutually agreed upon by NBS and the District prior to proceeding.

Project Budget for the Cabazon Water District

Cabazon Water District Water Rate Study Project Budget					
Rate Study Tasks	Consultant Labor (Hours)			Grand Totals	
	Project Principal (Clumpner)	Project Manager (Boehler)	Consultant (Henry)	Consultant Labor (Hrs.)	Consultant Costs (\$)
<i>Henry Rate</i>	<i>\$/hr</i>	<i>\$/hr</i>	<i>\$/hr</i>		
Task 1 – Kick-off Meeting & Data Coll. <i>(by phone)</i>	1.0	1.0	6.0	8.0	\$ 1,265
Task 2 – Review Rate-Structures & Policies	2.0	2.0	-	4.0	\$ 850
Task 3 – Financial Plan	1.0	4.0	10.0	15.0	\$ 2,395
Task 4 – Cost of Service Analysis	2.0	4.0	10.0	16.0	\$ 2,630
Task 5 – Rate Design Analysis	2.0	5.0	12.0	19.0	\$ 3,100
Task 6 – Prepare Written Study Report	2.0	6.0	6.0	14.0	\$ 2,450
Task 7 – Board Meetings	-	8.0	2.0	10.0	\$ 1,800
Task Totals	10.0	30.0	46.0	86.0	\$ 14,490
Reimbursable Expenses ¹					\$ 510
GRAND TOTAL	10.0	30.0	46.0	86.0	\$ 15,000

1. Estimated travel expenses for attending on-site meetings/presentations.

6. APPENDIX A: RESUMES

GREG CLUMPNER Director



RESUME HIGHLIGHTS

- 30 years of experience in financial and economic analyses
- Consulting practice focuses on municipal water, wastewater, and recycled water utilities
- Completion of over 200 rate studies

EDUCATION

- M.S., Agricultural/Managerial Economics, U.C. Davis, 1983
- B.S., Environmental Planning, UC, Davis, 1977

PROFESSIONAL AFFILIATIONS

- Vice-Chair, City of Davis Utility Rate Advisory Committee
- Former Chairman, City of Davis Planning Commission
- Past President, Sacramento Economics Roundtable
- Association of California Water Agencies (ACWA), Member
- American Water Works Association (AWWA), Member

RECENT SPEAKING ENGAGEMENTS

- "The Importance of the 'Built Environment' & Customizing Your Rates", with Martin Querin, CWEA Spring Conference, April 26, 2016.
- "Cadillac Desert or Ford Pinto Desert? An Update on Water Finances in California" – CSMFO, Spring Conference, March 1, 2016
- "Fiscal Health vs. Pricing for Conservation" – ACWA Fall Conf., Indian Wells, CA, Dec. 2015
- "What's in Your Rates? Drought? Recycled Water? Social Justice?" – AWWA/ACE 2015 National Conference, Anaheim, CA, June 2015
- "The California Drought – What's in Your Rates?" – CSMFO 2015 Annual Conf.
- "Water Rates: Fairness, Equity and 'Social Justice'?", NBS Primer, 2014
- "The 'Perfect Storm' or the 'New Normal'? Meeting the Challenges of Maintaining Financial Viability", Utility Management Conference, Miami, February 2012
- The New Financial Reality, ACWA Spring Conference, Sacramento 2011

BIOGRAPHY

Mr. Clumpner's 30-year professional career has focused on financial, economic, and cost-of-service rate analyses for municipal water, wastewater, recycled water and solid waste agencies. He regularly presents technical papers at industry conferences and client workshops. His practice has increasingly focused on management consulting related to municipal utility operations and capital improvements.

- **Utility Cost-of-Service Rate Studies:** Mr. Clumpner has prepared more than 200 multi-year financial plans, cost-of-service analysis, and rate design studies as well as conservation-oriented water rates, funding analysis for water, sewer, and solid waste utilities. These rate studies have primarily been for California clients, although he has also completed projects in Malaysia, Sri Lanka, Egypt, and Mexico.
- **Management Consulting & Strategic Planning:** His management consulting and strategic planning experience includes system operations, financial analyses, and long-term funding strategies for municipal agencies. He also has an extensive background in system valuations of capital facilities and systems, facility acquisitions, and municipal versus private operations.

