PROPOSAL to provide

Water, Wastewater and Solid Waste
Rate Studies, Community Outreach
and Proposition 218 Balloting Services

For the
CITY OF LIVINGSTON

January 10, 2012

HEC Project #11091
January 10, 2012

Odi Ortiz, Financial Director
1416 C Street
Livingston, CA, 95334

Subject: Proposal to Provide Water, Wastewater and Solid Waste Rate Studies, Community Outreach and Proposition 218 Balloting Services for the City of Livingston

Dear Mr. Ortiz:

Enclosed please find a comprehensive proposal to perform water, wastewater, and solid waste rate studies and implementation services for the City of Livingston (City). This proposal has been prepared pursuant to the release of request for proposal, and receipt of all addendums issued during the solicitation period.

Hansford Economic Consulting (HEC) brings more than fifteen years of experience in municipal finance and economic consulting with specialization in the water industry. HEC proposes that GoodStanding, a public relations firm, provide assistance in community outreach and proposition 218 noticing. HEC and GoodStanding have a successful history of coordinating efforts to implement rate increases and understand from experience the need for effective communications with the customer base. With a proven track record of completed projects and references listed within, including recent projects in the San Joaquin valley, HEC brings the skill sets to provide products that are understandable and appreciated by all stakeholders.

HEC understands the inherent difficulties of raising rates during these challenging economic times. HEC has been working with other San Joaquin valley communities on issues similar to those of the City; most recently HEC has worked with the cities of Turlock, Riverbank and Newman.

The rate studies will strive to leverage least-cost funding sources to meet the revenue needs of the enterprise funds, accounting for projected capital improvement plans and maintaining fiscal stability, while minimizing the impacts to rate payers. As a result of work performed the City will receive:

- A 5-year financial plan to ensure systems cost recovery through rates and provide for timely completion of capital improvement plans,
- A recommended five-year schedule of rates that meet California’s legal requirements, including modified rate structures if warranted,
- Updated connection fees for water and wastewater,
- Comparison water, wastewater, and solid waste rates with neighboring jurisdictions,
- Detailed reports providing the methodology and rate and fee calculations,
• Assistance communicating the need for rate adjustments with the customer base,

• Assistance in drafting and mailing the Proposition 218 notifications in English and Spanish in order to adopt revised rates, and

• Professional presentations to City Council and stakeholders.

As presented in this proposal, GoodStanding’s services are optional, depending on the depth of implementation assistance needed; however, HEC strongly recommends expert guidance for successful adoption of rates in communities that have historically faced challenges. GoodStanding brings a wealth of experience supporting water utilities with community outreach and customer communications, including American Water Works Association training sessions.

I look forward to having the opportunity to discuss our qualifications and proposal with the City in greater detail. Please contact me at (530) 412-3676 or catherine@hansfordecon.com.

Faithfully,

Catherine R. Hansford, Principal
HANSFORD ECONOMIC CONSULTING
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Attachment A: GoodStanding Community Outreach Work Examples
Qualifications and Project Experience

Catherine Hansford is the Principal in Charge of this project for HEC. Catherine Hansford is a practitioner of financial, economic, and resource sciences, and as an enthusiast of collaboration, she brings a unique set of skills to this project. As a professional for more than 15 years, Catherine has built a reputation for a high quality work product, respect for work colleagues, and ability to present findings and reports competently and succinctly at forums.

Catherine has a passion for the water industry. She has worked in both the public and private sectors on water resource and finance issues. Catherine offers a fresh perspective, having training and experience in both economics and finance and continually looks for creative strategies to meet utility revenue needs. Catherine has been a featured speaker at several conferences, as well as a guest speaker for numerous local organizations. Her latest presentation at the Nevada Water Resources Association annual conference in February 2011 addressed “What is a Reasonable Water Rate?”

Relevant Experience: In the public sector Catherine was responsible for the water rate model, billing of wholesale contracts, and updates of the rules at Truckee Meadows Water Authority (TMWA). In the private sector Catherine worked for Economic and Planning Systems (Sacramento office) helping clients with solid waste franchises, fee nexus studies and utility studies. At ECO:LOGIC engineering (now Stantec) Catherine specialized in water and wastewater rate studies. At HEC, Catherine has assisted clients with financing strategies for large capital improvements and secured SRF loans; she helped Donner Summit PUD obtain the first planning loan in the State of California for a wastewater enterprise through the State Water Resources Control Board Clean Water Revolving Fund (CWSRF). Catherine has relevant experience in the San Joaquin valley, having conducted utility rate studies for the City of Riverbank, City of Turlock, and the City of Newman.

During employment at TMWA, Catherine served as liaison / chair between TMWA and various customer groups. These included a Rates Customer Outreach Group, Rate Making Review Committee, and Landscape Subcommittee. Catherine served on the Advisory Committee on Conservation for the Washoe County Regional Water Planning Commission from 2001 through 2004 and as its Chair from 2003 through 2005.

Joint Experience with GoodStanding: HEC and GoodStanding have a successful history of collaboration. GoodStanding are experts in the public process and communication strategies. They help leaders in water resources educate their customers and communities. GoodStanding are frequent presenters at American Water Works Association conferences regarding sensitive issues, media management and public process.

GoodStanding are adept at navigating the challenges a potential rate adjustment can bring. They provide valuable counsel and guidance as to creating and sustaining a transparent and trustworthy relationship with customers and communities. Marlene Olsen, Principal Strategist and owner of GoodStanding oversees all client strategy. It is through this guidance that GoodStanding is able to clearly determine the public process needs with their clients. Over time, by being transparent, truthful, responsive, consistent and committed to the public process, we help build trust for our client with their customers.
Staffing and Timeline Assurance
HEC has a reputation for delivering projects on schedule in a professional manner and will work with the City's scheduling needs. A preliminary estimate of schedule is provided in Section 2 of this proposal.

There will be no replacement of personnel. Catherine Hansford has all the necessary professional skills and knowledge to complete the project; she will lead the project, provide overall project management, coordinate meetings and respond directly to City staff.

