

STAFF REPORT



ITEM NO. 14

CITY OF OCEANSIDE

DATE: July 6, 2011
TO: Honorable Mayor and City Councilmembers
FROM: Water Utilities Department
SUBJECT: **AMENDMENT 2 TO THE AGREEMENT WITH THE FCS GROUP TO PROVIDE CONTINUING FINANCIAL ANALYSIS SERVICES FOR THE WATER UTILITIES DEPARTMENT**

SYNOPSIS

Staff recommends that the City Council approve Amendment 2 in an amount not to exceed \$94,565 to a professional services agreement with the FCS Group of San Francisco (Exhibit A) for financial advisory services for the City and Community Development Commission (CDC), to provide further financial analysis services for the Water Utilities Department and authorize the City Manager to execute the amendment.

BACKGROUND

On June 10, 2009, the City Council approved a five-year professional services agreement with the FCS Group to provide financial advisory services for the City and CDC including specialized utility finance and rate analysis services to the Water Utilities Department. The Water Utilities Department retained the FCS Group in July 2009 at a cost of \$49,960 to perform a rate analysis for the water and wastewater funds, which was administratively approved as an unnumbered amendment. Council approved Amendment 1 to the agreement with FCS Group for \$113,640 on December 6, 2009, to develop water and wastewater rate increases and to review the City's current process of identifying and documenting Water Utilities capital assets to comply with GASB 34 requirements, as well as to update the asset valuations.

ANALYSIS

The Water Utilities Department requested FCS Group to submit a proposal (Exhibit B, dated March 9, 2011) that included assistance with:

- Current and future rate setting;
- Updates to the Water and Wastewater system buy-in fees;
- Capital funding strategies;
- Assistance with water resource planning;
- Clean water (stormwater) funding alternatives; and
- Negotiations with adjoining agencies for the lease and purchase of asset and water rights.

To accomplish the additional tasks required by the City, staff is requesting an amendment to the existing agreement with the FCS Group.

FISCAL IMPACT

The FCS Group has submitted a proposal in an amount not to exceed \$94,565 for the continuing financial services described above. The City Council approved FY 2011/12 appropriations for the Water and Wastewater Miscellaneous Projects funds (908824000712.5305 and 909978000722.5305) of \$1,000,000 respectively, so sufficient funds are available.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

INSURANCE REQUIREMENTS

The City's standard insurance requirements will be met.

RECOMMENDATIONS

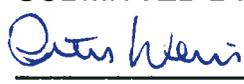
Staff recommends that the City Council approve Amendment 2 in an amount not to exceed \$94,565 to a professional services agreement with the FCS Group of San Francisco (Exhibit A) to provide continuing financial analysis services for the Water Utilities Department and authorize the City Manager to execute the amendment.

PREPARED BY:



Greg Blakely
Administration Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Cari Dale, Water Utilities Director

Teri Ferro, Financial Services Director







Exhibit A: Amendment to the Professional Services Agreement with FCS Group
Exhibit B: FCS Group Proposal dated March 9, 2011

CITY OF OCEANSIDE
AMENDMENT #2 WATER UTILITIES DEPARTMENT TO
PROFESSIONAL SERVICES AGREEMENT

PROJECT: 2011 WATER UTILITIES CONTINUING FINANCIAL SERVICES

THIS AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (hereinafter "Amendment"), dated July 6, 2011 for identification purposes, is made and entered into by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY," and FCS GROUP, hereinafter designated as "CONSULTANT."

RECITALS

WHEREAS, CITY and CONSULTANT are the parties to that certain Professional Services Agreement dated June 10, 2009, hereinafter referred to as the "Agreement," wherein CONSULTANT agreed to provide certain services to the CITY as set forth therein;

WHEREAS, CONSULTANT and CITY, through its Water Utilities Department, entered into Amendment #1, dated December 6, 2009 to the Agreement;

WHEREAS, the parties desire to amend the Agreement to specify the scope of work and compensation for services to be provided by CONSULTANT for the 2011 Water Utilities Continuing Financial Services pursuant to the Agreement.

AMENDMENT

NOW, THEREFORE, as set forth herein, the parties hereto do mutually agree that the Agreement shall be amended as follows:

1. **SCOPE OF WORK.** CONSULTANT will provide continuing financial services including analysis of current and future rate setting; water and wastewater system buy-in fees; capital funding strategies; water resource planning; Clean water (stormwater) funding alternatives; and the lease and purchase of asset and water rights with adjoining agencies.

2. **COMPENSATION.** CONSULTANT's compensation for all work performed in accordance with this Amendment #2 Water Utilities shall be billed at the hourly rates set forth in the Agreement, in an amount not to exceed \$94,565.

3. Except as expressly set forth in this Amendment, the Agreement shall remain in full force and effect and is hereby ratified and reaffirmed.

SIGNATURES. The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the CONSULTANT and the DEPARTMENT.

IN WITNESS WHEREOF, the parties hereto being duly authorized on behalf of their respective entities to execute this Amendment, do hereby agree to the covenants contained in the Agreement, including this Amendment and have caused this Amendment to be executed by setting hereunto their signatures this _____ day of _____, 2011.

CONSULTANT:

CITY OF OCEANSIDE:

By: *P. M. Moy* Principal
Name/Title

By: _____
Peter A. Weiss, City Manager

Date: 5/27/11

Date: _____

By: _____
Name/Title

APPROVED AS TO FORM:

Date: _____

Andrew Hamilton, ASST.
City Attorney

Employer ID No.

91-141-7946

NOTARY ACKNOWLEDGEMENTS OF CONSULTANT MUST BE ATTACHED.

Certificate of Acknowledgement

State of Washington
County of King

On May 27, 2011, before me, Teresa V. Bollinger
(date) (notary)

personally appeared, Peter May
(signers)