"You have done a great job on this project, especially with the challenges we faced. I would be happy to serve as a client reference whenever needed in the future. Please have any of your prospective clients call me."

EL DORADO
IRRIGATION DISTRICT
JIM ABERCROMBIE
GENERAL MANAGER

[Greg Clumpner served as the Project Manager in completing a Cost-of-service Study of Water, Sewer, and Recycled Water Rates for the District]



- **Project Financing/Bond Feasibility Studies:** His financing/bond feasibility study experience includes successfully preparing bond feasibility reports resulting in the issuance of more than \$500 million in revenue bonds to finance the acquisition or construction of municipal facilities.

SAMPLE OF RELEVANT PROJECTS

Cucamonga Valley Water District, Rancho Cucamonga, CA – Water and Recycled Water Capacity Fee Study. NBS conducted a detailed evaluation of water capacity fees. Key tasks include reviewing existing capacity fee policies, capital assets, costs and timing of planned capital improvements, available capacity, alternative capacity fee methodologies, and recommending updated water and recycled water fees. *Client project manager: Carrie Corder, Director Financial and Administrative Services. Phone: 909.987.2591. carriec@cvwdwater.com*

Valley of the Moon Water District, Sonoma, CA – Water Rate Study. This comprehensive rate study evaluated the District's rate structure along with zonal elevation charges. Water consumption data and billing records provided the basis for developing rate and cost allocation alternatives, with the intent of improving revenue stability. *Client contact: Dan Muelrath, General Manager. Phone: 916.725.6873. dkane@chwd.org*

Desert Water Agency, Palm Springs, CA – Water Rate Analysis to Address Tribal/Non-Tribal Rates. In 2012, when the District was preparing for a new budget cycle, NBS reviewed the District's internal update to the utility rate model, to ensure that the rate model was generating accurate outcomes and that the Water utility was on track to implement the planned rate increases for the next 2 years. In 2013, NBS started a specialized rate study to determine water rates for Tribal and Non-Tribal lands under a new Federal law restricting local agency charges to Tribal lands and residents. *Client contact: Martin Krieger, Finance Director. Phone: 760.323.4971. martin@dwa.org*

City of Fort Bragg, Fort Bragg, CA – Water, Wastewater and Storm Drain Cost-of-Service Rate Study. To update its 2008 water and sewer rate analysis and evaluate alternative rate structures, this rate study prepared detailed analyses of financial projections, cost-of-service based cost allocations, and rate design alternatives under the direction of City staff and the City's financial advisory committee. NBS also reviewed rate structure alternatives and proposed new rates for the water, wastewater and storm drainage utilities based on well-accepted industry practices. *Client project contact: Linda Ruffing, City Manager. Phone: 707.961.2823 ext. 118. LRuffing@fortbragg.com*

Lake County Special Districts Office, Lakeport, CA – Multi-Agency Sewer & Water Rates and Connection Fees. This complex study evaluated the water and sewer rates for the 10 water districts and six sewer districts the County operated. The primary objective of this study was to evaluate and update the customer classes and rate structures for these small districts, develop equitable rates and fees, and lay the ground work for funding necessary capital improvements needed in many of the individual districts. This study evaluated the county's policies and procedures and administrative practices. *Client project manager: Mark Dellinger, Administrator. Phone: 707.263.0119. markd@co.lake.ca.us*

City of Redding, CA – Water, Sewer, and Solid Waste Rate and Impact Fee Study NBS is currently completing an extensive and high-visibility cost-of-service study of water, sewer, and solid waste rates and system development charges for the water and sewer utilities. A key part of this study was working with a Citizens Advisory Group that reviews and provides recommendations to the City Council. Key tasks include reviewing financial/rate setting policies, preparing financial plans, revenue requirements, cost-of-service analysis, and developing alternative rate designs. *Client project manager: Kent Manuel, Senior Planner. Phone: 530.225.4029 kmanuel@ci.redding.ca.us.*