Project Experience and References
The following projects were all conducted and completed by Catherine Hansford within the past three years. Testimonials can be found at www.hansfordecon.com.

City of Newman
Water Rate and Connection Fee Study

Project Dates: April 2010-November 2011, update in progress
Conducted By: Catherine Hansford (100%)

Contact: Lewis Humphries, Finance Director
          (209) 862-3725...........lhumphries@cityofnewman.com
          Garner Reynolds, Public Works Director
          (209) 862-4448...........greynolds@cityofnewman.com

The City of Newman is facing potential large future water capital expenditures within the next 10 years for capital projects, including a new well, tank, and other associated facilities, and potential construction of a new surface water treatment plant. The City of Newman required a Water Rate Study that details how these facilities will be financed and the impact to ratepayers and the development community.

A specific challenge for the City of Newman is determining equitable and reasonable rates and fees because the primary driver of the potential surface water supply is salinity compliance at the wastewater treatment plant. A draft study was completed December 2010 and ad hoc rate committee meetings held. As a result of those meetings the City has revised its capital improvement program and engaged HEC to update the study in 2011.

City of Turlock

Water Rate Study

Project Dates: March–October 2009
Conducted By: Catherine Hansford (100%)
Contact: Michael Cooke, Regulatory Affairs Manager
(209) 668-5599..........mcooke@turlock.ca.us

In 2009 the majority of the City of Turlock's water customers were paying flat rates. In light of AB2572 requirements to bill all customers volumetrically in 2010, and potential major operational costs with development of a surface water supply in the near future, the City of Turlock needed an analysis of potential metered rate structures and projection of rates. This study included detailed reviews of meter reading data to get a firm understanding of customer usage profiles, cost efficiency indexes to measure City of Turlock water system productivity to other nearby jurisdictions, presentation of alternative rate structures, and debt financing assumptions for a major CIP.

In November 2009 staff recommended the City of Turlock move to an inclining block rate structure with two pricing tiers as detailed in the Water Rate Study. Although the City Council approved of the rate structure, they did not move forward with adoption of new rates because a metered pricing structure was already in place (declining block structure), the surface water supply project was still in question, and the water enterprise fund had sufficient reserves to carry annual costs, making increased rates unpalatable given the state of the economy.

Recycled Water Pricing Analysis

The City of Turlock (City) operates a tertiary wastewater treatment plant that currently treats wastewater to the disinfected tertiary recycled water standards required by Titles 22 and 17 of the California Code of Regulations. The City already provides recycled water to the Turlock Irrigation District (TID) for cooling purposes, and utilizes recycled water for irrigation at one municipal park.

The City anticipates growing demand for recycled water, particularly for industrial uses in the Westside Industrial area. A recycled water pricing structure is necessary to sell recycled water to customers that want to (or potentially in the future, have to) hook-up to the recycled water distribution infrastructure in the City. The completed recycled water pricing rate study will not be presented to Council until there is need to establish a rate for a new customer. The City could potentially sell all recycled water to agricultural users.

City of Riverbank
Wastewater Charges Analysis

Project Dates: May–July 2009
Conducted By: Catherine Hansford (100%)

Contact: Pam Carder, Interim City Manager
(209) 863-7115.............pcarder@riverbank.org

The City of Riverbank faced growing difficulties to fund State-mandated improvements to the
wastewater treatment plant, meet existing bond debt service coverage requirements and other enterprise fund annual costs. With a sunset of automatic inflation-rate adjustments in 2009, the City of Riverbank needed to characterize the $1.7 million capital improvement costs necessary over the next 3 years, estimate financing costs to fund the improvements, and calculate wastewater charges (monthly rates and connection fees) to meet projected near-term revenue requirements.

The results of the study were presented to the City Council in June 2009. Despite only receiving 22 protests out of 9,437 ballots mailed, a lack of a super majority vote by the City Council delayed the Proposition 218 process to adopt revised rates.

South Placer Municipal Utility District
Wastewater Rate Study

Project Dates: January–April 2009
Conducted By: Catherine Hansford (100%)
Contact: Charles Clark, General Manager
          (916) 786-8555..............cclark@spmud.ca.gov

The South Placer Municipal Utility District (MUD) updates its monthly rates and participation charges every 5 to 6 years with the update of its Master Plan. In January 2009 the updated Master Plan was accepted by the Board of Directors. The Wastewater Rate Study incorporated the cost estimates for infrastructure improvements detailed in the Master Plan into the projected 5-year annual costs of the MUD. In addition to CIP costs, annual recurring costs and sources of revenues were projected for both the general (operating) and capital improvement funds. Customers were allocated total annual costs based on their share of total annual flow to the regional treatment plant.

The calculated rates and participation charges were presented to the Board of Directors and increased schedules were adopted before the new fiscal year in 2009.

Donner Summit Public Utility District
Wastewater Treatment Plant Upgrade and Expansion Financial Plan and Cost of Service Study

Project Dates: July 2010-October 2011
Conducted By: Catherine Hansford (100%)
Contact: Tom Skjelstad, General Manager
          (530) 426-3456..............tskjelstad@dspud.com

The Donner Summit Public Utility District (District) is operating under a Cease and Desist Order from the State Water Resources Control Board and must upgrade its treatment facilities by April
2014 to be in compliance with its discharge permit. The upgrade and expansion project requires a significant amount of planning. Seasonal loads fluctuate with ski and summer visitation periods, and discharge is to land during the summer months and to the Yuba River during winter months. HEC assisted the District in securing the first planning loan in the State to finance the significant planning costs in July 2010.

HEC has been liaising with the CWSRF and the USDA rural utilities programs staff, as well as local CDBG representatives to craft a financing strategy for construction of the estimated $22 million in improvements. It is likely the project will be financed through a combination of funding sources. HEC assisted the District with formation of a Community Facilities District (CFD) to fund the costs of the project and completed a Wastewater Rate Study.