personally known to me -- OR --

proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument

WITNESS my hand and official seal

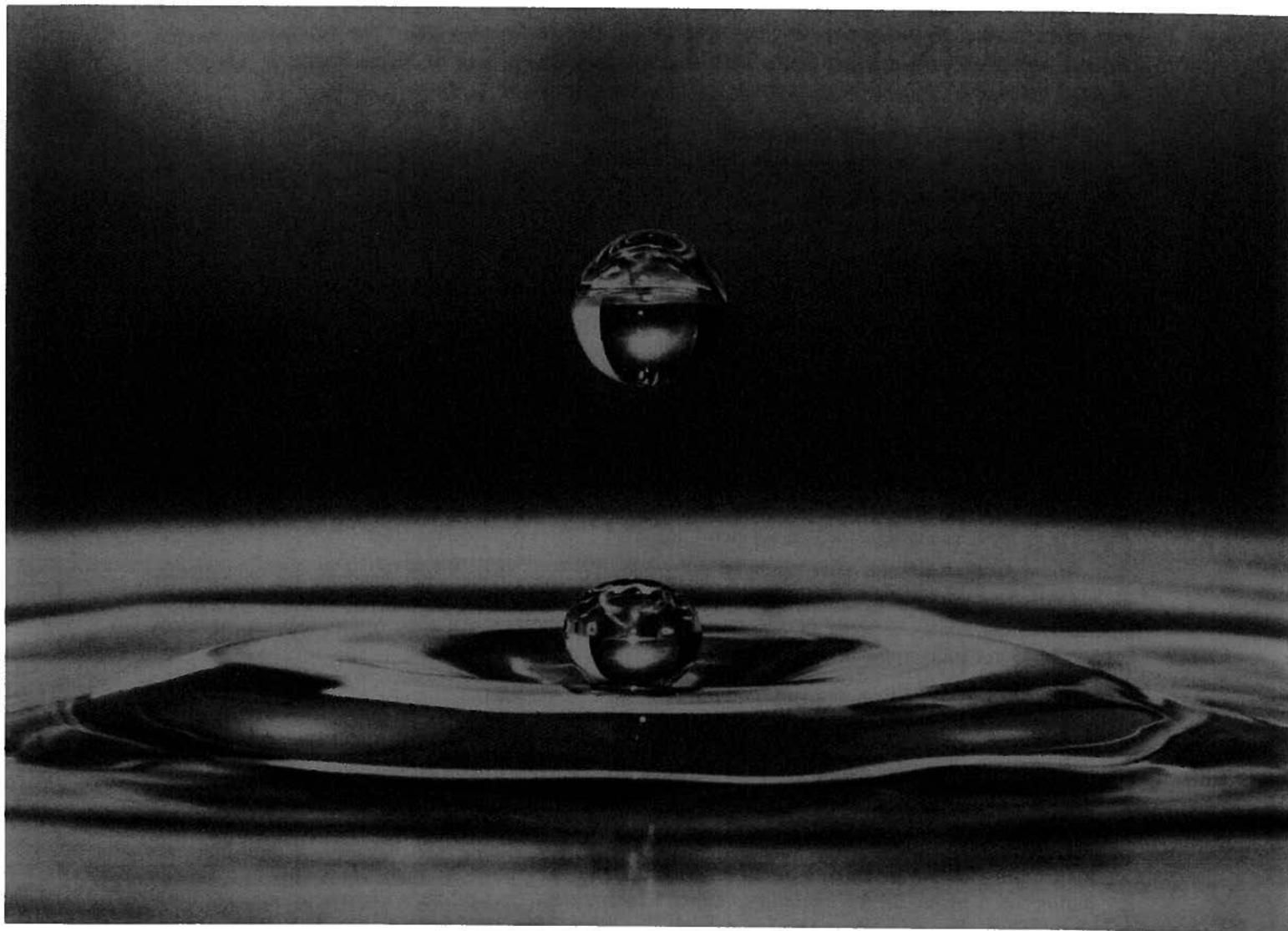


Teresa V. Bollinger

(notary signature)



Oceanside Water Utilities Department
Continuing Services Proposal



March 9, 2011



225 Bush Street
Suite 1825
San Francisco, California 94104
T: 415.445.8947 F: 415.398.1601

Redmond Town Center
7525 166th Ave. NE., Suite D-215
Redmond, Washington 98052
T: 425.867.1802 F: 425.867.1937

4380 SW Macadam Avenue
Suite 220
Portland, Oregon 97239
T: 503.841.6543 F: 503.841.6573

May 9, 2011

Ms. Cari Dale
Oceanside Water Utilities Department
300 N. Coast Highway
Oceanside, CA 92054

RE: WATER UTILITIES CONTINUING SERVICES PROPOSAL

Thank you for inviting FCS GROUP to submit a proposal to continue to provide utility financial and management services to the City of Oceanside Water Utilities Department. This continuing services request addresses both existing needs identified by the City, as well as future financial services as deemed necessary. The current identified needs are as follows:

1. Current and future rate setting process;
2. Updates to the Development Buy-In Fees;
3. Capital funding strategies;
4. Assistance with water resource planning;
5. Clean water (stormwater) funding alternatives; and
6. Negotiations with adjoining agencies for the lease and purchase asset and water rights.

We understand that rate and fee increases can be politically sensitive. There is a need for transparency in documentation, clear communication to public bodies, and the highest level of QA/QC. You can rely on our team to continue to provide the highest caliber of consulting services. FCS GROUP will develop rates, fees, and fiscal policies that are designed to provide equity between utility customers, be legally defensible, and achieve Oceanside's utility policies. In order to tackle these issues, we will continue to maintain an interactive working style with City staff. We believe that this approach has provided high cost efficiencies for the City by allowing staff to perform much of the necessary project research, relying on FCS GROUP for our critical expertise. Additionally, the breadth of our experience and client base allows us to serve as a critical outside advisor,

Since our founding in 1988, FCS GROUP has performed more than 1,850 financial and management studies. Working for local governments is our sole practice. One of the keys to our business success and reputation is our ability to listen to our clients and produce customized study results that can be easily implemented and understood by everyone.

With the FCS GROUP Team, you can look forward to:

- ◆ Robert Grantham (Study Manager) has extensive financial policy analysis and advisory experience throughout the Southwest. His active area clients include the Santa Margarita Water District, the Orange County Sanitation District, the Santa Ana Watershed Project Authority, Western Municipal Water District, and the cities of Oceanside and Carlsbad, just to name few. Mr. Grantham is an active member of the AWWA Rates and Charges Committee and contributing author to the soon to be released updated M1 Rates Manual. He is also the principal author for a paper in the upcoming Water Environment Federation's (WEF) technical journal showcasing the revenue planning model developed for the Sacramento Regional County Sanitation District. This work derives from Mr. Grantham's experience integrating engineering with utility finance. He has developed asset management programs for agencies such as the City of Scottsdale, AZ, and having formed the business solutions group of a leading national water/wastewater design firm prior to joining FCS GROUP in 2007.
- ◆ Matthew Mullen (Project Consultant) has developed highly sophisticated, user-friendly models

May 9, 2011
Cari Dale, Water Utilities Department Director
2011 Continuing Services
page 2

for municipal utilities throughout the western United States, including the cities of Oceanside and Carlsbad, the Santa Margarita Water District, and Santa Ana Watershed Project Authority. He provides innovative approaches to meeting each client's specific needs, whether it's by creating a fiscal policy dashboard for Westminster, CO, or building a county-wide transit model for King County, WA (Seattle).

On behalf of our team, I want to thank you for the opportunity to continue to work you and your staff. Please feel free to contact me as needed at (415) 445-8947 or email at robbg@fcsgroup.com.

Sincerely,
FCS GROUP



Robert S. Grantham
Study Manager

TABLE OF CONTENTS

1. Statement of Experience	1
2. Proposed Staffing / Project Organization	11
3. Scope of Work	15
4. Proposed Budget	18

1. STATEMENT OF EXPERIENCE

FCS GROUP is one of the largest independent West Coast firms specializing in municipal rates and finance, we strive to provide our clients with holistic financial and management solutions and have worked with Oceanside's sister agencies and throughout the State of California to balance resource needs and capital investments with affordable and attainable rate plans. Our financial models allow clients to efficiently evaluate engineering investment alternatives and financing options—sorting out the feasible options. We develop rate structures that are tailored to each client and that marry complexity, administrative ease, and policy objectives. We believe that our team can help Oceanside address these challenges. Key attributes to our team include:

