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
January 9, 2012

Odi Ortiz
Finance Director
City of Livingston
1416 C Street
Livingston, CA 95334

Re: How NBS Can Assist the City of Livingston with Water, Wastewater and Solid Waste Rates and Community Outreach/Proposition 218 Efforts

Dear Ms. Ortiz:

NBS understands that the City of Livingston has an urgent need to complete an analysis of funding requirements and cost-of-service rates for its water, wastewater and solid waste utilities. This urgency requires an experienced consulting team to meet both the technical analysis and support with public outreach and the Prop 218 protest balloting process in a timely manner.

Our proposal for this study addresses the complex factors, such as evaluating current rates (the baseline scenario) against well-thought out new alternatives, options for funding future capital, repair and replacement and regulatory costs, and achieving revenue sufficiency for all three utilities.

What is NBS’ Approach?

NBS is proposing an experienced consulting team, with over 50 years of combined experience, to address these issues. While our approach relies on cost-of-service principles and industry standards, we believe a few critical components of our approach will ensure success in meeting the challenges of this study:

- **Evaluating Policies, Goals and Study Objectives** – As first steps in this study, we propose to meet with City staff to ensure that we have a common understanding of the goals and objectives of this study, and then we believe a review and, if needed, modifications to the City’s rate-related policies and practices would help ensure the study is focused on the right issues and aimed at reaching practical and implementable solutions.

- **Focusing on Key Issues** – Some of the key issues include developing a comprehensive financial plan that considers future funding sources, rate alternatives that will help improve revenue stability, and well-timed communications with the public and City Council.

- **Cost of Service and Rate Design** – The unique aspects of the City’s water, wastewater and solid waste rates make this study different than the typical “rate study”. We have recognized these key differences in our proposed scope of work and would like to further improve and clarify the overall goals and objectives of this study with City staff prior to “digging into” the analytical tasks.
What is NBS’ experience?

Our proposed project team has recent experience with similar studies, such as the El Dorado Irrigation District cost-of-service rate study, which included extensive financial planning and rate design issues. Our project manager, Greg Clumpner, is a utility economist with more than 28 years of experience addressing water rate issues in California. Greg is a regular presenter at water industry conferences on rate design, conservation rates, and cost-of-service analysis, and one of the few rate practitioners with extensive experience with all three utilities (water, wastewater and solid waste). In addition, current NBS staff performed the first Proposition 218 ballot after its passage in 1996, and we have been at the forefront ever since. We have recently worked with a number of clients on water and sewer rate noticing projects.

For the last 15 years, NBS has teamed successfully with cities and water agencies across California to develop and sustain solutions in nearly all public finance topics: from rates and fees to special financing districts. We work exclusively with the public sector and have a client list of over 250 agencies served with distinction.

NBS is prepared to provide City with exceptional consulting services on this study and would plan to work closely with City staff and management to ensure your long-term goals and objectives are met. We trust that the following proposal communicates a thorough and methodological approach to providing your agency with quality services that generate an accurate, forward-thinking, and sustainable set of cost recovery tools for the utilities.

Thank you for considering our proposal. We welcome the opportunity to discuss our ideas and approach with you in person as you consider your consultant selection process. As your proposed Project Manager for this study and the author of this proposal, please contact me at any time you need: 800.676.7516 or gclumpner@nbsgov.com.

Sincerely,

Greg Clumpner
Director/Senior Consultant

Mike Rentner
Chief Executive Office
SECTION 1. MINIMUM EXPERIENCE QUALIFICATIONS SUMMARY

COMPANY OVERVIEW

NBS is an independent firm serving local governmental agencies, including cities and towns, counties, special purpose districts, and economic development agencies/organizations. NBS assists these agencies with specific public finance and engineering projects related primarily to the implementation, modification, and ongoing management of rates, fees, assessments, and special taxes. In addition, current NBS staff performed the first Proposition 218 ballot after its passage in 1996, and we have been at the forefront ever since. We have recently worked with a number of clients on water and sewer rate noticing projects.

Our Financial Consulting practice focuses primarily on an agency’s cost recovery justification for and issues related to revenue streams within that local agency’s sole authority to set (i.e., without direct voter/property-owner approval, in most cases). In this practice, our services encompass the following:

- Overhead cost allocation plans
- User fees for programs and services provided by local governments
- Cost of service analysis to support fees, rates, and financing plans
- Rates and charges for publicly-owned water and sewer utilities
- Regulatory fees, such as development/construction review and inspection
- Development impact fees and capacity/connection fees
- Long-range financial planning and financial feasibility analyses
- Financial plans in support of system master plans
- Fiscal impact and equity analyses
- Expert evaluation or critique of above topics (for local government use only)

The above-listed services are performed within the requirements, constructs, and/or framework of California-specific statutes and guidelines, including Article XIII D of the California State Constitution (codified by “Proposition 218” and subsequent legislation and case law), the Mitigation Fee Act (Government Code 66000 et seq., codified by “AB 1600”), the State Water Resources Control Board Revenue Program Guidelines, and the State Controller’s Office Handbook of Cost Plan Procedures; and federal guidelines, including the Office of Management and Budget Circular A-87.

In addition to the above-described financial consulting services, NBS also provides special financing district consulting and administration. These practices focus 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. Ongoing administration services include tasks such as apportionments, arbitrage rebates, bond calls, bond tender programs, construction reimbursements, continuing disclosure, cost recovery, delinquency management, fund analysis, prepayments, tax roll preparation, and telephone/email support.

The ultimate goal of NBS is to provide support, expertise and solutions that allow local agencies to focus on their communities’ needs and core services.
RECENT RELEVANT PROJECT DESCRIPTIONS

The following are our project team's references for studies similar to the City's.

El Dorado Irrigation District (EID), Placerville, CA
Greg Clumpner is currently completing an extensive cost-of-service study of water, sewer, and recycled water rates for EID, including working with a 10-person cost-of-service study committee and the District Board.
NBS Project Team Members:
- Greg Clumpner, Project Manager, 90% work
References:
- Jim Abercrombie, General Manager, El Dorado Irrigation District, (530) 642-4041

East Valley Water District, Highlands, CA
Greg Clumpner prepared comprehensive water and sewer rate studies that ensured adequate funding, developed a more conservation-oriented water rate structure, and ensured that rates are fair, equitable, and cost-based.
NBS Project Team Members:
- Greg Clumpner, Project Manager, 75% work
References:
- Mr. Matt LeVesque, Board Member, East Valley Water District, (951) 830-4018
  matt@bishopconstruction.net

Multi-Agency Sewer and Water Rates and Connection Fees - Lake County Special Districts, Lakeport, California
Greg Clumpner evaluated the water and sewer rates and connection fees for the 10 water districts and six sewer districts to update the customer classes, rate structures, develop equitable rates, and fund capital improvements.
NBS Project Team Members:
- Greg Clumpner, Project Manager, 90% work
References:
- Mr. Mark Dellinger, Administrator, Lake County Office of Special Districts, (707) 263-0119
  markd@co.lake.ca.us

City of Greenfield
Water and Wastewater Rate Study
NBS completed a revenue requirements analysis for the City of Greenfield under a shortened timeline. Mr. Clumpner also prepared a water and sewer rate study for Mr. Compton when he was at the City of Paso Robles.
NBS Project Team Members:
- Nicole Kissam, Project Manager, 70% work
- Kim Boehlter, Project Analyst, 30% work
References:
- Mike Compton, Interim Finance Director, (831) 674-5591