**Washoe County, Nevada**

**Washoe County DWR and South Truckee Meadows GID Water Rates Study**

**Project Dates:** May – December 2011  
**Conducted By:** Catherine Hansford (100%)  
**Contact:** Rosemary Menard, Director of Water Resources  
(775) 954-4666..............rmenard@washoeounty.us

With regional effort to consolidate water service to realize operational efficiencies, water resources efficiencies, and streamline planning and service delivery, HEC was retained to examine the functional and financial relationships of Washoe County Department of Water Resources (DWR) and South Truckee Meadows General Improvement District (STMGID). Specifically the analysis addressed the historical relationship of services and cost of service to both agency water customers and resulting rate differences to each water system customer group. The analysis focused on differences in rates since 2000 to determine if an inequity exists between the costs of service for both agency water customer groups. Presentation of results was made to the STMGID local managing board in August 2011 and the Board of Trustees in December 2011.

**GoodStanding Community Outreach**

**Truckee Meadows Water Authority**

**Water Rate Adjustments**

**Project Dates:** 2001-Present  
**Conducted By:** Marlene Olsen (20%), Jerri Conrad (40%), Frankie Vigil (40%)  
**Contact:** Jeff Tissier, Chief Financial Officer  
(775) 834-8048..............jtissier@tmwa.net
Since TMWA formation in 2001 GoodStanding has managed rate cases spanning from 3 to 32 percent annual increases. All have been successful, in that the public was satisfied that their concerns were heard and considered and that the Board of Directors was able to adjust rates to address proper levels of customer service and rehabilitation of the system. When TMWA was first formed, the organization knew that several large increases would be needed. In order for this increase to be successful, GoodStanding recommended and implemented a comprehensive outreach strategy involving many stakeholder groups. This included workshops for the public, informational presentations, fact sheets, media desk side meetings, bill inserts, direct mail, website communication, consistent messaging, media training for spokespeople and of course internal education. GoodStanding advised and worked with TMWA in communicating with key audiences including the Board of Directors and local media.

Meter Conversion

Project Dates: 2003-Present  
Conducted By: Marlene Olsen (25%), Jerri Conrad (40%), Frankie Vigil (35%)

GoodStanding created a thorough public process when TMWA's Board decided to propose action to switch all remaining flat-rate customers to a metered rate. The goal of the process was to raise awareness of the proposal and to ensure all customer and community input was considered. Stakeholder groups were identified along with use of secondary research of primary communication channels for this type of information. The research shaped our recommended communication channels. A detailed plan was developed, incorporating many strategies including; a series of public workshops, direct mail, media relations, a dedicated Web page, bill inserts and local advertising. Over a six-month period, GoodStanding implemented all activities in the plan and tracked customer input and concerns. The feedback was presented to the Board of Directors in open meetings on an ongoing basis. With consistent communications, 1,200 customers, 10 percent of all metered addresses, voluntarily converted to the metered rate before the implementation date.

Washoe County, Nevada
Mt. Rose Fan Groundwater Mitigation Public Process

Project Dates: 2011  
Conducted By: Jerri Conrad (80%), Frankie Vigil (20%)

Contact: Rosemary Menard, Director of Water Resources  
(775) 954-4666.........rmenard@washoe.co.us

GoodStanding advised and facilitated a series of community workshops on behalf of Washoe County Department of Water Resources to discuss ground water management and domestic well mitigation issues. During these meetings, attended by more than 100 community members, GoodStanding facilitated the process, gathered input and wrote the final facilitator's report. GoodStanding also managed media relations through the process. The community input was presented to the Board of County Commissioners to assist them in their well mitigation decision making process.
Management and Scope of Services

Management: Understanding and Approach

Utility rates must be studied on a routine basis to ensure that the utility enterprise funds are achieving revenue sufficiency in the most equitable fashion. Any recommended increases must be robust in determination and clearly understood by the public. HEC anticipates that fairness or equity of rates will be closely scrutinized; standard industry practices will be followed in the rate-setting process. HEC is knowledgeable in the requirements of Proposition 218 and will ensure that California legal requirements are met.

HEC proposes dividing the work program into two steps:

1. Perform rate studies - HEC will provide the utility rate studies.

2. Implementation - HEC will work closely with the City to communicate effectively with the customer base the reasons for fee adjustments, including any proposed change in rate structure. HEC recommends that the City be as transparent in its proceedings as possible, providing public workshops to obtain citizen input on any proposed changes, posting information on the City’s website, and using bill inserts for media messages, for example. HEC recommends that GoodStanding’s services be utilized in the implementation stage of the work program.

The utility rate studies will:

1) Ensure rates and connection charges recover the revenue required to operate the utilities in a safe manner and in compliance with existing and anticipated regulations including ongoing operations and maintenance, completion of major rehabilitation and new capital improvement projects, and debt service payments.

2) Document the cost allocation methodologies such that calculated rates adhere to legal requirements of the California constitution, and all government accounting requirements.

3) Provide a financing plan for timely completion of planned capital improvements.

4) Calculate five years of rates that will ensure the financial stability of the enterprise funds during normal and drought conditions and promote water conservation.

Recommended rates and connection charge schedules will ensure reasonableness, equity among customer groups, and compatibility with the City’s billing software and will be both understandable and easy to implement (if any changes are recommended to the existing rate structure).
Scope of Services

The utility rate studies will be conducted in nine tasks. Tasks one through six provide the rate study, and tasks seven through nine include the implementation phase to adopt revised rates. Most tasks are essentially the same for each rate study. Each task is detailed below.

I. Utility Rate Studies

Task 1: Data Collection and Project Meeting

Under this task, HEC will coordinate with staff to collect the base data necessary to conduct the rate studies. HEC will discuss with staff the key factors driving the need for rate adjustments for each utility including regulatory requirements specified in permits, City policies, legislative mandates, and so forth at a meeting held with all appropriate City staff.

Financial goals and policy objectives of the City's utility enterprise funds will be reviewed. Typical policies that are reviewed include:

- Target operating reserve level.
- Pay-as-you-go funding vs. debt financing for capital facilities.
- Asset replacement and funding.
- Treatment of depreciation in rate setting process.
- Water conservation policies (use of and impact to rate revenues).