City of Santa Paula, CA – Water and Sewer Rate Study and Workshops. NBS is currently preparing water and sewer rate studies for Santa Paula and conducting community workshops intended to solicit community input for the rate design addressed in the cost-of-service rate studies. Key aspects of this study are high costs for sewer treatment services provided by a PERC Water-operated treatment plant and high raw water costs, which have increased by over 300 percent in the last 5 years. Redesigning both water and sewer rate structures is also a key objective. NBS staff includes Greg Clumpner and Kim Boehler. *Client project manager: Brian Yanez, Interim Public Works Director. Phone: 805.933.4212. byanez@spcity.org*



KIM BOEHLER Associate Director



RESUME HIGHLIGHTS

- 9 years of experience
- Over 90 cities, counties, and special districts served
- Specialist in financial, rate and cost analysis for municipal water and wastewater utilities
- American Water Works Association (AWWA), Member

EDUCATION

- Bachelor of Science, Business Administration and concentration in Finance, California State University, San Bernardino

SPEAKING ENGAGEMENTS

- "Brown Lawns and the Changing Landscape of California Water Rates: Next Steps?" AWWA CA-NV Section Spring Conference, March 2016
- "Water and Sewer Rates: from Defensibility to Tailor Made Rate Design," CSDA Annual Conference, September 2015
- "Basic Rate Making Principles and Key Issues Affecting Rates in California," American Water Works Association Water Education Seminar, August 2015
- "Recycled Water Pricing Methodologies", CWEA, September 14/14 (co-presented with Greg Clumpner)
- "Drought Impacts and Recycled Water Pricing" and "Water and Sewer Rate Studies and Key Issues Affecting Rates in California," American Water Works Association Water Education Seminar, August 2014
- "Water and Sewer Rate Studies and Key Issues Affecting Rates in California," American Water Works Association Water Education Seminar, August 2013
- "Financial Viability and the "New Normal" - The Unique Challenges of California Wastewater Agencies" and "Maintaining Financial Viability in the Face of the "Perfect Storm" – Meeting the Challenges in California Today," CWEA, April 2012

"... Kim Boehler displayed the superb technical knowledge needed to complete the study. Further, the willingness of each of you to go above and beyond most expectations by grinding through multiple iterations of the study as requested by the City on short notice was exemplary."

CITY OF REDDING

KENT MANUEL, SENIOR PLANNER

[Kim Boehler served as the primary consultant in completing a multi-utility rate and connection fee study for the City]

BIOGRAPHY

Kim Boehler is an Associate Director in NBS' Utility Rate Study Practice. Her primary area of expertise is performing financial and cost-of-service rate analyses for municipal water and wastewater utilities. Ms. Boehler manages water and wastewater utility rate and capacity fee studies for cities and special districts throughout California, and has completed over 90 water and sewer studies. Her high level of expertise in developing financial models, cost-of-service analyses, rate structure alternatives, and related financial analyses is essential for assisting clients in implementing new utility rates.

Kim regularly presents at industry conferences, client workshops, and public meetings. She also has a broader understanding of agency funding needs through her work completing cost allocation plans, user fee studies, and special financing district administration services.

RELEVANT PROJECT EXPERIENCE

- Arvin Community Services District, Water Rate Study
- City of Arvin, Sewer Rate Study
- Avila Beach Community Services District, Water and Wastewater Rate and Connection Fee Study
- Azusa Light and Water, Water Rate Study
- Bellflower Mutual Water Company, Water Rate Study
- Calaveras County Water District, Water and Wastewater Rate Study
- Citrus Heights Water District, Water Rate Study