Dixon Solano Water Authority
Water Rate Study
NBS is currently working with a 10-member Board and local Citizens Water Rate Committee to complete a water rate study for DSWA.
NBS Project Team Members:
- Nicole Kissam, Project Manager, 10% work
- Kim Boehlter, Project Analyst, 40% work
- Jeanette Hahn, (previous Project Manager -- no longer with NBS), 50% work
References:
- Cammie Morin, Finance Director Solano Irrigation District, (707) 455-4008
Z
SECTION 2. MANAGEMENT/METHOD OF OPERATION

As noted in the City's RFP, many tasks are similar for all three utilities, although there are technical differences in how those tasks are performed for each utility. We have accounted for these differences in our proposed scope of work in this section. The City's RFP asks proposers to highlight innovative ideas and/or unique capabilities; NBS proposes several such items:

- Policy Evaluation – We will work with City staff to review and evaluate rate-related policies that will be essential for successfully completing this work (see Task 1.2).
- Extensive Cost-of-Service Experience with all Three Utilities – NBS' project manager, Greg Clumpner, is uniquely qualified by experience with rate studies for all three utilities (water, wastewater and solid waste).
- Prop 218 Assistance – NBS can provide the full array of services for this task.

We have divided this work plan into two parts: Task 1 addresses the water and wastewater tasks, and Task 2 covers the solid waste tasks.

TASK 1 – WATER AND WASTEWATER RATE STUDY

Overview of Methodology – NBS will rely on industry standards and American Water Works Association (AWWA) and Water Environment Federation (WEF) cost of service methodologies to meet Proposition 218 and other requirements. In terms of the chronology of the study, Figure 1-1 provides an overview of the three basic components of this analysis in the order they are performed.

![Figure 1-1. Overview of Rate Study Components](image)

<table>
<thead>
<tr>
<th>Revenue Requirement Analysis</th>
<th>Compares the sources of funds (revenues) to the expenses of the City to determine the overall sufficiency of current rates and determine the future rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost-of-Service Analysis</td>
<td>Allocates the revenue requirements by customer class in a &quot;fair and equitable&quot; manner, and ensures rates meet Proposition 218</td>
</tr>
<tr>
<td>Rate Design Analysis</td>
<td>Considers how fixed charges and volumebased rates are designed to collect the target level of revenues.</td>
</tr>
</tbody>
</table>

Examples of the industry standards that will be used and/or considered include:

- Calculation of fixed monthly service charges will rely on AWWA/WEF's methodology of using equivalent meters (hydraulic capacity) for fixed monthly water meter service charges.
- Commodity (or volumetric) charges will incorporate remaining costs not allocated to fixed charges.
- Commodity rates and fixed monthly charges will together be established to meet the revenue required for each customer class, thereby fulfilling the cost of service requirements of Proposition 218.
- The California Urban Water Conservation Council (CUWCC) best management practices (BMP No. 11), recommend collecting no less than 70 percent of the rate revenue through volumetric rates, with the remaining 30 percent coming from fixed monthly charges. However, NBS will consider the role that other factors should play in...
developing alternative rate structures, including revenue stability, level of outstanding debt, customer equity, and financial impact on customers.

- Metered vs. unmetered customer rates will be a significant differentiation in the water rate analysis, and NBS will discuss alternatives to the City's current flat rates, which are based on lot sizes, and whether the timing of installing meters on all customers warrants revising the flat rates at this time.

NBS's work plan used to implement the overall approach to the project is presented below

1.1 - Data Collection and Development (Water and Wastewater)

**Task Objectives:** Clearly communicate and work with City staff to obtain the necessary data.

**Task Deliverables:**
- Data request to City staff.
- Review of initial data provided.
- Discussions with City staff regarding any outstanding data requirements.

In the initial kick-off meeting, we will review and discuss data requirements of this study. The City has indicated it has the necessary data available. As with any study of this type, the consultant will need to rely on data from the City's billing and accounting system; errors or faulty data from the City could delay the study progress and could result in out-of-scope work requiring additional budget.

Our proposed tasks and budget assume the City will provide sufficiently accurate data. This includes data on customer accounts, meter sizes, monthly consumption, total rate revenue collected from flat rate customers, system capacity and peaking data, in addition to financial data typically reported in annual financial statements.

We will provide the written data request to the City prior to the initial kick-off meeting so that it can be discussed at the meeting, and problem areas can be quickly resolved. In cases where data may not be readily available, or will require significant labor and expense on the City's part, the NBS project team and the City will together evaluate the sensitivity and importance of the data and determine alternative sources that can be used.

1.2 – Evaluation of Current Policies, Goals and Objectives

**Task Objectives:** Review and evaluate the City's current rate-related policies and discuss the results and possible changes with City staff before proceeding with the rate analysis.

**Task Deliverables:** Summary of current policies and, if needed, recommendations for changes.

Many cities do not have clear policies related to how they set their rates; Livingston may need to clarify some of its policies prior to proceeding with the rest of this study. NBS will discuss this review, along with past policy-related problems, and recommend changes as needed. This effort may help resolve specific policy issues at the beginning of the study rather than have them become a problem when the final results are presented to the Council and public (e.g., policies related to basic equity and fairness, revenue stability vs. water conservation, the level of funding repair and replacement costs, etc.).

1.3 – Rate Analysis (Water and Wastewater)

In terms of how tasks for the water rate analysis may differ from the wastewater rate analysis, we have jointly described both analyses below, but have identified the areas where there are differences. For example, rate structure alternatives for the sewer analysis would not include the tiered rates used in the water rates, and the functional cost categories for water include supply, distribution, and treatment in contrast to wastewater, which includes flow, biochemical oxygen demand (BOD), and total suspended solids (TSS).
1.3.1 - Analysis of Revenue Requirements & Financial Plan

**Task Objectives:** Prepare detailed financial plan that addresses projections of revenues, expenditures, and capital project costs, along with net revenue requirements for both the water and wastewater utilities.

**Task Deliverables:**
- 10-year financial projections model for both water and wastewater.
- Summary of net revenue requirements
- Projected year-end fund reserves.
- Calculated debt service coverage ratios.
- Recommended reserve fund levels.

This task lays the financial groundwork for the cost of service rate analysis and rate design evaluations in subsequent tasks. The following subtasks are anticipated:

**Projected Revenues and Expenditures** – Our understanding is that the City needs a thorough analysis of financial projections, including funding options for capital improvements, repair and replacement costs, and other expected costs such as environmental regulations. Current and projected water and wastewater rate revenue will be prepared based on monthly water consumption, number of metered and flat rate customers, and current rates, along with projected water use and rate increases needed to meet annual revenue requirements. This analysis will identify the projected revenue shortfalls that will be addressed through modification of rate structures and rate increases.

Table 1-1 illustrates single family water rate revenue for a one-year test period. Although the City’s RFP requested five-year projections, we propose 10-year projections of those revenues for each customer class. We believe this provides the City better financial planning tools for future concerns such as smoothing out future rate increases and maintaining appropriate reserve fund levels.