These and any other identified policy issues will shape the recommendations of the study.

Task 2: Revenue Requirement Projection

The rate studies will be built in Microsoft Excel, giving the ability to test various key assumptions such as operating reserve levels and rate structures. All assumptions used in the model will be clearly defined, and tables will be presented in an easily understandable format. A baseline scenario will be developed, which will serve to evaluate the impact of changes from alternative rate structures, changing City policies, and/or measure the impact of rate increases.

Task 2a: Cost Classification and Customer Profiling

HEC will review the current cost classification used by the City and may make suggestions to change the methodology or may recommend continued use of the current methodology.

Cost allocation is based on use characteristics of customers and will be determined by customer usage profiling. HEC will use historical demand and billing data to provide customer usage profiles by customer type. The current rates and fee schedules will be examined for alignment with current City goals and objectives and fit with customer usage patterns.

Task 2b: Financial Projection

The projected revenue requirement is the revenue necessary to fully cover all expenditures net of other operating and non-operating revenues.
A projection of revenue deficiency will be conducted by comparing the existing level of operating and non-operating revenues with projected annual expenditures. Operation and maintenance expenses may be projected using historical annual percentage increases, or some other index, such as a consumer price index; projection methodology will be discussed with staff. Expense item categories, such as utility costs and labor costs, will be projected independently. Projected annual costs may also include other non-operating cost considerations, such as an operating reserve (set at a level deemed most prudent, i.e., 6 to 12 months of projected operating costs) or additional funds to meet debt service coverage requirements. Non-operating revenues, such as interest revenue, connection charges, and other miscellaneous revenue sources, will be included as credits in the analysis so that the revenue requirement is not over-estimated.

**Task 2c: Capital Improvements Financial Plan**

Through the master planning process the City identifies projects that will likely need to be constructed over the next five years. Typically this projection is incorporated into a capital improvement plan (CIP). Under this task, HEC will summarize the CIPs and will present a financing strategy to ensure the facilities are completed in a timely fashion, while minimizing the impact to rate payers and the development community such that economic competitiveness is not harmed. HEC will rely on information from the City’s engineers to allocate cost of the CIP between existing and future customers. The excel model will be able to evaluate the impact of several funding options (such as low interest loans, bond sales and so forth) for capital improvements.

**Task 3: Calculate Rates and Charges**

The overarching goal of the rate structure is to provide revenue stability to the enterprise fund while maximizing the efficient delivery of services. Potential alternative rate structures will be evaluated carefully, with consideration to any developed policy objectives in terms of operations, the impact to large users, and affordability. Recommendations to improve fiscal stability will be provided; they may include creating a rate stabilization fund, shifting costs collected through base and use charges, and so forth.

**Task 3a: Calculate Monthly Rates**

Once the projected revenue requirement is established, it is allocated to user groups based on cost classification and customer usage factors. The customer usage factors are determined based on the customer profiling exercise. HEC incorporates the effect of price-elasticity into the future water and wastewater use projection.

The cost allocation analysis leads to a calculation of monthly user rates for the enterprise fund such that the water enterprise fund is adequately funded for existing and projected future costs and that the rates are based on the demand for service by each customer type. By establishing a basis and relation between the cost of service and the demand for service by each customer type, the requirements of Proposition 218 will be fully met.

**Task 3b: Calculate Connection Fees /Future Users Cost Share**

The City’s water and wastewater connection charges will be assessed for adequacy in light of projected necessary capital expenditures to increase capacity and new development growth potential.
HEC recommends that future user share of costs be calculated and collected as connection fees, not development impact fees. New development should pay for both a buy-in for existing facilities they benefit from and their share of new facilities costs. Many cities collect development impact fees for new water facilities and connection fees for buy-in to existing facilities; however, increasingly more cities charge only connection fees, rather than two separate fees, for the following reasons:

1. The two types of fees are adopted pursuant to different sections of the California Government Code. Development impact fees are adopted pursuant to Section 66000 whereas connection fees are adopted pursuant to Section 66013. In general, the requirements of Section 66013 are thought to be less onerous, as there is no requirement for a Nexus Study and on-going justification of the fee if the moneys are not spent within five years of collection/payment of the fees. However, connection fees, like development impact fees, cannot exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed.

2. One fee is usually easier to administer and track.

Issues to be addressed with the connection fee for both water and wastewater include:

- Future equivalent dwelling units (EDUs) to be served by the CIP projects.
- Construction timing of the projects.
- Potential financing mechanisms and interest charges allocated to future development.
- Annual escalator applied to the connection fee to address potential interest charges or increases in construction costs over time.

Task 4: Cash Flow Projections
Cash flows for operating and capital funds will be presented to ensure sufficiency of funding through the plan period, demonstrating adequate debt service coverage and reserve levels are met. Minimum reserve levels will be recommended for each utility.

Task 5: Impact Analysis/Rates Comparison
Each utility rate study will demonstrate the impact of increases or decreases of charges to the typical residential customer and significant commercial customers.

HEC will prepare a user rate comparison for the City that will measure the current and proposed rates for the City with those charged in ten comparable communities as selected or approved by the City. This specific analysis is often regarded as a particularly useful tool when presenting proposed rates to public officials and constituents.

Task 6: Prepare Reports
Draft and final reports of each study will be provided to the City. Draft reports shall be provided in electronic format for City staff review. Final reports will be provided in both electronic format and hard copy, if desired.
II. IMPLEMENTATION

The remaining three tasks encompass the implementation phase to adopt revised rates. The City could move forward with adopting revised connection fees at the same time as the revised water and wastewater rates or at a different time because these charges are not subject to the requirements of Proposition 218.

HEC has the requisite experience to provide implementation services; however, for projects that have faced repetitive problems, HEC recommends the additional services of experts in the field of utility rate increase community outreach. Although provided as an optional service for this project, HEC recommends GoodStanding’s services for the implementation phase of the work program. If the City prefers to conduct community outreach without GoodStanding, HEC can provide a more limited public outreach effort. For example, HEC can conduct rate committee meetings and draft public notices but the City would have to translate notices into Spanish, coordinate printing and mailings. Many cities do undertake these tasks themselves.