- ◆ **Balance**—In achieving balance among policy drivers, financial variables, and ultimately the social or emotional influences behind most decisions, we will work with Oceanside to prepare an objective, yet flexible set of recommendations. “Our numbers” will inform your decision process and give you the opportunity to subjectively consider alternatives that provide sufficient funding for operations, maintenance and capital projects.
- ◆ **Innovative**—We pride ourselves on what we believe is a unique approach to financial master planning and modeling. We will continue to work with Oceanside to explore novel approaches to meeting the City's policy objectives. Finally, the City's financial model will allow staff to run real-time, side-by-side simulations necessary to quickly respond to questions or concerns raised by Oceanside and your Council.
- ◆ **Local Perspective**—Understanding Oceanside's specific challenges and larger regional issues are critical to developing a sound long range finance plan. Our ongoing clients include the City of Carlsbad, the City of Del Mar, the Santa Ana Watershed Project Agency (SAWPA), the Orange County Sanitation District (OCSD), the Western Municipal Water District (WMWD), and the Santa Margarita Water District, to name a few. Our proposed study manager led each of these successful projects.
- ◆ **Collaborative**—The collaboration with, and buy-in by, Oceanside staff is a critical element to the success of this study. As the custodians of Oceanside's system, there must be complete agreement. FCS GROUP will be fully engaged with Oceanside throughout the process to help navigate the process and develop a functional, effective financial plan and model. We recognize that ultimate ownership must remain with Oceanside.
- ◆ **Expertise**—Our proposed study manager is a member of the AWWA National Rates and Charges Committee and developed rate and financial plans for Riverside, OCSD, and WMWD (which included a water supply alternative evaluation). Additionally, prior to joining FCS GROUP, our study manager formed the Business Solution Group for a leading national water and wastewater engineering firm with the intent of creating a linkage between the engineering team, the financial management, and the bond market.

FIRM PROFILE

Our mission is to facilitate sound decision-making and management by public officials and stakeholders. We do this by providing a solutions-oriented analytical approach to public sector financial and management issues and programs. At FCS GROUP, we understand that every municipal agency faces its own unique challenges. Our success and reputation come from the ability to listen to clients and produce customized study results that can be easily implemented and understood by everyone.

Our Utility Rates & Finance practice serves water, wastewater/sewer, storm and surface water, reclaimed/recycled water, solid waste, electric, and transportation clients. Our Management Consulting practice specializes in helping local and state governments address and solve issues involving policy analysis, public finance, and organizational performance. We also provide economic and financing strategies. Our strong utility, management consulting, and economic expertise provides a unique combination of skills and knowledge about public sector financial operations and the services supported by those finances.



Utility Finance & Rates Solutions

Our consultants recognize the challenges utility managers face as they strive to provide essential services to the public, fully fund the costs of providing and sustaining good service, and maintain equitable rates and fees. At FCS GROUP, we help our clients succeed in balancing these sometimes competing objectives by applying our broad industry expertise of best practices to each agency we serve and by developing customized solutions that reflect the values of our clients and their communities. Services include:

- ◆ Capital Reinvestment (Asset Management/Reserve Funding)
- ◆ Comprehensive Plan Financial Elements/ Capital Financing Plans
- ◆ Excise Tax Rebate Analysis (WA)
- ◆ Financial Advisory Services
- ◆ Litigation Support and Expert Witness
- ◆ Mergers, Acquisitions, Assumptions, Consolidations, Divestitures Fiscal Health Reviews
- ◆ Negotiations and Mediations
- ◆ Regional Governance and Multi-Agency Analysis
- ◆ System Development Charges/Connection Charges
- ◆ Utility Appraisals and Valuations
- ◆ Utility Formations
- ◆ Utility Rate Studies
- ◆ Water Supply and Treatment

Public utilities served include:

- Water
- Reclaimed Water
- Stormwater
- Wastewater/Sewer
- Solid Waste
- Electricity
- Transportation

Management Consulting

FCS GROUP's management consultants specialize in helping local and state governments address and solve issues involving policy analysis, public finance, and organizational development. They provide a broad understanding and level of expertise in how local and state governments set and implement policies, how the many



different governmental functions are performed, and what role elected officials, the public, community organizations, and employees have in making government responsive to community needs. Services include:

- ◆ Annexations and Development Analyses
- ◆ Benchmarking and Comparative Studies
- ◆ Cost of Service/Cost Recovery Analysis
- ◆ Development Services Fees
- ◆ Financial Planning and Analysis
- ◆ Indirect Cost Allocation Plans
- ◆ Impact Fees
- ◆ Mergers, Acquisitions, Assumptions, Consolidations, Divestitures
- ◆ Organizational Analysis and Change
- ◆ Performance Audits, Measurement, Indicators, Reviews
- ◆ Staffing Analyses
- ◆ User Fees

Organizational divisions served include:

- Administration
- Building Inspection and Plan Review
- Cemeteries
- Community Service
- Court Systems and Jails Public Safety (fire, ambulance, EMS)
- Engineering
- Facilities Management
- Finance
- Information Systems and Technology
- Libraries
- Parks and Recreation
- Planning, Land Use, and Community Development
- Public Health and Social Services
- Public Works
- Transportation/Road Operations Zoos

Economic Services

Our economic consultants evaluate the economic and fiscal implications of alternative development approaches, use and create innovative analytical techniques, and craft achievable economic strategies that add public and private value.

We understand the public sector's policy objectives, the private sector's economic imperatives, and the decision-making processes required to generate support for proposed solutions. FCS GROUP specialties include local and regional economic and financing strategies for transportation, transit, parks, sewer, water, stormwater facilities, public-private developments, and community revitalization. Services include:



- ◆ Annexation and Municipal Incorporation Studies
- ◆ Asset Management and Valuation
- ◆ Capital Improvement Programs
- ◆ Community Outreach
- ◆ Community Redevelopment Strategies
- ◆ Financial Feasibility
- ◆ Financing and Implementation Strategies
- ◆ Life-Cycle Cost Analysis
- ◆ Real Estate Market Analysis
- ◆ Site Programming and Phasing
- ◆ Special Benefit District Formation Plans

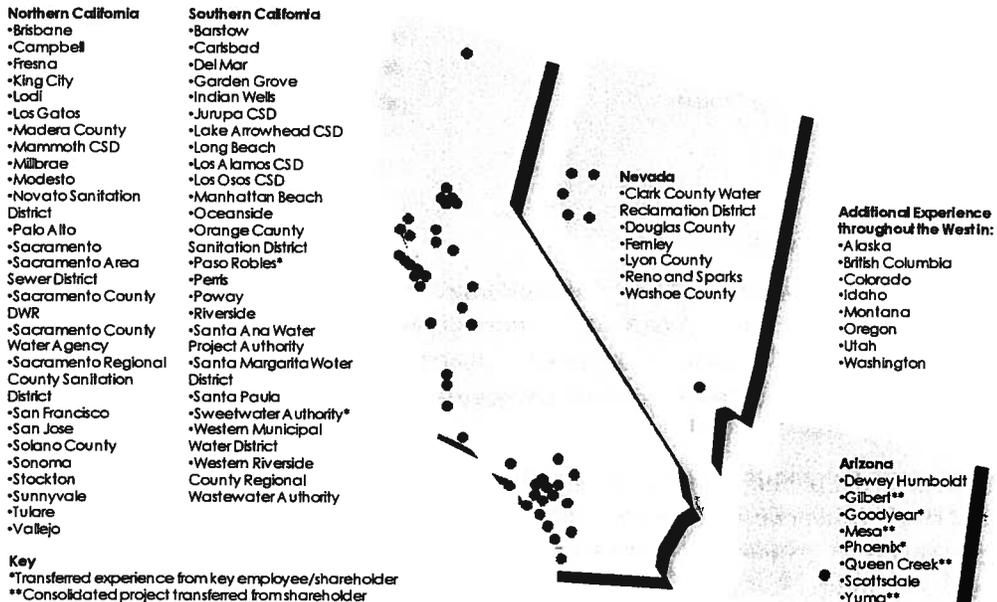
- ◆ Developer/Business Recruitment
- ◆ Economic Analysis
- ◆ Economic and Fiscal Impact Analysis
- ◆ Environmental and Social Justice Analysis
- ◆ Sustainable "Green Infrastructure" Return on Investment
- ◆ Tax Revenue Forecasts

Departments and commissions served include:

- Business Industrial Parks
- Economic Development Districts
- Incubator Complexes
- Planning Departments
- Port Districts
- State-Funded Incentives
- Urban Renewal Commissions

The following represents a sampling of our 1,800 completed projects for 425 clients throughout the United States.