<table>
<thead>
<tr>
<th>Table 1-1 Example of Revenue Projections (Single-Family Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SINGLE FAMILY RESIDENTIAL</strong></td>
</tr>
<tr>
<td><strong>Income</strong></td>
</tr>
<tr>
<td><strong>Water</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

| **Expenditure** | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 |
| **Water** | $10.16 | $10.16 | $10.16 | $10.16 | $10.16 | $10.16 | $10.16 | $10.16 | $10.16 | $10.16 | $10.16 | $10.16 |
| **Total** | $11.28 | $11.28 | $11.28 | $11.28 | $11.28 | $11.28 | $11.28 | $11.28 | $11.28 | $11.28 | $11.28 | $11.28 |

**Detailed Expense Projections:** Similar to those shown in Table 1-2 will be prepared in a manner similar to the revenue projections. We will specifically identify the O&M costs of both the water and wastewater systems, projected capital costs, and the anticipated annual debt service.
<table>
<thead>
<tr>
<th>Source of Supply</th>
<th>Budget</th>
<th>FY 10/11</th>
<th>FY 11/12</th>
<th>FY 12/13</th>
<th>FY 13/14</th>
<th>FY 14/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Utility</td>
<td>$ 655,000</td>
<td>$ 679,800</td>
<td>$ 716,300</td>
<td>$ 726,090</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirements</td>
<td>$ 3,016,300</td>
<td>$ 3,126,500</td>
<td>$ 3,192,700</td>
<td>$ 3,286,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>$ 1,635,700</td>
<td>$ 2,068,100</td>
<td>$ 2,110,700</td>
<td>$ 2,154,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Accounts</td>
<td>$ 1,453,100</td>
<td>$ 1,937,100</td>
<td>$ 2,209,000</td>
<td>$ 2,491,300</td>
<td>$ 2,784,300</td>
<td></td>
</tr>
<tr>
<td>General and</td>
<td>$ 476,250</td>
<td>$ 490,700</td>
<td>$ 503,400</td>
<td>$ 516,400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>$ 4,610,510</td>
<td>$ 4,634,400</td>
<td>$ 4,674,700</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>$ 1,416,500</td>
<td>$ 1,230,000</td>
<td>$ 855,000</td>
<td>$ 250,000</td>
<td>$ 1,560,000</td>
<td></td>
</tr>
<tr>
<td>(Cash-funded)</td>
<td>$ 2,688,031</td>
<td>$ 2,383,828</td>
<td>$ 3,185,285</td>
<td>$ 3,014,468</td>
<td>$ 3,988,608</td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 15,919,391</td>
<td>$ 16,022,703</td>
<td>$ 17,139,128</td>
<td>$ 17,694,685</td>
<td>$ 18,042,368</td>
<td>$ 19,907,706</td>
</tr>
<tr>
<td>Annual % Increase in</td>
<td></td>
<td>1%</td>
<td>7%</td>
<td>3%</td>
<td>2%</td>
<td>10%</td>
</tr>
</tbody>
</table>

We will use a cash-basis reflecting the City’s budget-level of detail, and will provide a detailed review of the District’s revenues, expenditures, funding sources, debt service, coverage ratios, and year-end cash reserves.

**Develop Net Revenue Requirements and Financial Plans** – Net revenue requirements, by definition, are the total revenue requirements less the non-rate revenues, and identify the total rate revenue that should be collected from ratepayers. The financial planning process should also consider building and maintaining adequate reserves (e.g., rate stabilization, capital improvements, and operations) and debt service coverage when determining these net revenue requirements.

These net revenue requirements provide the basis for evaluating future rate increases. Table 1-3 is an example of the summary of revenue, expenses, and reserve projections, which together lay out a “financial plan”. Figure 1-2 shows how year-end reserve fund balances can be presented.
1.3.2 - Cost of Service Analysis

Task Objectives: To equitably allocate revenue requirements by customer class.

Deliverables: Cost of service analysis summary tables, to be incorporated into the financial plan and final report.

The water and wastewater revenue requirements will be allocated to the customer classes using an average embedded cost of service methodology. This simply means equitably allocating the revenue requirements of each utility among the customer classes (e.g., residential, multi-family, commercial). A brief discussion of the major steps in the cost of service analyses is provided as follows.

Functionalization and Classification of Expenses – To functionalize the expenses, the costs are arranged into basic cost categories. For the water utility, this includes source of supply, treatment, transmission, distribution, and meters. The wastewater utility would include flow, strength characteristics (i.e., BOD, and TSS), as well as administrative and overhead costs.

Once the costs have been functionalized, they are then classified to their various cost components. In the water utility, this involves determining whether each specific cost or account item was incurred to meet a consumer’s fixed capacity, variable (commodity), or customer related costs. Table 1-4 illustrates this process for water.

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>Expenses FY 10/11</th>
<th>Allocated Costs</th>
<th>Percent Allocations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fixed Capacity</td>
<td>Variable Costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer Costs</td>
<td>Fixed Capacity</td>
</tr>
<tr>
<td>Source of Supply</td>
<td>$ 666,500</td>
<td>$ 166,025</td>
<td>$ 496,475</td>
</tr>
<tr>
<td>Pumping</td>
<td>$ 3,067,800</td>
<td>$ 3,067,800</td>
<td>0%</td>
</tr>
<tr>
<td>Water Treatment</td>
<td>$ 1,987,300</td>
<td>$ 993,650</td>
<td>0%</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>$ 1,686,100</td>
<td>$ 843,050</td>
<td>0%</td>
</tr>
<tr>
<td>Customer Accounts</td>
<td>$ 481,700</td>
<td>$ 481,700</td>
<td>0%</td>
</tr>
<tr>
<td>General and Administrative</td>
<td>$ 4,539,800</td>
<td>$ 1,815,020</td>
<td>10%</td>
</tr>
<tr>
<td>Capital Projects (Cash-funded)</td>
<td>$ 755,000</td>
<td>$ 755,000</td>
<td>0%</td>
</tr>
<tr>
<td>Net Debt Service</td>
<td>$ 2,838,503</td>
<td>$ 1,419,252</td>
<td>0%</td>
</tr>
<tr>
<td>Total Revenue Requirement</td>
<td>$ 16,022,703</td>
<td>$ 6,093,497</td>
<td>6%</td>
</tr>
<tr>
<td>Less: Miscellaneous Revenues</td>
<td>$(407,892)</td>
<td>$ 152,573</td>
<td>6%</td>
</tr>
<tr>
<td>Net Revenue Requirement</td>
<td>$ 15,614,821</td>
<td>$ 6,146,070</td>
<td>6%</td>
</tr>
</tbody>
</table>

The next step is allocating the fixed and variable costs to customer classes. This process relies on fixed and variable costs identified in the previous task. Table 1-5 is an example of this allocation for water fixed costs.
Table 1-5 Example of Fixed Cost Allocations to Customer Classes