Task 7: Public Outreach

At the City’s option, GoodStanding will work closely with the City and HEC in planning public outreach strategies and recommendations. These will include messaging, media relations, public noticing, public meetings or workshops and customer outreach. GoodStanding will create an implementation schedule which will include task, timing and medium addressing the key issues, and the concerns of the affected property owners. Please see work examples of outreach efforts in Attachment A.

Task 8: Proposition 218 Notification

HEC will work with City staff to draft the public hearing notice. At the City’s option, GoodStanding will design, print, and mail the fee notifications. The notice will specify the basis of the fee, the reason for the fee, the customer’s right to protest the fee, and the date/time/location of the public rate hearing. Since water, wastewater, and refuse fees are property-related fees, not assessments, they do not require a ballot. GoodStanding will provide the notices in English and Spanish.

The City will be responsible for providing GoodStanding with a list of customers, customer APN numbers and mailing addresses as taken from Assessor records. Only property owners of record must receive notification of property-related fee increases; however, tenants or property owners may protest the fee. Only one protest per property can be counted.

HEC will assist the City to tabulate any protests received by close of the public hearings; however, legal counsel should concur on the results of protest tabulation prior to release of results to City Council.

Task 9: Presentations / Meetings

Materials necessary for presentations, workshops and public hearings will be prepared under this task. Materials may include PowerPoint, handouts, posters and so forth.
This scope of services anticipates five meetings at the City over the course of the project, as well as several telephone conferences with staff. Meetings include:

- Two meetings with staff, one to commence work and one to discuss preliminary results and community outreach strategies,
- Two public workshops (could be rates committees, City Council sessions or other),
- One public hearing.

**Preliminary Schedule**
A preliminary schedule is provided below. The schedule provides for draft rate studies within 90 days. The schedule shows all three studies completed at the same pace; however, HEC is flexible to change the order of completion and work to accommodate the City’s scheduling needs. In addition, the timing of City Council meetings is unknown; therefore, the Council dates are approximate.

The public hearing(s) must be conducted at least 45 days after mailing of the fee notifications.

*Preliminary Schedule for City of Livingston Utility Rate Studies*

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- Rate Committee Meeting Presentation / Workshop
- City Council Meeting / Public Hearing

45 days
About HEC and GoodStanding

HEC ORGANIZATION AND SERVICES

Hansford Economic Consulting (HEC) is a contract professional services business established in 2005 in Truckee, California. Owned by Catherine Hansford, this sole proprietorship constitutes a small, disadvantaged business that specializes in land use and water resource economics and financial services providing services from small to regional-scale projects.

Regional and Resource Economics

- Planning Your Project
  - Population and Employment Projections
  - Infrastructure Network Capacity Analysis
  - Economic Development and Impact Studies
  - Real Estate Feasibility Analysis
  - Safe Routes to Schools Reports
  - Regional Governance & Municipal Services Reviews
  - Water Sector:
    - Water Use Trends & Demand Projections
    - Water Conservation Program Planning

- Financing Your Project
  - Public Facilities and Services Financing Plans
  - Special Financing District Formation
  - Development Impact Fees Nexus Studies
  - Fiscal Impact Studies
  - Water Sector:
    - Water and Wastewater Utility Rate Studies
    - State and Federal Low-Interest Loan and Grant Program Applications

HEC frequently works on multi-disciplinary teams to reach public-private partnership goals and enjoys a reputation for timely delivery of high quality deliverables. HEC endorses forward planning and understands that plans are useful only if they are comprehensive and relevant to the specific local conditions.

Contact HEC
P.O. Box 10334
Truckee, CA 96162
P: (530) 412-3676
E: catherine@hansfordecon.com

Visit HEC
www.hansfordecon.com
Other HEC Information

Dun and Bradstreet Number: 963294520
Bank of Record: Bank of America
Insurance: HEC carries general commercial, auto, and professional insurance to the amounts required by the City.

**GOODSTANDING ORGANIZATION AND SERVICES**

GoodStanding is a longstanding public involvement and outreach practice, focused on water and land resources, est. 1983. GoodStanding is a certified DBE, WBE and WOSB owned by Marlene Olsen. GoodStanding’s home office is located in Reno, Nev. and staff works remotely based on project needs.

As public involvement and outreach experts with thorough understanding of the Open Meeting Law, GoodStanding has been communication counsel to TMWA, northern Nevada’s largest water purveyor, since 2001. In addition, they advise the City of Reno on watershed protection; oversee communications for northern Nevada’s watershed fund; and developed the statewide Integrated Source Water Protection Plan for the Nevada Division of Environmental Protection which will be implemented in all 17 Nevada counties. For Nevada’s Brownfields Land Recycling program, the GoodStanding team created and currently manages public outreach plans for the City of Sparks and the Lyon County Coalition made up of Lyon County and the cities of Fernley and Yerington.

GoodStanding’s water resource clients have included: Water Management Commission of Washoe County, Truckee Meadows Water Authority, City of Reno, Nevada Division of Environmental Protection’s Integrated Source Water Protection Program, Department of Water Resources for Washoe County, Truckee River Fund, Western Regional Water Commission, City of Chino Hills, California and Truckee Meadows Community Forestry Coalition.

**Project Team Organization**

A diagram of Project team organization is shown on the following page. HEC will conduct the utility rate studies and steer the implementation phase. As a sub-consultant, GoodStanding will provide community outreach and proposition 218 notification services. GoodStanding’s services are optional; they will be available on an as-needed basis.