Select Southwest Project Experience



SIMILAR WORK

Our proposed team has worked together successfully for clients throughout the State of California and Western United States. The following list of sample projects demonstrates related studies completed (or in progress) by members of our proposed team in the past five years.

- ◆ City of Barstow – Wastewater Utility Rate Study
- ◆ City of Brisbane – Water and Sewer Utility Rate Update
- ◆ City of Camas, WA – Sanitation, Water, and Sewer Utility Rate Study
- ◆ City of Carlsbad – Water and Wastewater Rates and Capacity Fee Study
- ◆ City of Del Mar – Water and Wastewater Rates and Capacity Fee Study
- ◆ City of Garden Grove – Billing Cycle Evaluation
- ◆ City of Manhattan Beach - Water and Wastewater Rate Study
- ◆ City of Modesto - Water Rate and Connection Fee Study
- ◆ City of Oceanside - Water Utilities Financial Plan and Rate and Connection Fee Updates; Drought Emergency Water Rates
- ◆ City of Riverside – Wastewater Rates and Connection Fees Study
- ◆ City of Sacramento – Water, Sewer, Stormwater, and Solid Waste Utility Rate and Cost of Service Study; Water, Sewer, Stormwater Utility Rate Model Development
- ◆ City of San Jose – Wastewater, Stormwater, and Recycled Water Connection Fee Study
- ◆ City of Santa Paula – Evaluation of Water Recycling Facility DBOF Proposals; Joint Powers Authority Formation and Bond Feasibility Analysis; Refuse Feasibility Study
- ◆ City of Sunnyvale – Water and Wastewater Cost of Service and Rate Study
- ◆ City of Tulare – Wastewater Connection Fee Study
- ◆ City of Westminster, CO – Water and Sewer Utility Financial Modeling
- ◆ Greenfield Water Reclamation Facility, AZ – Cost Allocation and Financial Model
- ◆ Lake Arrowhead Community Services District – Comprehensive Financial Master Plan
- ◆ Los Osos Community Services District – Water Rate Study and Financial Plan
- ◆ Novato Sanitary District – Alternative Service Delivery
- ◆ City of Oceanside, CA – Comprehensive Water Utility Master Plan; Drought Emergency Water Rates
- ◆ Orange County Sanitation District – Revenue Program and Rate and Connection Fee Update; Wholesale User Rates for Santa Ana Regional Interceptor; Capital Facilities Charge Update
- ◆ Sacramento County Department of Water Resources – Organizational Assessment Study
- ◆ Sacramento County Water Agency – Comprehensive Financial Plan and Rate Design Study
- ◆ Sacramento Regional County Sanitation District (SRCSD)/Sacramento Area Sewer District (SASD) – Revenue Program Development; Sewer Rate and Impact Fee Study
- ◆ San Francisco Public Utilities Commission – Raw Water Rate Study; Water and Wastewater Rates and Connection Fee Study
- ◆ Santa Ana Water Project Authority – Santa Ana Regional Interceptor (SARI) Financial Model
- ◆ Santa Margarita Water District – Water Cost of Service and Rate Design Study
- ◆ Seattle Public Utilities, WA – Water, Sewer and Storm Drainage Connection Charge Study
- ◆ City of Vancouver, WA – Comprehensive Stormwater, Water, and Wastewater Rate Study
- ◆ Washoe County, NV – Truckee River Flood Control Project Funding Study; Stormwater Utility Formation
- ◆ Washoe County, NV – Water, Recycled Water and Wastewater Financial Policy and Funding Study
- ◆ Western Municipal Water District – Water Scenario Planning Improvement and Connection Fee Study
- ◆ Western Riverside County Regional Water Authority – Facility Expansion and Cost Allocation Study

City of Westminster, CO | Long-Range Fiscal Planning Model and Utility Financial Model

Reference | Mike Happe, Water Resource Manager, Ph. (303) 658-2182
E. MHappe@ci.westminster.co.us

Unique to this model, a policy dashboard visually displayed which fiscal policies were exceeded, met, or deficient.

FCS GROUP developed a long-range fiscal planning model and performed a cost of service study for the City of Westminster. The project included identifying, analyzing and agreeing on key policy issues along with the development of a long-range revenue

requirement models for each service, and a forecast of revenue requirements that will facilitate the long-term fiscal health of each service. At the conclusion of the project, we documented our findings in a report describing the recommended policies and resulting charges, wrote the model user manual, drafted adopting ordinances/resolutions, participated in Council and Public meetings, and trained City staff to use those models.

City and County of Broomfield, Broomfield, CO | Utility Operational Assessment and Rate Study

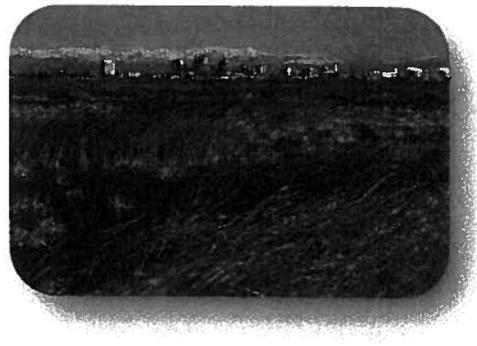
Reference | Alan King, Director of Public Works, Ph. (303) 438-6362, E. aking@broomfield.org

The City of Broomfield hired FCS GROUP to conduct a utility operational assessment and cost of service rate study. The operational assessment focused on effectiveness and efficiency of service delivery, and evaluated field and plant operations as well as organizational structure. The rate study incorporated the cost impacts of the operational assessment and provided a financial and rate forecast. In addition, we completed a cost of service allocation to define costs by customer class and to guide rate structure elements. The City received a rate forecast model as a study deliverable. The study was performed with direct interaction with City management and Council with findings of each phase presented to the Council.

City of Sacramento, CA | Cost of Service Utility Rate Study and Financial Modeling

Reference | Wally Cole, Senior Management Analyst, Ph. (916) 808-6203
E. wcole@cityofsacramento.org

The City of Sacramento Department of Utilities provides and maintains water, sewer, storm drainage, and solid waste services and facilities. FCS GROUP conducted a cost of service and utility rate study for each of the City's four utility funds. This study included a review of each fund's fiscal policies as well as the development of new fiscal policies to meet the City's financial short-term and long-term goals. FCS GROUP also developed financial modeling programs for each utility. These programs analyze revenues, operating costs, asset management requirements, capital project financing, and calculate a project's annual utility rates. DOU had previously (2008) developed (internally) a baseline rate model as a business planning tool to allow it to project required revenue, service expenditures, and capital improvement allocations. The new programs builds on and enhance DOU's existing model and include rate drivers for a 50-year period (including operating, capital, and debt financial obligations) and offer user definable "what-if" scenarios, offering up to six side-by-side comparisons. These programs cohesively integrate financial and engineering planning.