<table>
<thead>
<tr>
<th>Cost Allocation Factor</th>
<th>5/8&quot;</th>
<th>3/4&quot;</th>
<th>1&quot;</th>
<th>1 1/2&quot;</th>
<th>2&quot;</th>
<th>3&quot;</th>
<th>4&quot;</th>
<th>6&quot;</th>
<th>8&quot;</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family Residential</td>
<td>6,019</td>
<td>10,174</td>
<td>3,660</td>
<td>10</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18,157</td>
</tr>
<tr>
<td>Commercial</td>
<td>61</td>
<td>428</td>
<td>283</td>
<td>178</td>
<td>203</td>
<td>47</td>
<td>19</td>
<td>14</td>
<td>9</td>
<td>1,369</td>
</tr>
<tr>
<td>Irrigation</td>
<td>1</td>
<td>97</td>
<td>85</td>
<td>52</td>
<td>112</td>
<td>16</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>302</td>
</tr>
<tr>
<td>Total Accounts</td>
<td>6,191</td>
<td>10,619</td>
<td>4,047</td>
<td>240</td>
<td>348</td>
<td>64</td>
<td>21</td>
<td>14</td>
<td>9</td>
<td>20,196</td>
</tr>
<tr>
<td>Hydraulic Capacity Factor</td>
<td>1.0</td>
<td>1.0</td>
<td>1.7</td>
<td>3.3</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
<td>20.996</td>
</tr>
<tr>
<td>Total Equivalent Meters</td>
<td>6,191</td>
<td>10,619</td>
<td>4,047</td>
<td>240</td>
<td>348</td>
<td>64</td>
<td>21</td>
<td>14</td>
<td>9</td>
<td>20,196</td>
</tr>
</tbody>
</table>

Fixed costs for water consider the number accounts, equivalent meters, and the number and size of meters. In contrast, variable costs are typically allocated in proportion to water consumption as shown in the example in Table 1-6. Tiered rates would not be developed until later in the analysis, as a part of the rate design task below.

Table 1-6 Example of Variable Cost Allocations to Customer Classes

<table>
<thead>
<tr>
<th>Customer Class</th>
<th>Number of Customers</th>
<th>Water Consumption (hcf/yr)</th>
<th>Commodity Rates</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Family Residential</td>
<td>18,997</td>
<td>5,106,121</td>
<td>$1.49</td>
<td>$5,633,061</td>
</tr>
<tr>
<td>Commercial</td>
<td>1,200</td>
<td>2,156,554</td>
<td>$1.49</td>
<td>$2,379,105</td>
</tr>
<tr>
<td>Irrigation</td>
<td>303</td>
<td>770,371</td>
<td>$1.49</td>
<td>$849,872</td>
</tr>
<tr>
<td>Total</td>
<td>20,500</td>
<td>8,033,046</td>
<td>$8,862,037</td>
<td></td>
</tr>
</tbody>
</table>

This allocation process results in using fixed and variable cost-of-service revenue requirements for each customer class as the basis for actual rate calculations in a manner that is "fair and equitable" to all customers.

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. This includes revenue stability, water conservation goals, ease of understanding and ease of administration. We also note that a recent court ruling in the Palmdale Water District Prop 218 case\(^1\) emphasizes the need to document the cost-of-service basis for tiered rates by customer class\(^2\). We will discuss the cost-of-service and rate design implications this case may have on the City’s rates prior to proceeding with the analysis.

---

\(^1\) City of Palmdale v. Palmdale Water District, et. al., Los Angeles County Superior Court, August 9, 2011.

\(^2\) Legal opinion of Kelly J. Salt, Partner, Best Best & Krieger, LLP, Proposition 218, Proposition 26 and Rate Setting Seminar, 9/20/11, Sacramento, CA.
1.3.3 – Rate Design Analysis

**Task Objectives:** In addition to the baseline scenario reflecting current rate structures, NBS will develop rate several rate structure alternatives for the City to consider, incorporating overall rate design goals and objectives.

**Task Deliverables:** An evaluation of the pros and cons of up to four water rate structure alternatives (three for wastewater), but limited to a detailed evaluation of no more than two water rate alternatives in addition to the base case (one for wastewater).

Once the cost of service analysis has identified the revenue requirements by class, the question of rate design will be evaluated, including the total revenue collected within each tier for water metered customers. This process will include a discussion of the relative merits (pros and cons) of various rate structure alternatives. Based on this discussion with City staff, we will select the two most appropriate alternatives to perform a detailed analysis and compare the results to the baseline scenario.

As a result, the City's current three-tier rate structure, and flat rates for non-metered customers, will be re-evaluated along with the selected alternative rate structures to reflect appropriate cost allocations and ensure equity among customer classes.

**Evaluation of Rate Structure Alternatives** – The rate structure alternatives selected for a detailed analysis will, in the end, provide the basis for comparing monthly customer bills for the current and alternative rate structures. However, regardless of the alternative, each alternative will be “revenue neutral” relative to each other; that is, they will collect the same revenue from each customer class.

NBS expects to have detailed discussions with City staff regarding developing the rate alternatives in order to determine those that would best meet the City’s overall objectives and specific circumstances. This is largely because there is no single “right” rate alternative for every community, and rate design should consider the broader objectives and policies of the community. Figure 1-3 shows some of the water rate structure alternatives we developed for El Dorado Irrigation District.

![Figure 1-3 Comparison of Single-Family Residential Alternative Monthly Water Bills (3/4" Meter)](image)

---

*Proposal for the City of Livingston Prepared by NBS – January 10, 2012*
**Comparative Rate Analysis** – NBS will prepare an analysis of comparable rates for 10 similar communities and present these results in the study report. We will review the selected communities with City Staff before developing this analysis. Figure 1-4 below is an example from the recently complete study prepared for El Dorado Irrigation District.

![Figure 1-4 Regional Water Bill Comparison, El Dorado Irrigation District](chart.png)

**Rate Models** – During the development of the rate analyses, NBS will build rate models for the water and wastewater utilities that document the data used, data sources, calculations made, and step-by-step progression of the three study components (i.e., the revenue requirements, cost of service analysis, and rate design analysis). NBS uses non-proprietary MS Excel spreadsheets that make calculations transparent and easy to follow as opposed to complicated programming “black-box” models that require the consultant to come back whenever changes or manipulations of the model are needed.

Our rate models will highlight data that will need to be updated if and when the City decides to update the model. Assumptions will be footnoted and we will use cell-comments to document more detailed explanations of specific reasoning for cost allocations and/or particular adjustments to the model that may not be self-evident.

Within each model, separate worksheets will be used for each component of the given analysis. For example, the financial planning worksheet will be organized into capital forecasting, budget projections, revenue forecasts, and debt service coverage. At the end of the study, we will sit down with appropriate City staff and walk through a step-by-step review of each rate model.

**1.4 – Prepare a Connection Fees (Water and Wastewater)**

NBS will evaluate the City’s water and wastewater connection fees (also known as system development charges) based on projected capital costs, how those costs are allocated between existing and future customers, estimated available capacity of water and wastewater facilities, and projected growth rates. We typically recommend using a calculation methodology that combines buy-in and incremental costs. In other words, new

---

3 NBS's project manager, Greg Clumpner, completed this study (and other recent examples noted in this proposal) while employed at HDR Engineering.
customers must appropriately compensate existing customers who paid for existing capacity they will be using, as well as the costs of expansion-related facilities needed to provide service to new customers. This follows a "growth-pays-for-growth" policy. This analysis will require asset inventory data and the cost and timing of planned CIP projects.

1.5 – Prepare a Written Study Report (Water and Wastewater)
We will prepare a draft and final water and wastewater rate study report that includes proposed rates for the next five years, although the financial models will cover a 10-year period. An executive summary will present the purpose and results of the report in no more than three pages. Tables, graphs, and charts will be used as appropriate, but the emphasis will be on providing a clear, concise and understandable report that addresses:

- Overall study methodology
- Study findings and supporting justification
- Recommended water and wastewater rates that are based on cost-of-service principles required by Prop 218 mandates
- Rate comparisons with 10 comparable communities

We will provide an electronic Word file of the draft report for the City's review and comment. This draft report will be presented to the City Council in a public meeting for review and comment. Once we have received the City's comments, we will incorporate those comments into a final report.