Through close communications with the City Catherine will keep the team updated through scheduled meetings, reporting and status updates via email. She will manage the timeline and budget ensuring the project is completed to the City’s satisfaction, on time and within budget. Catherine is available to provide all negotiated services with the City.
CITY OF LIVINGSTON
Utility Rate Studies

Project Management
Catherine Hansford

WATER, WASTEWATER AND SOLID WASTE RATE STUDIES
Hansford Economic Consulting (HEC)

COMMUNITY OUTREACH
GoodStanding (Optional) or HEC with the City of Livingston

Resumes of all key personnel follow.
Catherine R HANSFORD

Catherine is an applied economist with more than 15 years of experience. She is the owner and principal of the professional services business HEC. Working with colleagues in multi-disciplines enables her to provide broad perspective on planning issues and build consensus among different interest groups.

Expertise

Financial Feasibility, Fee and Rate Studies
Catherine understands the process of land development. She has assessed the financial feasibility of real estate, determined potential revenue and expenditure impacts on local governments, and assisted crafting financing strategies that meet objectives and goals of both public and private parties.

Catherine’s services go beyond analysis and report delivery to implementation of plans, including formation of special districts for financing projects and adoption of fees and charges pursuant to State laws.

Services: Financing plans, real estate feasibility, fiscal impact and fee nexus studies, water / wastewater rate studies, water sector loan and grant applications.

Resource Planning
Catherine’s passion for water resources coupled with her education and career in economics complement one another. In this era when the link between water and economic vitality becomes more evident and stressed, Catherine draws on her experience to assist with decision making for best use of scarce resources with limited funding.

Services: Population and employment projections, water demand patterns and forecasts, river restoration economic analyses, municipal services reviews.

M.S., Resource and Applied Economics (University of Nevada, Reno)
B.S., Rural and Environmental Economics (University of Newcastle-upon-Tyne, UK)

Conference Presentations
“Water Conservation Recommendations from a Consumer Outreach Group”
2002 American Water Works Association

“Projecting Population and Employment: A Platform for Projecting Water Purveyor Demands in an Urban Area”
2003 Nevada Water Resources Association

“Finding Funding for Energy Efficiency Projects”
2010 California Rural Water Association

“What is a Reasonable Water Rate?”
2011 Nevada Water Resources Association

Committees
TMWA Rates Review and Customer Outreach Groups & Landscape Water Conservation Subcommittee
Washoe County Regional Water Planning Commission (Conservation Chair 2003-2005)
Washoe County Groundwater Task Force
Economic Development
Catherine provides clients analyses of current and projected economic conditions using key social and economic indicators. Her projects have focused on issues pertaining to resort-based communities including commercial vitality, workforce housing, and transportation.

Catherine is particularly sensitive to the public process required for economic development plans. She assists public agencies to match budgets with level of service needs for public safety, transportation, and other major infrastructure anticipated to support economic development.

Services: Job creation plans, public services plans, market studies, regional planning studies, safe routes to schools.

Courses
- How to Become a Better Communicator
- Managing Multiple Projects, Objectives & Deadlines
- Media spokesperson training

Career
- HEC, Principal
- ECO:LOGIC Engineering, Senior Economist
- Truckee Meadows Water Authority, Senior Water Planner
- Economic and Planning Systems, Senior Associate
- University of Nevada, Reno, Research Assistant
Marlene Olsen  
Principle Strategist

Marlene's role as principal strategist is firmly rooted in her early days of research and outreach bringing northern Nevada's first wide-spread water conservation program to life. Since then, she has become a trusted advisor on water issues in the west. Her community outreach experience began at the Reno-Sparks Chamber of Commerce where she was Public Relations Manager and News Bureau Director. She learned from that experience how important water is to the development of a community. She also was involved in crisis communication with several community-wide issues.

In 1985 after her firm was established, the first Drought Management Plan was introduced to the community, working with her client, through the Regional Water Board of Washoe County. Her firm was brought on to guide the agency through the public process and introduce, for the first time, the concept of mandatory conservation and limiting outdoor water use through twice a week watering schedule. The process included public meetings, public noticing, a public comment document, as well as a public service campaign. Over time, the campaign resulted in community acceptance and compliance of twice a week watering in the area. The firm represented the agency until it was disbanded because of the campaign's success in the early 90s.

When the local governments agreed to purchase the water assets from Sierra Pacific Power Company in 2001, Marlene lead the communications strategy to quickly turn around a customer communications plan and public education plan. The Truckee Meadows Water Authority was formed within 90 days. From program development to messaging to survey questionnaire design, Marlene's expertise has guided all conservation communication decisions in northern Nevada and many larger water issues statewide.

Capabilities: Communications strategy, public involvement, media and community relations, messaging, crisis counsel and management.

B.A., Journalism (University of Nevada)

Conference Presentations
"Focus on Your Customer"  
2009 American Society of Civil Engineers

"Crisis Communication Issues"  
2009 City-County Communication and Marketing Association

"Communication Strategies through a Recession"  
2008 America marketing Association

Certifications
Spokesperson Trainer

Board Positions
University of Nevada Alumni Council
Reynolds School of Journalism Dean's Council

Committees
America Water Works Association Public Affairs
Member of the Public Relations Counselor Academy
Jerri Conrad
Public Involvement & Outreach Director

Jerri's passion for learning and background in marketing and outreach campaigns has led her to a career in public involvement and outreach, helping others understand and learn through integrated campaigns. Her Public Involvement & Outreach Director career began as a research assistant focusing on program innovations in public services. Since then, Jerri has completed her MBA, elements of which she applies every day. She uses insight from the program's focus to refine client results that ensure through a guided process, goals are met on time and on budget and opportunities are properly vetted. Jerri's interests in the balance of community and environment have always guided her career and play a natural role in both her work and personal life. She is personally involved in these issues as well. Jerri has shared her expertise as an invited speaker at two national EPA Brownfields' conferences.