Orange County Sanitation District, CA | Revenue Program and Rate Updates

Reference | Angela Brandt, Accounting Supervisor, 10844 Ellis Avenue Fountain Valley, CA 92708, Ph. (714) 593-7576 E. abrandt@ocsd.com

FCS GROUP and an engineering partner performed a major review of the Orange County Sanitation City's (OCSD) wastewater rates and connection fees. Additionally, we developed an approach for phasing out intra-class industrial rate subsidies within the scope of Proposition 218 guidelines. The key issues addressed through this process included assessment of additional capacity fees for increased discharges from existing users; allocation of capital and O&M costs to wastewater flow, BOD and TSS; evaluation of alternative sewer service charges; and capacity fees for industrial users. We reviewed existing rates and rate models, existing and planned O&M and capital budgets, and finances. FCS GROUP then assisted the Orange County Sanitation District with an update of its capital facilities capacity charge (CFCC) and supplemental capital facilities capacity charge (SCFCC).

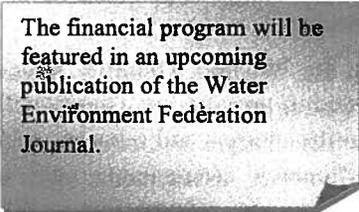
City of Carlsbad, CA | Wastewater Cost of Service and Rate Design Study

Reference | Helga Stover, Senior Accountant, 1635 Faraday Avenue, Carlsbad, CA 92008 Ph. (760) 602-2429 E. Helga.Stover@carlsbadca.gov

The City of Carlsbad and the Carlsbad Municipal Water District (collectively, Carlsbad) selected FCS GROUP to perform a comprehensive cost of service study for Carlsbad's water, recycled water, and wastewater utilities. Additionally, we performed a review of guiding fiscal policies for its reserves and rate structures, develop drought rates, and develop capacity fees for Carlsbad's water and wastewater utilities. In order to develop these rates, FCS GROUP examined historical and customer data and allocate costs by functional area and by various customer classes. Using these allocations, FCS GROUP developed equitable rates that adhere to Proposition 218 while fully recovering all costs associated with operating each utility.

Sacramento Regional County Sanitation District and Sacramento Area Sewer District, CA | Revenue Program Development

Reference | Mike Huot, Senior Civil Engineer, 10060 Goethe Road, Sacramento 95827 Ph. (916) 875-4297 E. huotm@sacsewer.com



The financial program will be featured in an upcoming publication of the Water Environment Federation Journal.

FCS GROUP developed a user-friendly and dynamic revenue modeling program for the Sacramento Regional Sanitation District (SRSD) and Sacramento Area Sewer District (SASD) that projected revenue needs for a 50-year planning horizon. The program was developed in collaboration with the District's management team and was specifically tailored to its unique needs and preferences. Analytical features allowed the Chief Financial Officer to predict rates and charges; define "what-if" scenarios of potential financial consequences of management and planning decisions; and provide multiple graphical representations of the data for presentations.

King County Transit Division, WA | Transit Financial Forecasting Model

Reference | Dennis Barnes, Business and Finance Officer IV, Transportation Department,
201 S. Jackson Street, Seattle, WA 98104, Ph. (206) 263-7225,
E. Dennis.Barnes@kingcounty.gov

King County Transportation Division's King County Transit hired FCS GROUP to develop a financial planning model. In response to auditor findings, the Department wanted a forecasting model that would provide transparency, auditability, and ease of use. FCS GROUP created a spreadsheet-based model that incorporates graphical user interfaces for ease of use. Several security levels were set up for active users, managers/reviewers, and decision makers. The process began with a deconstruction of the existing model to identify key inputs, analytical modules, and outputs. From this, a conceptual model was developed and framed for the new forecast model to clearly organize and isolate inputs, analysis, and outputs. The completed beta model was approved and structural features were overlaid using VBA once the model form and structure was confirmed and approved.

Santa Ana Watershed Project Authority | SARI Financial Plan

Reference | Richard Haller, Manager of Engineering and Operations, 11615 Sterling Ave.,
Riverside, CA 92503, Ph. (951) 354-4220, rhaller@sawpa.org

FCS GROUP prepared a financial plan and model for the Santa Ana Water Project Authority (SAWPA). The plan was central in shaping fiscal policies and achieving an equitable allocation of costs to the four member agencies discharging to the Santa Ana Regional Interceptor (SARI), which include Eastern MWD, Inland Empire Utilities Agency, San Bernardino Valley MWD, and Western MWD. As the fifth member agency in SAWPA, Orange County Water District was also an active participant in the process. The study's financial forecast accounted for major cost drivers and identified significant variables through a series of sensitivity analyses. The model was also a critical communication tool. While access to the model itself is limited to staff, the outputs help to facilitate clear communication to the Commission and member agencies to direct policy and operations.



Washoe County, NV | Water, Recycled Water and Wastewater Financial Policy and Funding Study

Reference | Ben Hutchins, Water Resources Financial Manager, 4930 Energy Way Reno, NV
89502, Ph. (775) 954-4646 E. bhutchins@washoecounty.us

FCS GROUP is developing a system-wide strategic financial plan for Washoe County's Water, Reclaimed Water, and Wastewater utilities. The financial plan is intended to provide the County with guiding fiscal and debt funding policies, as well as develop capital facility charges and rates for each of the three utilities. The study also incorporates operational efficiency assessments and an engineering capacity evaluation. The operational assessments evaluate the cost of providing utility service to justify current staffing levels. The engineering assessment was designed to evaluate the interconnectivity of the County's disparate systems to justify a system-wide capital facilities charge under NRS 224A and NRS 278B.

San Francisco Public Utilities Commission, CA – Raw Water Rate Study

Reference | Crispin Hollings, Asset Management Manager, 1155 Market Street, 5th Floor, San Francisco, CA 94103, Ph: (415) 487-5235

The San Francisco Public Utilities Commission (SFPUC) provides wholesale water to 29 agencies throughout the bay area whose members are collective known as the Bay Area Water Supply and Conservation Agency (BAWSCA). This membership also includes the Coastside County Water District (CCWD). While the CCWD is the only agency that receives untreated water from the SFPUC, they have historically paid the same ‘treated’ water rate that the other 28 wholesale agencies pay. Additionally, the CCWD is the only wholesale agency that receives water directly from the SFPUC’s Pilarcitos Reservoir. As a provision of the 2009 wholesale contract update between the SFPUC and the BAWSCA members, the SFPUC was required to evaluate whether CCWD’s unique water demands warrant a separate and distinct rate.

FCS Group has been hired by the SFPUC to evaluate and develop various rate options which meet the requirements of this new wholesale agreement. With staff’s assistance, FCS Group developed three rate alternatives for the purposes of this evaluation: a non-treatment rate, a Pilarcitos Reservoir specific rate, and a combination of the two preceding methodologies. In developing these rates, FCS Group evaluated existing wholesale contracts, operating costs, capital outlays, outstanding debt, demand uncertainties, and developed methodologies for allocating costs. The result of this study was the development of a wholesale water rate that more accurately reflects the cost associated with the SFPUC providing water to the CCWD.

City of San Jose, CA – Wastewater, Stormwater, and Recycled Water Connection Fee Study

Reference | Thuy Nguyen, Engineering and Construction Services, 200 East Santa Clara Street, San Jose, CA 95113, Ph: (408) 793-4163

FCS GROUP was studying appropriate charges associated with a new connection to the City of San Jose’s Water Pollution Control Plant (WPCP), Sanitary Sewer System, Storm Drainage System, and/or South Bay Recycled Water Facility. The analysis required a review of customer data, asset records and capital improvement plans in order to allocate system costs to existing and future customers based on exhausted and available capacities. FCS GROUP developed connection fees for the City that are in accordance with California Government Codes 54999 and 66000; implemented the City’s policy objectives; provided a necessary capital funding source to meet future capital needs; and equitably recovered a proportionate share of system capacity costs from future users.