1.6 – Meetings with City Staff and Presentations (Water and Wastewater)
Meetings – NBS proposes to provide three (3) meetings with City staff as a part of this study, including the initial kick-off meeting. We view the kick-off meeting as a critically important step in establishing a mutual understanding of the overall study goals, objectives, and the rate alternatives that will be developed during this study.

Following the kick-off meeting, two additional meetings with City staff will be held during the course of the study to discuss issues and review initial work products, such as net revenue requirements, cost-of-service results, and rate alternatives. We also expect to have regular phone conversations with City staff to discuss the study’s progress.

Presentations – NBS proposes two City Council presentations: (1) to review and discuss the draft report and; (2) to present the final results and report at a public hearing. NBS's project manager, Greg Clumppm, will make these presentations. Greg has extensive experience making these types of presentations to city councils at similar agencies, as well regular presentations at professional conferences.

1.7 – Proposition 218 Assistance (Water and Wastewater)
Meeting the requirements of Proposition 218 means the water and wastewater rates developed must not only adequately fund annual revenue requirements, but must also be fair and equitable, without subsidies between customer classes (e.g., residential vs. commercial). Our rate study tasks are designed to achieve this key objective, and we will present and explain these results at the City’s Prop 210 hearing.

In addition to the Prop 218 hearing, NBS will provide the following Prop 218 assistance. In contrast to many rate consulting firms, NBS has a successful history of providing these services to our clients. We note that these tasks assume that NBS will prepare the water and wastewater notices to be mailed to customers, and that the water and wastewater notices will be prepared and mailed at the same time.

---

4 We assume the City staff's comments will be returned to NBS in the electronic Word file using track changes mode, and that City staff will resolve any their internal differences prior to returning this file; NBS will not assume responsibility for resolving differences between City staff comments (although we will provide our opinion if asked).

Proposal for the City of Livingston
Prepared by NBS – January 10, 2012
• Project Startup – Consult with City staff to understand the project timeline and write the Notice of Public Hearing for the Fee (we assume the notice will be reviewed and approved by the City’s legal counsel).
• Database – Combine the City’s current user database with the latest County Secured Roll data to create an accurate mailing database compliant with Proposition 218 requirements.
• Notices – Prepare, print and mail the Notice to property owners subject to the proposed Fee.
• Tabulation – Attend the public hearing to tabulate protests received and report to City’s legislative body and staff.
• Toll free number – Provide a toll-free phone number for use by the City, other interested parties and all property owners. Our staff will be available to answer questions regarding the Fee. Bilingual staff is available for Spanish-speaking property owners.

1.8 – Assistance with Public Outreach and Communications (Water and Wastewater)
NBS is also proposing to assist City staff with limited advice on how the City can best handle public communications and best prepare the public with information prior to the Council meeting and Prop 218 public hearing.

There is a lot that the City can do without mass producing and distributing materials or holding large public meetings. Tapping into established community resources to communicate and disseminate information is an inexpensive and easy way to reach the public. Managing the message means taking a proactive approach to the communication program. The following are a few concepts we will work with City staff to further develop:

• Developing key messages that clearly explain the various rate-related issues. These messages can then be utilized in all materials, meetings, and interactions, thereby ensuring the City is speaking with a consistent and clear voice.
• Identifying target audiences/creation of contact list (community/neighborhood organizations, business/civic organizations (Chamber, Rotary, etc.), senior population, medical and educational community, media, etc.
• Consider developing a Speaker’s Bureau – Coordination with target groups, possibly including individual briefings with elected officials, to meet and discuss rate study and receive feedback at designated milestones.
• Using the City’s website as a primary resource for information on rate issues. The project page could be housed on the City server but could also be linked to other community-serving sites.
• Creating an educational fact sheet that could be distributed both in hard copy and electronically (using the networks established above). It can be hand distributed at the meetings during the speaker’s bureau presentations, as well as be made available at the council meeting and Prop 218 hearing.
• Developing and distributing media releases that convey the City’s key messages to the community at strategic milestones. Coordinating with the media for follow-up articles would be beneficial; possibly even scheduling an editorial briefing.

NBS will work with City staff to develop a strategic outreach program designed to inform and educate, gather input, and address concerns in a proactive way. These activities will better prepare the City staff and Council by helping them more clearly understand the public’s reaction to possible rate increases and what they should expect at the public hearing. Ultimately, this will put the City in a more confident position to address community issues and effectively explain the need for the rate increases.
TASK 2 – SOLID WASTE RATE STUDY

2.1 - Data Collection and Development (Solid Waste)

Task Objectives: Clearly communicate and work with City staff to obtain the necessary data.

Task Deliverables:
- Data request to City staff.
- Review of initial data provided.
- Discussions with City staff regarding any outstanding data requirements.

The following are the basic types of data that will be needed:
- Data requirements and collection, such as:
  - Number of solid waste accounts by customer class and type of service
  - Total annual tonnage collected and disposed by customer class
  - Route maps of residential and commercial collection routes
  - Copy of franchise agreement with Gilton Solid Waste Management
  - Financial data (City budgets as well as financial data provided by Gilton)
  - How the results will be presented to the City Council and the public

2.2 – Evaluation of Current Policies, Goals and Objectives (Solid Waste)

Task Objectives: Review and evaluate the City’s current rate-related policies and discuss the results and possible changes with City staff before proceeding with the rate analysis.

Task Deliverables: Summary of current policies and, if needed, recommendations for changes.

The fact that the City uses contracted solid waste services means the solid waste rate study is fundamentally different than the water and wastewater study. In particular, we will need to understand the rate-setting process between the City and Gilton Waste Management, and this may change the specific tasks proposed below. If, after clarifying this relationship, tasks need to be adjusted, we will evaluate the tasks and related costs with City Staff.

In light of these issues, it will be helpful to clarify the City’s policies related to the solid waste rates. NBS will discuss this review, along with past policy-related problems, and recommend changes as needed.

2.3 - Rate Analysis (Solid Waste)

2.3.1 - Evaluate and Project Revenue Requirements
This task will rely on the City’s current financial information (City budgets and Gilton data) but will also review the City’s assumptions used to forecast both revenues and expenditures. Using the City’s projected revenues and expenditures, we will be estimate the sufficiency of the current rate structure and projected rate adjustments. Particularly with respect to the FY 2010-11 year-end deficit of $351,000 which the City noted, revenue and expense projections will need to determine annual rate adjustments that might be needed.

We will project the total annual revenue requirements for the next ten (10) years to better reflect financial trends and help in longer-term planning.
2.3.2 - Cost-of-Service Analysis

The solid waste cost-of-service analysis and rate calculation should reflect the particular goals and objectives the City thinks will best benefit the community as a whole. Therefore, we will work with City staff to understand and incorporate the City's overall goals and objectives during the analysis. However, the two basic components of the cost-of-service analysis are:

1. Allocating costs to customer classes, and
2. Developing unit costs by service component.

Allocating Solid Waste Costs to Customer Classes

We will identify how and why costs should be allocated to each solid waste customer class and summarize those allocated costs. The allocation process will be based on factors such as total annual tonnages, number of pickups and personnel costs assigned to residential versus commercial programs, and reasonable allocations for the various costs included in the City's solid waste services. Table 2-1 illustrates this process we used in a rate study for the City of Clovis.