Capabilities: Communications planning and management, facilitation, messaging, outreach and education campaigns, website planning and management

Related experience:

- Truckee Meadows Water Authority
- City of Reno-Chalk Creek Watershed
- Washoe County Department of Water Resources-Groundwater/Well Mitigation Outreach
- Nevada Division of Environmental Protection-Integrated Source Water Protection
- Nevada Division of Environmental Protection-Brownfields Program
- Truckee Meadows Community Forestry Coalition
- City of Sparks-Brownfields Program
- Lyon County Coalition-Brownfields Program

M.B.A (University of Phoenix)
B.A., Journalism (University of Nevada)

Conference Presentations
"Social Media Use for Water Utilities"
2010 American Water Works Association

"Outreach 101"
EPA's 2009 Brownfields Conference

"Revolving Loan Fund Outreach"
EPA's 2009 RLF Brownfields Conference

Certifications
Facilitation
Spokesperson Trainer

Board Positions
Nevada Wilderness Project

Committees
America Water Works Association Public Affairs
Frankie Vigil
Public Involvement & Outreach Manager

Frankie, Public Involvement & Outreach Manager, has a strong background in issues management, media relations and training and public relations planning. Frankie oversees the public process for all GoodStanding clients. During her career she has worked in various industries including; energy, green energy and water. She has worked with media all over the country on controversial topics for various clients throughout her ten-year career. She is known for quickly learning a client’s industry and becoming an invaluable team member.

Capabilities: Outreach and education campaigns, public process, crisis management, media management and training.

Related experience:

- Truckee Meadows Water Authority
- City of Reno-Chalk Creek Watershed
- Washoe County Department of Water Resources-Groundwater /Well Mitigation Outreach
- Truckee River Fund
- Glendale Water Supply Improvement Project
- Truckee Meadows Community Forestry Coalition
- City of Sparks-Brownfields Program
- Lyon County Coalition-Brownfields Program
- NV Energy-Smart Meter Conversion

B.A., Journalism (University of Nevada)

Conference Presentations
"The Public Process"
2010 American Water Works Association

"Crisis Communications"
2011 American Water Works Association

Certifications
Accreditation in Public Relations

Public Process
Spokesperson Trainer

Board Positions
Sierra Nevada Chapter of Public Relations

Food Bank of Northern Nevada

Committees
International Association of Public Participation
Other Information

No conflict of interest. HEC and GoodStanding have no conflict of interest with this project.

City Staff Responsibilities

Timely coordination of data gathering, review of work product, and scheduling of meetings by City staff will be necessary to ensure smooth progress of the rate studies. City staff will also be responsible for assembling and scheduling customer committees for review of rates, if desired.

The following data and information will be furnished by the City to conduct the analyses. It is anticipated that the time for the City to assemble this information/data should be minimal, assuming the information is all readily available. Items listed are for all rate studies unless specifically listed otherwise.

Existing Legal Documentation

1. Resolutions or ordinances that show the adopted user charges, connection charges, and other service charges.
2. Legal considerations identified by the City that could impact rates and fees charged by the City (such as wholesale water contracts for example).

Current and Projected Operating Costs

1. Audited financial statements for the enterprise funds for the past three years.
2. Budget information/reports (historical and projected) that show specific revenue and expense line items for the enterprise funds.
3. Information on existing debt. Key information includes the debt service schedule(s) and bond covenants detailing requirements of the utility, such as debt service coverage requirements.
4. Detailed depreciation schedules of water and wastewater system assets, if available.

Customer Characteristics and Existing Billing Structure

1. Number of customers by type for each utility with explanation of how customer data is organized in the existing billing software.
2. Electronic file of water meter reads for each customer type to profile monthly water use and determine average use by customer type. A twelve month period of history is necessary; multiple-year data is preferable.
3. Detailed wastewater customer account information, including assignment of EDUs to land uses, and the number of users by customer categories. Categories would include residential (single family, multi-family, etc.) and non-residential by type of business.
4. Any information on wastewater user characteristics, such as assumptions on wastewater flow by customer category and influent concentrations (BOD and SS), if available.
D. Capital Improvement Programs / Other Master Plan Information

1. Developed CIPs (or other document detailing capital expenditure needs) for the enterprise funds.
2. Allocation of CIP item costs to existing and future customers.
3. Existing and planned water conservation programs including details for reduced peak day consumption, if applicable, and estimated program costs.
Attachment A

Community Outreach Work Examples
HOW DOES TMWA DETERMINE MY RATES?

As TMWA strives for rates that are equitable and easy to understand, a cost of service study is periodically completed to determine if revenues are sufficient to cover costs. With historic cost and usage data as a basis, these studies look out over the next three to four years comparing both costs and revenues. The study follows industry standards and generally accepted practices of the American Water Works Association for cost studies and rate making.

Many factors are considered prior to determining what a water utility’s rates will be. As a not-for-profit entity, profits are not a factor. The primary factor is the cost to deliver water to your home or business. These costs are determined by: the amount and types of customers, each customer’s demand for water, the source and treatment of the water supply, the distribution of water and customer-related services. Rates are set to collect enough revenues to cover all costs.

How does TMWA decide if rates need to be increased?

If the study finds that TMWA’s revenues are not keeping pace with the cost of service, the results are then presented to the TMWA Board of Directors for their discussion. Based on the utility’s financial performance and cost studies, the Board would determine the timing and size of a potential rate increase, just as any business would do.

TMWA has several checks and balances when it comes to a rate increase proposal and approval, including public meetings, the Technical Advisory Committee, the Standing Advisory Committee and the Board of Directors. Advance notification of these meetings is distributed throughout the community.

Explanation of the charges on your bill:

- **Customer Charge**
  For metered customers, the monthly customer charge is the minimum amount a customer pays for water service. It includes a portion of the costs to maintain and replace the meter and TMWA-owned pipes to each property, and the cost of equipment and labor to read the meter, process the meter reading, process payments and provide any customer billing assistance.

- **Tiered Water Usage Charges**
  For metered customers, this is the cost for the water you use each month. The first tier reflects the average indoor use. The second and third tiers are higher rates, respectively, for any monthly usage over-and-above the first tier. The usage charge includes a portion of the repair and replacement costs for pipes, treatment plants, wells, pumps, regulator stations and all equipment required to treat and deliver water to your home or business. It also includes the services, supplies, equipment and labor required to produce safe, high-quality water, such as power, treatment chemicals, lab testing and maintenance of water pumping and treatment facilities.