RELEVANT PROJECT EXPERIENCE, CONTINUED

- City of Colton Water Rate and Connection Fee Study
- City of Colton and Grand Terrace Sewer Rate Study
- Cucamonga Valley Water District, Water and Recycled Water Connection Fee Study
- Cucamonga Valley Water District, Water Rate Study
- Culver City, Wastewater Rate Study
- Desert Water Agency, Water, Wastewater and Recycled Water Rate Study
- Desert Water Agency, Water Rate Analysis to Address Tribal/Non-Tribal Rates
- Dixon-Solano Water Authority, Water Rate Study
- East Valley Water District, Water and Wastewater Financial Plans
- City of Fort Bragg, Water, Wastewater and Storm Drain Rate Study
- City of Greenfield, Water and Wastewater Utility Revenue Requirement Analysis
- Hidden Valley Lakes Community Services District, Water and Sewer Rate Study
- City of Livermore, Water Rate and Connection Fee Study
- City of Los Altos, Storm Drain Master Plan Financing Analysis
- City of Morgan Hill, Water and Wastewater Rate Study
- City of Pasadena, Water Rate Study
- City of Redding, Water, Wastewater and Solid Waste Rate Study and Connection Fee Analysis
- Rural North Vacaville Water District, Water Rate Study
- City of San Carlos, Wastewater Revenue Requirement Analysis
- City of Santa Paula, Water and Wastewater Rate Study
- San Mateo County, Wastewater Rate Study
- City of Sausalito, Wastewater Rate Study City of Solvang, Water and Wastewater Rate and Connection Fee Study
- City of Seal Beach, Water and Sewer Rate Study
- City of Stanton, Sewer Rate Study
- Suisun-Solano Water Authority, Water Rate Study
- Sussex County, Delaware, Water and Sewer Rate and Capacity Fee Study and Oversizing Credit Analysis
- City of Taft, Wastewater and Solid Waste Rate Study
- City of Thousand Oaks, Water and Wastewater Rate Study
- Twenty-nine Palms Water District, Water Rate Study
- City of Vallejo, Water Rate and Connection Fee Study
- Victorville Water District, Water Rate Study
- City of Waterford, Water and Wastewater Rate and Connection Fee Study
- West County Wastewater District, Wastewater Rate and Connection Fee Study
- City of Winters, Water and Sewer Rate Study
- Yuba City, Water and Sewer Rate Study



GREG HENRY

Consultant



RESUME HIGHLIGHTS

- 5 years of experience and knowledge of financial and economic analysis
- Over 3 years of hands-on work experience in a local agency setting, within water and sewer enterprise and general funds
- Extensive experience with analysis software, databases and spreadsheet programs

EDUCATION

- Master of Science, Mathematics, University of Houston, 2004
- Bachelor of Arts, Mathematics, Mississippi State University, 2002

BIOGRAPHY

As a Rate Analyst at NBS for the Financial Consulting Group's Utility Rate Practice, Mr. Henry has extensive experience with financial and statistical analyses and modeling. This includes long term financial forecasting, net present value modeling for capital projects and budget analysis. Further, in his previous position as a management analyst for a California municipality, he examined completed utility rate studies to quantify accuracy and verify the results and conclusions. He is an expert in manipulating utility billing software to extract and prepare data for utility rate studies, acting as the primary analyst for a municipal agency for two water and sewer rate studies. In addition, he developed a model to determine future revenue losses due to drought and developed drought rates to help off-set the projected water conservation by utility customers.

Mr. Henry provides support to project teams completing water and sewer utility rate and fee studies, cost allocation plans and user fee studies for cities and special districts in California. Mr. Henry provides support for the development of financial models, establishing revenue requirements, multi-year financial plans, rate adjustment strategies, performing cost-of-service analysis and rate design for utility rate studies. His high level of expertise in various spreadsheet and database platforms is utilized in providing the support, documentation, and analysis required as deliverables to NBS clients. Mr. Henry's technical skills are essential to the work we perform and are utilized in analyzing and manipulating large and complex data sets extracted from client information systems, operating and capital budgets.

RELEVANT PROJECT EXPERIENCE

- Arvin Community Services District, Water Rate Study
- City of Azusa Light and Water Department, Water Rate Study
- City of Benicia, Water and Sewer Rate Study
- City of Colton, Water Rate and Connection Fee Study
- City of Colton and Grand Terrace, Sewer Connection Fee Study
- City of Davis Sewer, Rate Study
- Montecito Water District, Water Rate Study
- City of Morgan Hill, Water and Sewer Rate Study
- Mountain House Community Services District, Water and Sewer Rate Study
- Napa Sanitation District, Sewer Rate Study
- City of Pasadena, Water Rate Study
- Rowland Water District, Water Rate Study