<table>
<thead>
<tr>
<th>Collection Costs</th>
<th>Adjusted FY '04-'05</th>
<th>Allocated Costs</th>
<th>Allocation %'s</th>
</tr>
</thead>
<tbody>
<tr>
<td>76100 Admin. (Pro-rata share) (b)</td>
<td>$593,406</td>
<td>$349,641</td>
<td>$243,767</td>
</tr>
<tr>
<td>76110 Residential</td>
<td>$1,768,353</td>
<td>$1,768,353</td>
<td>$0</td>
</tr>
<tr>
<td>76120 Commercial</td>
<td>$1,723,621</td>
<td>$0</td>
<td>$1,723,621</td>
</tr>
<tr>
<td>76130 Community Clean Up</td>
<td>$703,876</td>
<td>$703,876</td>
<td>$0</td>
</tr>
<tr>
<td>Total Collection</td>
<td>$4,789,257</td>
<td>$2,821,889</td>
<td>$1,967,388</td>
</tr>
</tbody>
</table>

Disposal Costs

76100 Admin. (Pro-rata share) (b) $310,346 $180,002 $130,346 56% 42%
76200 Landfill - Operations  $2,194,399 $1,272,751 $921,647 56% 42%
76200 Landfill - Capital     $1,201,700  $696,996 $504,714 56% 42%
Total Disposal               $3,706,446 $2,149,739 $1,556,707 56% 42%

Total Collection & Disposal $8,495,703 $4,971,608 $3,524,095 56% 41%

Developing Solid Waste Unit Costs by Service Component

Once the revenue requirements have been allocated to residential and commercial customer classes, we will develop specific unit costs, which will then be used to calculate the actual rates. Specific unit costs may include:

- Route travel time,
- Bin-lift time,
- Travel to the disposal facility,
- Container costs,
- Disposal costs,
- General overhead/admin costs

The table below is an example of the commercial unit cost developed in a previous study.

<table>
<thead>
<tr>
<th>Table 2-2 Costs of Bin Lift Time (for each empty per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>1 CY Bin</td>
</tr>
<tr>
<td>2 CY Bin</td>
</tr>
<tr>
<td>3 CY Bin</td>
</tr>
<tr>
<td>Totals</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

5 That is, as long as the rates do not subsidize one customer class at the expense of another, transfer enterprise funds to the general fund, or engage in similar practices that violate Prop 218 requirements, the goals and objectives that best serve City customers should be addressed.

Proposal to Prepare a City of Livingston Prepared by NBS – January 10, 2012
2.3.3 - Calculate Solid Waste Rates
Building on the results from the cost-of-service analysis, we will calculate the solid waste rates. At the end of this task, we will provide a full comparison between the current and projected rates.

Develop Cost-of-Service Rates
The sum of the individual cost-of-service components, which will include the unit costs developed (i.e., route travel time, bin-lift time, disposal costs, etc.), as shown below.

<table>
<thead>
<tr>
<th>Table 2.3 Summary of Costs and Cost Per Ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Annual Costs</td>
</tr>
<tr>
<td>Collection Costs</td>
</tr>
<tr>
<td>Disposal Costs</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>Estimated Tonnage</td>
</tr>
<tr>
<td>Costs Per Ton</td>
</tr>
<tr>
<td>Collection Costs</td>
</tr>
<tr>
<td>Disposal Costs</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
</tbody>
</table>

We will calculate residential rates that include the full cost of service for each container size. While we recognize the City only provides 90 and 300-gallon residential containers, the table and figure below are examples from another similar study with additional sizes of containers.

<table>
<thead>
<tr>
<th>Table 2.4 COS Residential Rates ($/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Gallon Toter (Shale/in)</td>
</tr>
<tr>
<td>Collection-Based Costs</td>
</tr>
<tr>
<td>Bin Lift Time</td>
</tr>
<tr>
<td>Route Travel Time</td>
</tr>
<tr>
<td>Container Cost</td>
</tr>
<tr>
<td>Subtotal - Collection-based</td>
</tr>
<tr>
<td>Quantity-Based Costs</td>
</tr>
<tr>
<td>Landfill Travel Time</td>
</tr>
<tr>
<td>Disposal Costs</td>
</tr>
<tr>
<td>Subtotal - Volume-based</td>
</tr>
<tr>
<td>1st Toter Rate</td>
</tr>
</tbody>
</table>

We will calculate full cost-of-service commercial rates for each bin size. As with residential rates, service components (route travel time, bin-lift time, MRF-disposal costs, etc.). This rate structure will recover the full commercial revenue requirements. Table 2-5 provides an example of a commercial rate results from a previous study, and indicates that the cost-of-service rates for 1 bin with 1x per week collection were higher than current rates, while the cost-of-service rates for 3 bins with 2x per week were lower than the current rates. These types of cost differences are one of the benefits that this kind of analysis provides.

<table>
<thead>
<tr>
<th>Table 2.5 Commercial Rates ($/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of Service</td>
</tr>
<tr>
<td>Current Rates</td>
</tr>
<tr>
<td>Cost-of-Service Rates</td>
</tr>
<tr>
<td>1 CY Bin (1 Bin, 1x/wk)</td>
</tr>
<tr>
<td>2 CY Bin (1 Bin, 1x/wk)</td>
</tr>
<tr>
<td>3 CY Bin (1 Bin, 1x/wk)</td>
</tr>
<tr>
<td>1 CY Bin (3 Bins, 2x/wk)</td>
</tr>
<tr>
<td>2 CY Bin (3 Bins, 2x/wk)</td>
</tr>
<tr>
<td>3 CY Bin (3 Bins, 2x/wk)</td>
</tr>
</tbody>
</table>

2.4 – Prepare a Written Study Report (Solid Waste)
NBS will prepare a draft and final report following the same approach set forth for the water and wastewater study report in Task 1.5 above. We will also assume that the reports for all three utilities will be combined into one report rather than separate reports.

---

These results are for a study for the City of Santa Cruz.

Proposal for the
City of Livingston
Prepared by NBS – January 10, 2012
2.5 - Meetings with City Staff and Presentations (Solid Waste)
NBS will provide the same approach to meetings for the solid waste analysis as used in the water and wastewater tasks discussed above in Task 1.6. We assume that, to the extent possible, meetings for water, wastewater and solid waste will be combined (e.g., revenue requirements for all will be addressed in the same meeting).

2.6 – Proposition 218 Process (Solid Waste)
We will also provide the same tasks and services for solid waste as are identified in Task 1.7 above. We assume that solid waste rate hearings and Prop 218 noticing will be done separately from water and wastewater. If this is not the case, we will adjust proposed costs as needed.

2.7 – Assistance with Public Outreach and Communications (Solid Waste)
The public outreach and communication tasks for solid waste will be the same as those identified in Task 1.8 above for water and wastewater.

SCHEDULE

NBS recognizes that the City considers completion of this study to be an urgent need. Although the City has not identified a required completion date, we will assume the February 8, 2012 Notice to Proceed to be the start date.

We believe that it will not serve the City’s interests well to “rush” this study, and note that it will require adequate time to develop and implement not only the technical tasks, but also the public outreach and noticing of City ratepayers and impacted property owners. Based on this understanding, we recommend the following timing to complete this study, following Proposition 218 requirements.