FCS GROUP also developed a capital revenue forecast, which incorporated projected capital costs and estimated connection fee revenues. The forecast allows the City to evaluate the timing of projected capital expenditures against connection fee revenues and other capital funding sources (i.e. debt, reserves, and developer contributions). Based on the size and duration of proposed capital projects, cash flow curves were used to project annual expenditures, taking into account planning, design and construction durations and typical expenditure requirements. This approach provided a realistic forecast of actual expenditures and allowed the City to better gauge its ability to fund necessary projects using connection fees.

City of Modesto - Water Rate and Connection Fee Study

Reference | Jack Bond, Capital Planning Manager, 1010 10th Street, Modesto, CA 95354, Ph. (209) 577-5424

The City of Modesto hired FCS GROUP to develop a cost of service water rate and connection charge study and is currently completing the analytical phase of the study. The goal of this study includes: developing equitable rate structures for all customers; generating sufficient revenues to meet operating, debt service, and capital costs; and developing a financial plan that provides an optimal combination of new debt and a build-up of reserve funds for the purpose of cash-funding capital projects. The specific analyses conducted for this study included a policy review, revenue requirement assessment, customer data review, and a detailed review of the City's fixed assets and capital improvement program. As part of the analysis, FCS GROUP developed parallel scenarios to account for two potential water supply options. FCS GROUP also developed policy papers that reviewed existing City financial policies and recommended adjustments to policy, when necessary. The rates developed for the City were based on "cost of service" principles and adhered to Proposition 218 requirements. Additionally, the City's connection charges were developed in accordance with California Government Codes 54999 and 66000. At the conclusion of the study, FCS GROUP will provide the City with a computer rate model and will hold an on-site workshop with City staff in order to transition ownership of the program. The model was tailored to mirror the City's water enterprise financial budgets and policies, and provide City staff with the capability of assessing "what-if" scenarios in an effort to better inform policy decisions.

City of Manhattan Beach, CA – Water and Sewer Rate Study

Reference | Jim Arndt, Public Works Director, 3621 Bell Ave, Manhattan Beach, CA 90266, Ph. (310) 802-5300

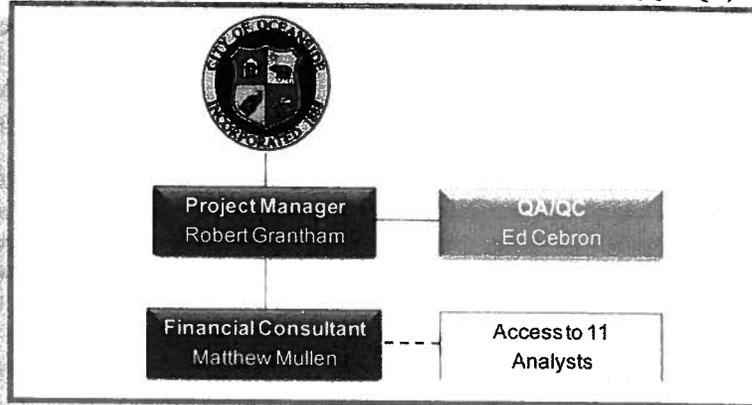
FCS GROUP developed a utility financial plan and cost of service rate study for the City of Manhattan Beach's water and sewer utilities. A fiscal policy framework addressed reserves and risk management, financial performance, capital funding, rate equity, and system reinvestment standards. A financial forecast was prepared for each utility delineating projected costs and revenue requirements, revenue and related resources, and ultimately the level of rate revenues needed to satisfy fiscal requirements and policy objectives. The cost of service study examined conservation rate structure alternatives, developed an analysis of capacity charges, established a charge structure, and established a drought response rate strategy in the event of supply reductions or necessary demand curtailments. The drought response analysis examined the use of pricing as a demand reduction tool and evaluated the financial requirements imposed by declining or curtailed water sales. Drought response rates were structured to account for any potential revenue reductions due to mandated curtailment and changes in consumption behavior, as well as potential penalty charges due to not meeting the required reductions in consumption. We presented policy elements and rate recommendations to the City Council in two stages, and supported public outreach efforts of the City. The financial models were provided to the City as project deliverables, along with onsite staff training.



2. PROPOSED STAFFING / PROJECT ORGANIZATION

The FCS GROUP team consists of **Robert Grantham** as project director, **Matthew Mullen** as lead consultant, and **Ed Cebron** as principal who will also provide quality assurance and control (QA/QC). Our team provides a breadth of experience to complete the City's work in a timely, thoughtful, and cost effective manner. They know and understand the region as well as the special circumstances and regulations facing utilities.

As the project manager, **Robert Grantham** has a six year relationship with the City and brings cost-of-service expertise in rate setting and fiscal analysis with his exceptional aptitude for project oversight. He leads the FCS GROUP California practice, specializing in financial and management analyses for water, sewer, stormwater, solid waste, and transportation utilities. He works for municipal agencies throughout California and the western United States. His clients include the Cities of **Carlsbad, Del Mar, San Francisco, Sacramento, and San Jose**, as well as the **Orange County Sanitation District, the Sacramento Regional County Sanitation District and the Santa Ana Water Project Authority**, to name only a few.



Technical and cost effective, **Matthew Mullen** brings his experience with analyzing utility rate studies, he has recently been the consulting lead on rate and cost of service studies and model development for **San Francisco Public Utilities Commission, City of San Jose, City of Carlsbad, and Santa Ana Water Project Authority**.

Responsive and valuable advice and guidance from **Ed Cebron**, on creative approaches to resolving complex rate issues. He was recently the managing principal that successfully guided the **City of Manhattan Beach** through significant updates to their water and sewer rates and fees. As a founding principal at FCS GROUP, Mr. Cebron is a recognized industry leader in utility finance and has worked extensively throughout the western United States since our firm's inception and is thoroughly familiar with regional issues. Mr. Cebron is a water district commissioner and was a founding contributor to the Cascade Water Alliance, a water consortium in the Washington Puget Sound.

All teammate have worked together on the similar studies listed above, are intimately familiar with California statutory and case law requirements, (e.g., Proposition 218 rate requirements and CGC 54999 and 66000 requirements for capital facility charges), and are aware of the issues facing the City and its constituents.

All teammate have worked together on the similar studies listed above, are intimately familiar with California statutory and case law requirements, (e.g., Proposition 218 rate requirements and CGC 54999 and 66000 requirements for capital facility charges), and are aware of the issues facing the City and its constituents.

Robert Grantham | Study Manager

B.A., Government and History, Franklin and Marshall College
 Post Baccalaureate, Engineering Science, Rutgers University College of Engineering

Robert Grantham is our California Branch Manager and specializes in financial and management analyses for water, sewer, stormwater, solid waste, and transportation utilities. He has worked with over 85 municipalities throughout the United States, including California, Arizona, Washington, Florida, Texas, and Hawaii. Mr. Grantham will lead the discussion and analysis of his respective areas by drawing upon prior experience with sister agencies, knowledge of industry standards, and engineering perspective. Finally, Mr. Grantham was responsible for writing and updating AWWA's M1 manual chapter addressing tiered water rates. He was also previously responsible for forming the

Business Solutions Group for a leading national water and wastewater engineering firm to integrate engineering, financial, and bond planning. Mr. Grantham has assisted water and wastewater agencies issue over \$1.5 billion in new debt, including San Francisco, Honolulu, and Phoenix.