- **Regional Water Management Fee**
  This fee is imposed by the Western Regional Water Commission to be expended solely for purposes of water planning. The fee is currently 1.5% of your total bill. TMWA has no control or discretion over this fee — it is a charge collected by TMWA and passed on to the local government.

- **Right of Way Toll**
  The Right of Way Toll is a fee charged to utilities and telecommunication companies for the right to use property owned by the government, such as the property underneath the streets. For Reno residents, the standard fee is 3%. For Sparks' residents, the standard fee is 5%. If you are a Washoe County resident outside of the cities of Reno and Sparks, this fee is not imposed. TMWA has no control or discretion over this fee — it is a charge collected by TMWA and passed on to the local governments.
What is TMWA doing to keep costs down?
TMWA's Board of Directors and staff are committed to a culture of fiscal responsibility and continual assessment of all operational costs. Here are just some of the ways we are minimizing costs:

- **Water Treatment** — We use the safest and most cost-effective options for treatment. Our treatment plant operators continually monitor and evaluate the processes to ensure your water is safe, clean and reliable.

- **Power** — Our operating plans focus on using electricity when power costs are lowest, taking full advantage of NV Energy's Time-of-Use Tariffs. With power costs making up 17% of our operating budget, our operators are always looking for ways to conserve electricity or use it at the least expensive time.

- **Construction** — Projects to improve and rehabilitate our water system are publicly advertised and competitively bid. We award contracts to the qualified contractor with the lowest responsive bid.

- **Supplies** — All business expenses, such as tools, office supplies and cell phone contracts, are regularly monitored. We obtain the lowest reasonable cost by competitively bidding many of these service and supply contracts.

- **Staffing** — Before hiring permanent staff, we try to supplement our work force with seasonal workers, temporary staff and interns as appropriate. In addition, we re-evaluate all vacant staff positions to determine if the position is crucial and/or if the responsibilities can be delegated to existing staff.

- **Overtime** — Salaried employees make up much of TMWA's employee base, including management, administrative and technical staff. These employees do not receive overtime pay, even during emergencies.

- **Vehicle Use** — We reduce vehicle and fuel costs by using a Global Positioning System to find the closest vehicle to a customer call, minimizing the use of assigned vehicles for emergency response, using pool vehicles rather than individually assigned company vehicles, and standardizing vehicle types, which allows maintenance to be streamlined.

- **Automated Systems** — With the use of Automated Meter Reading equipment, it takes less than two employees to read an average of 4,500 meters per day, or 90,000 per month, at a cost of approximately $10,000 per month. This compares to manually reading the same number of meters which would cost as much as $50,000 a month.

- **Outsourcing** — Using vendors/partners to provide our Billing, Call Center, Collections and Remittance operations saves more than $500,000 annually.

As a customer, what can I do to help TMWA keep rates in check?
Customers can help reduce the need for rate increases. One of the best things customers can do is use water responsibly. This allows the water system to be used more efficiently and helps TMWA avoid construction of costly new water facilities, which would have to be staffed and maintained. In addition, as more customers assist themselves, the more TMWA saves. Many customer questions can be answered with our automated phone system, a visit to our Web site, or by reading the inserts and messages that accompany our monthly billing statements. We certainly want customers to contact us when they need to, but to consider other options before they pick up the phone to speak to a representative.

Since TMWA is a not-for-profit organization, the timely payment of water bills is also critical. Customers who do not pay their water bills shift their responsibilities to customers that do pay their bills. Supporting TMWA's ability to collect on delinquent bills will help us avoid raising rates to cover bad-debt expenses in the future.

Is the cost of growth included in my water rates?
No. The development community pays for all new facility and water right expenses related to growth when they build a new project. TMWA's Board of Directors instituted this policy shortly after TMWA was formed in 2001. A detailed topic paper is available on growth paying for growth at www.tmh2o.com.
Voices

April 14, 2009

THE OPINION OF THE RGJ EDITORIAL BOARD

Water rate hike is modest plan that deserves public approval

Residents understandably are sensitive when public utilities make the slightest suggestion regarding fee hikes. Such talk is particularly unsettling in this difficult economy.

The increases being proposed by the Truckee Meadows Water Authority, however, are small, compared to other economic issues we'll likely face in the near term. The TMWA board must approve the plan, which should be of small concern to ratepayers. The charges would be negligible in terms of what we will get — and have been getting — in return.

At $1.63 per month, beginning in June, the average increase would amount to about $20 per year. Flat-rate customers, those who haven't yet been connected to meters, should expect to see higher numbers — up about $11.60 per month. They have had plenty of warning and would see meter service beginning in January 2010.

TMWA officials cite increased costs and decreased income as does every individual and every agency. Maintenance and operation costs are up, especially after last year's earthquakes, and on top of customer needs and expectations, the law calls for the utility to meet a standard of repair. System improvements and rehabilitation are among the budget items that can be trimmed only so far if customer service is to continue. Further, the troubled housing market has caused a drop in the number of homes and businesses receiving water service. And the dearth of new home sales has meant fewer new customers.

Meanwhile, investment income has taken a dive, and diminished flows from drought conditions have depressed income from the hydroelectric plants. Managers have made a point to cut back on capital spending, although they expect to apply approximately $20 million in stimulus funds to capital improvements. They have reduced staff and frozen salaries. They recognize they will be forced to work with customers who have difficulty paying their bills, which means that customer services must be boosted.

The Truckee Meadows Water Authority spent $760,000 for a bypass to the Highland Canal, above, after an April 25, 2008, earthquake that damaged a wooden flume.

SNAPSHOT

TOPIC: TMWA Increase

OUR VIEW: Most customers will be able to understand this plan.

In an economic environment where nearly every utilities customer is worried, utilities officials are concerned and officials charged with managing other state and local services are torn, this proposed hike — the first in more than four years — is small. The benefits are greater than the costs.

Customers should understand easily the severity of the need and how little they'll have to pay in order to fulfill it. Once that happens, the board of directors should be able to implement it quickly, following the public hearings on Wednesday and on May 21, so we can concentrate our efforts on other affairs.