<table>
<thead>
<tr>
<th>Key Procedural Event:</th>
<th>Suggested Timing:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Commencement</td>
<td>Week 1</td>
</tr>
<tr>
<td>Progress Meeting with Staff/Management</td>
<td>Week 4</td>
</tr>
<tr>
<td>Progress Meeting with Staff/Management</td>
<td>Week 7</td>
</tr>
<tr>
<td>Progress Meeting with Staff Management</td>
<td>Week 10</td>
</tr>
<tr>
<td>Draft Report Issuance</td>
<td>Week 12</td>
</tr>
<tr>
<td>City Council Workshop</td>
<td>Week 14</td>
</tr>
<tr>
<td>Final Report Issuance</td>
<td>Week 16</td>
</tr>
<tr>
<td>City Council Direction to Begin Mailing Prop 218 Notices</td>
<td>Week 18</td>
</tr>
<tr>
<td>Public Notice Mailing</td>
<td>After Week 18</td>
</tr>
<tr>
<td>Deadline for Receiving Written Protests</td>
<td>45 days After Mailing Date</td>
</tr>
<tr>
<td>Public Hearing, if Approved</td>
<td>No Less Than 45 Days After Notice Mailing Date</td>
</tr>
<tr>
<td>Effective Date of Rates, if Approved and Protest Threshold Unmet</td>
<td>No Less Than 30 Days After Final Reading of Approved Ordinance</td>
</tr>
</tbody>
</table>

Prepared by NBS – January 10, 2012
SECTION 3. REFERENCES

NBS submits the following references for projects our project team has performed comparable to the needs of the City of Livingston:

**El Dorado Irrigation District, Placerville, CA**
- Jim Abercrombie, General Manager  
  (530) 642-4041  
  jabercrombie@eid.org

**East Valley Water District, Highlands, CA**
- Mr. Matt LeVesque, Board Member  
  (951) 830-4918  
  matt@bishopconstruction.net

**Multi-Agency Sewer and Water Rates and Connection Fee**
**Lake County Special Districts, Lakeport, California**
- Mr. Mark Dellinger, Administrator  
  Lake County Office of Special Districts  
  (707) 263-0119  
  markd@co.lake.ca.us

**City of Greenfield**
- Mike Compton  
  Interim Finance Director  
  (831) 674-5591  
  mcompton@ci.greenfield.ca.us

**Dixon Solano Water Authority**
- Cammie Morin, Finance Director Solano Irrigation District  
  (707) 455-4008  
  cmorin@sidwater.org

Nevada Irrigation District
TIMOTHY A. CROUGH
ASSISTANT GENERAL MANAGER

"This project came together after several years of collaboration between NBS, NID staff and the local residents. NBS provided the financing solution that met the local needs and resulted in overwhelming community support."

Proposal for the
City of Livingston
Prepared by NBS – January 10, 2012
SECTION 4. COST PROPOSAL

Submitted under separate cover
SECTION 5. CORPORATE STRUCTURE/ORGANIZATION

COMPANY STATISTICS

NBS was founded in 1996 by experienced finance and engineering professionals, and we have worked with more than 250 public agencies in California to date. Our staff currently numbers 36 professionals working exclusively in California, based in either our San Francisco (Northern California) or Temecula (Southern California) offices. NBS is a registered corporation in the State of California. It is not a subsidiary of any other company.

The legal name of NBS and the physical address of our Corporate Headquarters are as follows:

NBS Government Finance Group
32505 Temecula Parkway, Suite 100
Temecula, CA 92592

Phone: 800.676.7516
Fax: 951.296.1998
Web: www.nbsgov.com

PROJECT TEAM STRUCTURE AND ROLES

NBS is staffed with seasoned experts who are dedicated to providing our clients with the best possible results. The NBS staff of over 35 consultants and engineers has extensive experience in the fields of finance, management, engineering, and local governance and combine their knowledge to produce a synergy that results in maximum success and minimum risk.

The NBS staff is fully conversant with all changes to laws, codes, and regulations affecting local governments. Recognized as leaders in their field, they are often asked to teach university courses, serve as expert witnesses, and participate in workshops for troubled agencies. In addition, NBS staff works with our clients as partners by developing an intimate knowledge of their needs and responding with strategic and timely solutions.

NBS is pleased to make the following individuals available to the City of Livingston for this important project:

- **Greg Clumpner – Project Director:** Mr. Clumpner will manage the ongoing administration of the project, serving as the primary point of contact for City staff and directing the work efforts of our project team. He will work closely with the City of Livingston's designated project manager to monitor schedule and delivery of work products to City's satisfaction. While designing and directing analytical efforts, Mr. Clumpner will also provide senior-level technical analysis as warranted throughout the project.

- **Nicole Kissam – Senior Consultant, and Kim Bohler – Consultant:** Ms. Kissam and Ms. Bohler will oversee data acquisition and validation efforts with City staff, direct specific areas of model design, and prepare technical analysis supporting the determination and justification of cost allocations, at the direction of our Project Director. They will work actively with departmental staff members who oversee and perform services under review in this effort, be fully conversant in all...
findings and will be onsite for progress, findings, and public events. Ms. Kissam and Ms. Boehler will also present recommendations and findings to staff with Mr. Clumpner, or in his absence direct such meetings, presentations, and any other public bodies or public hearings.

- **Pablo Perez – Senior Consultant**: Mr. Perez will lead our team’s efforts on tasks related to the development of the City’s Proposition 218 notice, development of the mailing database, and tabulation of outcomes at the public hearing.

In addition to our direct project team members, NBS assigns another director to this engagement in a Client Services role: ensuring the fundamental objectives are met at all times. Tim Seufert will perform this role. Furthermore, our project team will tap, as necessary, the NBS staff of financial analysts to parse large data sets and perform supporting tasks to the primary modeling in this project. The organization chart shown as Exhibit A illustrates the reporting relationships within our proposed project team.

Exhibit A.
Organizational Chart
and NBS Project Team

---

**PROFESSIONAL BIOGRAPHIES**

The following sections provide a narrative description of the experience and background of our proposed project team members.

**Greg Clumpner – Director**: Greg Clumpner is a Director in the Financial Consulting Practice at NBS. Mr. Clumpner’s 28-year professional career has focused on financial and economic analyses, and management consulting assignments for municipal water, wastewater, and solid waste agencies. He recently joined NBS after spending three years as the California rate and finance business class leader at another engineering consulting firm. He also served six years as the principal and owner of Foresign Consulting, where his primary focus was on water, sewer and solid waste rate analyses.

Greg regularly makes presentations at industry conferences, such as AWWA and ACWA, and provides client workshops on cost-of-service rate issues. He is an expert in developing financial models and proforma analyses to evaluate the consequences of various infrastructure development alternatives and cost-of-service rate structure design. His cost-of-service experience includes preparing revenue requirements, cost-of-service, and rate structure design studies, multi-year financial plans, conservation-oriented water rates, funding analysis, and Proposition 218 requirements. He has prepared more than 100 cost-of-service water and sewer rate studies throughout California and the U.S. He has extensive experience evaluating solid waste collection and disposal systems, both with feasibility studies of system improvements, funding...
alternatives, and rate analyses, with several recent municipal rate design studies. In addition, he has evaluated system development charges (connection fees) for water, wastewater, and other municipal improvements for the more than 60 municipal clients.

His project financing/bond feasibility study experience includes 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.