- ◆ **City of Carlsbad, Utility Rate Design.** Mr. Grantham led the City of Carlsbad's water and wastewater rate and connection fee study. The study evaluated numerous rate alternatives, including a unique time-of-day agricultural water budget rate using the City's new AMI water meters. This structure was developed in collaboration with agricultural stakeholders to incentive off-peak water usage, in order to reduce the City's diurnal and season peak loads
- ◆ **Sacramento County Water Agency, Water Rate Study.** Mr. Grantham was the project manager responsible for examining policy and management issues related to utility reserves, capital financing, and capital replacement funding strategies and incorporated recommendations into the forecast. A financial model was developed allowing continued utility forecasting and policy assessment and provided to the utility along with training sessions to facilitate ongoing use of the model. Finally, the model integrated the City's Comprehensive Asset Management (AM) program through a novel module developed in collaboration with the City's AM lead.
- ◆ **Sacramento Regional County Sanitation District (SRSD)/Sacramento Area Sewer District (SASD) Revenue Program Development.** Mr. Grantham's project management role involved developing a user-friendly and dynamic revenue program for the SRSD and SASD that projects revenue needs for a 50-year planning horizon.
- ◆ **San Francisco Public Utilities Commission, Wholesale Water Rate Study.** Mr. Grantham, as the project manager, coordinated a multi-agency program to review and develop various rate options which meet the requirements of the new 28 agency wholesale water agreement. Mr. Grantham has worked with the SFPUC providing financial support since 2005, including the wastewater commercial paper program.
- ◆ **Orange County Sanitation District, Revenue Program and Rate Update.** Mr. Grantham has served as the District's on-call rate consultant since 2005 developing the District's last two rate and capital facilities capacity charge (CFCC) plans to support full secondary wastewater treatment to 2.4 million users.
- ◆ **Santa Ana Water Project Authority, SARI Financial Model.** Mr. Grantham was the study manager for the preparation of a financial rate plan and model for the Santa Ana Water Project Authority (SAWPA).

Matthew Mullen | Project Consultant and Financial Modeling

B.S. Managerial Economics, University of California, Davis

A.B. Communications, University of California, Davis

Matthew Mullen is a project consultant with FCS GROUP focusing on analytical and computer modeling work in support of the firm's utility consulting efforts. Mr. Mullen has served as the lead consultant for the City of Riverside, Santa Ana Water Project Authority, Western Municipal Water District, San Francisco Public Utilities Commission, and Orange County Sanitation District. He has also served as the lead consultant for the water and wastewater rate studies for the Cities of Oceanside, Carlsbad and Del Mar. Finally, Mr. Mullen excels in financial modeling and visual basic programming. He has developed financial and capital planning models for such agencies as the Sacramento Regional County Sanitation District and the City of Westminster, Colorado.

- ◆ **City of Oceanside, Water Utilities Financial Plan.** Mr. Mullen was the lead project consultant responsible for developing near- and long-term rate forecasts, developing buy-in charges

(connection fees), and analyzing the rate structure for water, wastewater, and recycled water. The rate structure was developed within the rate equity requirements of Proposition 218, the State Water Resources Control Board, and Oceanside's State Revolving Fund loan.

- ◆ **City of Carlsbad, Wastewater Cost of Service and Rate Design Study.** Mr. Mullen was engaged as a lead project consultant responsible for developing a comprehensive cost of service study for Carlsbad's water, recycled water, and wastewater utilities. The project included the examination of historical and customer data in order to allocate costs by functional area and by various customer classes.
- ◆ **City of Del Mar, Water and Wastewater Cost of Service, Rates and Capacity Fee Study.** Mr. Mullen's project consultant role on this cost of service rate study including reviewing the City's current fiscal policies, creating drought rates, and developing capacity charges in compliance with Proposition 218 and California Government Codes §54999 and §66000.
- ◆ **City of Sacramento, Utility Rate Model.** Mr. Mullen is the lead consultant for development of a model for the Department of Utilities (DOU) that includes rate drivers for a 50-year period (including operating, capital, and debt financial obligations) and offer user definable "what-if" scenario building. Because the DOU uses the rate model output for its supporting documentation of bond issues and presentations to City leaders and elected officials, the model also provides improved reporting and real-time "what-if" graphical representations.
- ◆ **King County Transit, Financial Forecasting Model.** Mr. Mullen is the lead consultant for the development of the King County transit model, a highly refined financial planning tool. The spreadsheet-based model incorporates graphical user interfaces for ease of use. Several security levels were set up for active users, managers/reviewers, and decision makers. The process began with a deconstruction of the existing model to identify key inputs, analytical modules, and outputs. From this, a conceptual model was developed and framed for the new forecast model to clearly organize and isolate inputs, analysis, and outputs.
- ◆ **Orange County Sanitation District (OCSD), Capital Facilities Capacity Charge Update.** Mr. Mullen was the lead consultant in support of OCSD's capital facilities capacity charge (CFCC) update and supplemental capital facilities capacity charge (SCFCC). This update included a review of all of the major components of the CFCC and SCFCC, including capital costs and projected customer growth, updating source data and assumptions wherever possible. It also attempted to identify and introduce methodological refinements, such as the possible inclusion of a "buy-in" charge based on the cost of the existing system and the use of a multi-year average of treatment plant data to stabilize the definition of an equivalent unit of service.

Edward Cebron | QA-QC Review

M.S., Infrastructure Planning and Management, Stanford University
B.S., Engineering Sciences, Harvard University

Edward Cebron will be responsible for quality assurance and quality control. Mr. Cebron co-founded FCS GROUP in 1988 and specializes in utility rates and finance. He has managed and conducted more than 500 financial and economic analyses for municipal water, sewer, storm drainage, and solid waste utilities. His considerable experience includes roles on the following projects.

- ◆ **City of Manhattan Beach, Water/Sewer Rate Study.** Mr. Cebron recently led the development of a utility financial plan and cost of service rate study for the City of Manhattan Beach's water and sewer utilities, which resulted in doubling of both rates in order to fund critical asset replacement needs and address recent wholesale water increases. A fiscal policy framework addressed reserves and risk management, financial performance, capital funding, rate equity, and system reinvestment standards.

- ◆ **Cascade Water Alliance, Regional Water Rate and Financial Services.** Mr. Cebron served as the project manager to lead an effort to create a new water authority for the metropolitan Seattle area, now known as the Cascade Water Alliance (Cascade). The agency serves eight water purveyors, and was formed to address regional water supply issues and alternatives. Mr. Cebron served as the lead in the negotiations of wholesale water purchases from the City of Seattle and Tacoma, and developed the long-range financial and economic analysis supporting the creation of the agency's own water supply source.
- ◆ **Lake Arrowhead Community Services District.** Mr. Cebron served as the managing principal for the development of a comprehensive financial master plan for the Lake Arrowhead Community Services District. This multi-faceted project included a complete rewrite of all rates and fees imposed by this water and wastewater agency, including analysis of long-term financial needs, policies, accounting practices, and comparative costs. The plan established a blueprint for achieving strong financial performance in the future to help the District face its critical needs.
- ◆ **City of Westminster.** Mr. Cebron served the managing principal for a long-range fiscal planning model and cost of service study for the City of Westminster. With team staff, FCS GROUP worked with the City staff to identify, analyze and agree on key policy issues; construct usable long-range revenue requirements models for each service; and perform necessary cost-of-service allocations and rate design, which will improve rate equity. At the conclusion of the project, Mr. Cebron documented findings in a report describing the recommended policies and resulting charges, drafted adopting ordinances/resolutions, participated in Council and Public meetings, and assisted in training City staff to use the models.