Greg's academic background includes a University of California (Davis) Bachelor of Sciences degree in Environmental Planning and Management along with a Master of Science degree in Agricultural Economics (emphasis in managerial economics); his other management consulting and strategic planning experience includes operational and financial analyses related to funding strategies for municipal agencies, system valuations and acquisitions, and municipal versus private operations.

Nicole Kissam – Senior Consultant: Nicole Kissam is Director of Financial Consulting for NBS. She has over 10 years total work experience in public sector consulting, city government, marketing, and public relations. Nicole has been a financial and management consultant to local government for the majority of her career, specializing in cost allocation plans and user fee and rate studies for California agencies.

Ms. Kissam joined NBS in 2010 after four years as the Vice President and Secretary of another public sector consulting firm, where she was responsible for origination and development their Financial Services Practice in the Western United States, focusing on cost allocation, user and regulatory fee analysis, and cost of service studies. In that role, she also performed management audits to improve the operational efficiency of various municipal services, including wastewater, community development, public works, recreation and human resources. Nicole started her career as a Senior Consultant for a large national consulting firm, providing professional services in the areas of cost allocation and cost of service studies.

Ms. Kissam has participated in, managed, and completed more than 100 separate consulting engagements throughout her career, from small jurisdictions with less than 10,000 population, to large jurisdictions such as the City/County of San Francisco’s Building Inspection Department, and City of Los Angeles’ Planning and Fire Departments. Recent experience in the utility rate setting environment includes ongoing projects for the DIXOR-Solano Water Authority, City of Thousand Oaks, Avila Beach Community Services District, and others. In addition to her California experience, she has also consulted with public agencies in cities in the states of Virginia, Hawaii, Nevada, Arizona, and Washington.

Ms. Kissam holds a Bachelor of Sciences degree in Business Administration from the California Polytechnic State University in San Luis Obispo, California, with a concentration in International Business. Throughout her career, she has performed pioneering work in the area of cost-based building fee analysis, helping municipalities move away from charging fees based on valuation. Ms. Kissam has been invited regularly by various professional organizations to speak at local meetings and annual business meetings, including recently for the County Building Officials Association of California, where she presented on the subject of Strategies for Managing your Building Department’s Budget.

Pablo Perez – Senior Consultant: Pablo Perez is a Director with NBS where he and his staff form and administer various types of Special Financing Districts (SFD). Pablo has significant experience with the formation of SFD’s including 1915 and 1911 Act Assessment Districts, Landscape Maintenance Districts (LMDs), Community Facilities Districts (CFDs), Benefit Assessment Districts (BADs), Property Related Fees, Parcel
Taxes, as well as other Fees and Charges. He is actively involved in the daily management of district administration operations, the preparation of the annual special assessment levies, and the management of related projects including bond issuance and refunding analysis.

Pablo provides Proposition 218 consulting services related to the establishment or increase of fees, charges and assessments. He is an acknowledged expert in Proposition 218 compliance programs which of particular significance was the City of La Habra Heights project. There were over 2,000 assessment ballots mailed, and the property owners voted to retain the annual assessment for street maintenance.

Pablo has worked with the Pleasant Hill Recreation and Park District, Dublin San Ramon Services District, Association of Bay Area Governments, and the East Bay Regional Park District, the County of San Benito, and the Cities of Oakland, Piedmont, and others around the Bay Area.

Kim Boehler – Consultant: Kim Boehler is a Consultant at NBS. She has supported financial consulting projects and provided special financing district administration services to over 34 cities, counties and special districts in California during her four years with NBS.

In the Financial Consulting practice of NBS, Ms. Boehler supports project teams completing water and wastewater utility rate studies for cities and special districts in California. Recent engagements include utility rate studies for the City of Waterford, Solvang, Desert Water Agency and West County Wastewater District, and a storm drain system financing plan for the City of Los Altos. Ms. Boehler is responsible for developing financial models, data analysis and research. Her 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. Ms. Boehler's technical skills are essential to the work we perform and are regularly utilized in analyzing and manipulating large and complex data sets extracted from client information systems, operating and capital budgets and staffing or systems plans.

As a special district administrator, Ms. Boehler has consulted with over 30 different public agencies in California, to assist them in recovering costs for a variety of public improvements and services for over 100 special financing districts. Utilizing her strong data management and analytical skills, she has been responsible for placing multi-million dollar special assessments and taxes on the annual secured property tax rolls. Ms. Boehler has administered districts with over 30,000 parcels and bond issues in excess of twenty million dollars. In addition to administering active districts, she was also responsible for performing the analysis to close out the funds of matured districts and distributing the remaining funds back to property owners and the public agency, in accordance with state law.

Prior to joining NBS, Ms. Boehler earned her Bachelor of Science Degree from California State University, San Bernardino, where she graduated with honors in 2004. She studied Business Administration with a specialization in Finance. Throughout the course of her studies, Ms. Boehler held positions in the retail and hospitality industries, while also gaining hands-on work experience in both private and public sector organizations. With over ten years total work experience, in a variety of fields, Kim has a diverse skill set that allows her to effectively tackle the many challenges that arise in public sector consulting.
Tim Seufert is the Director with NBS in the San Francisco office. He has a dozen years of local government experience with special financing tools, in California and locally. He also has a decade of corporate financial experience, all with noted Bay Area firms Ciorox and Dreyer's. Mr. Seu'ert is involved with local government projects from the inception and feasibility stage to their completion, and has been active with municipalities, school districts, counties, and fire and other special districts. He has been a presenter at training seminars, and author on local government finance issues.

Mr. Seufert's corporate and public finance background serves him well in analyzing the potential feasibility of projects and financing mechanisms. He has been actively involved with the feasibility and formation of: special taxes (parcel taxes and Community Facilities Districts), various types of special assessments, business improvement districts, etc.

Tim works with A-C Transit, East Bay Regional Park District, Greater Vallejo Recreation District, and the Cities of San Francisco, Emeryville, Sausalito, Larkspur, San Rafael, Belmont, San Carlos, San Mateo, and many others around the Bay Area.
SECTION 6. OTHER

PROJECTS WITH POTENTIAL CONFLICT OF INTEREST

NBS does not have any current projects that would provide a potential conflict of interest with this project scope proposed for the City of Livingston.

CITY STAFF RESPONSIBILITIES

NBS plans to work closely with City staff in conducting this study. To that end, we assume that City staff will provide the following:

- **Data as Requested** – This includes financial data such as current and projected budgets, detailed operating costs, capital improvements plans (types of projects, costs and timing), updated water sales, and related data.

- **Summary of City Policies** – Particularly policies, whether written or assumed. (Much of this has already been included in the City’s RFP.)

- **Coordination and Attendance of Meetings** – While NBS will work with City staff to schedule meetings and presentations, we would expect City staff to coordinate internal schedules to ensure that appropriate staff members will attend meetings as needed.

- **Provide Study Direction and Guidance** – As we develop and propose alternative financial and rate design scenarios, we will expect City staff to provide direction and decisions on how they would like to study to proceed. We will expect staff to coordinate with City management and Board to ensure alternatives pursued are in line with the City’s overall objectives.

- **Coordination of Workshops and Presentations** – Staff will need to coordinate and schedule any meetings and/or presentations with the City Council and/or Financial and Administration Committee as needed.

- **Presentation Materials** – We will assume that any handouts or copies of presentations to the public and/or Board or Committee members for public meetings, workshops, and presentations will be provided by City staff.