3. SCOPE OF WORK

The water, regulatory, and economic environment for California municipalities is rapidly changing. The City faces increased water supply costs and reduced water demands due to conservation and a slowdown in the construction market. Moreover, the Water Utilities Department must undertake new capital infrastructure projects to replace aging infrastructure, as well as to expand local fresh and recycled water supplies.

Ultimately, our continued work provides the City with an in-depth financial evaluation of the utilities. We are particularly proud of the financial/optimization model that we developed in collaboration with staff. The program provides a platform for not only projecting revenue needs, but includes a complex “what-if” scenario function, that allows the City to simultaneously evaluate numerous variables, helping to eliminate non-feasible alternatives, predict the impacts of the changing environment, and develop funding strategies for critical capital and operational needs.

The proposed task plan addresses the services as requested by the Water Utilities Department staff.

1. PROJECT MANAGEMENT

FCS GROUP will participate in ongoing onsite meetings with City staff and the Utilities Commission as requested. In addition to the defined on-site meetings, we will also utilize GoToMeeting™, a Web conferencing tool that we have successfully used with all of our clients. This technology enables clients and consultants to simultaneously view any application running on a PC in real time over the internet.

To achieve adequate coordination and keep Oceanside’s Water Utilities Director apprised of the study's progress, we will establish a monthly meeting to discuss the study's progress, preliminary observations and findings to date, issues that need guidance, and any other items that need to be discussed. This task will also involve our coordination among the team members as well as our monthly progress reports included as part of our billing process. FCS GROUP will provide a monthly report along with payment request. This report shall describe accomplishments during the billing period, provide a schedule update, what will be accomplished during the next billing cycle, and highlight any potential issues that may arise in the future.

2. BUY-IN FEE UPDATE

It is critical to periodically review the utility development fees for appropriateness. The current development fees were established based on the value of the existing water and wastewater infrastructure. Based on the recent GASB 34 analysis developed with City staff and Carollo Engineers, the known value of the system is much greater than those established by the previous accounting asset records. Based on this update, it is important to adjust the development buy-in fees so that they reflect the true value of the system.

FCS GROUP will update the City’s water and wastewater buy-in fees under CGC 66000 requirements. The new fees will account for capacity within the existing system, as well as future capital improvements required to expand capacity to meet the needs of future users.

Draft and Final Memorandum

Based on the findings and recommendations of this buy-in fee update, FCS GROUP will develop a study memorandum. A draft memorandum will be submitted to the City for review and comments. FCS GROUP will update the memorandum as required and submit a final version to the City.

Key Outcomes: Equitable recovery of system capacity costs from new users buying into the City's water and wastewater systems.

3. BRINE LINE RATE DEVELOPMENT

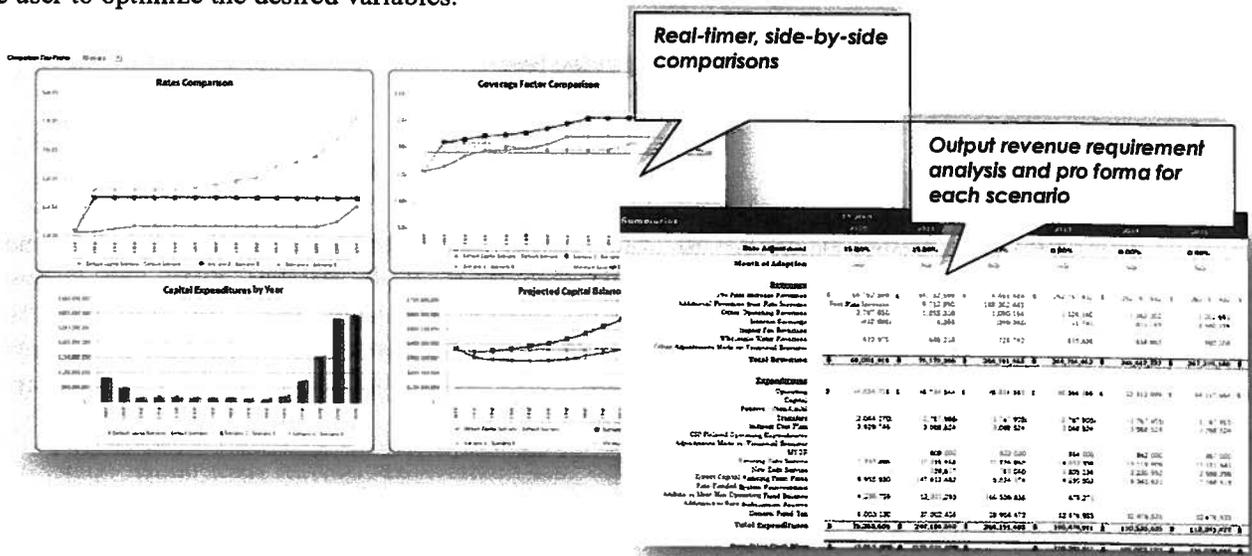
GROUP will develop a user rate for the use of the brine line. The rate will impact two users – the City and Genentech. The rate will be designed to equitably recover the cost to operate and maintain the line, including funding depreciation through an annualize replacement contribution.

The analysis will rely on City provided operating and capital expenditure information. Where capital cost information is not available, the City and FCS GROUP will agreed upon appropriate construction unit cost estimates.

Key Outcomes: Equitable recovery of costs for the brine line.

4. DEVELOP FINANCIAL OPTIMIZATION MODULE

FCS GROUP will integrate a financial optimization module into Oceanside's water and wastewater financial models. The module will allow the City to better examine the impacts of influencing variables such as water purchase costs, water supply alternatives, petroleum based expenditures, etc. The module will run numerous iterations based on defined minimum and maximum ranges, allowing the user to optimize the desired variables.



Key Issue: The optimization module will allow the City to better examine the impact of numerous variables, as well as, plan water resource decisions.

5. ON CALL SERVICES

FCS GROUP has served as the Water Utilities Department's on-call financial advisor for many years. In that capacity, we have performed rate updates, developed tailored and sophisticated water and wastewater financial models, and provided a range of other financial services. We hope to continue to help the City make 'smart business decisions' and to achieve its overall strategic objectives as defined by its Mission Statement as follows:

"The mission of the Water Utilities Department is to provide a safe and reliable water supply to the citizens of Oceanside, and to collect, treat and dispose of wastewater in an environmentally acceptable way at the least possible cost."



FCS GROUP will be available on an on-call basis to continue to provide (as needed) support to the Water Utilities Department. This support will include, but is not limited to, the following:

1. Discussion of fiscal issues and potential opportunities;
2. Examine fiscal trends;
3. Produce a long-range financial plan and credit rating strategy;
4. Assist in the evaluating and optimizing in the use of water resource alternatives, inclusive of imported water, groundwater desalination, and recycled water;
5. Assist in negotiating inter-local agreements (Vista, Fallbrook, Rainbow, etc.); and
6. Provide capital funding strategies in order to provide inter-generational equity and reduce the City's long-term cost of capital.

Key Outcomes: FCS GROUP will continue to serve as an extension of staff, providing advice and assistance as issues arise. It is our objective to assist the City in making sound business decisions related to the operations of the water, wastewater, and clean water systems.

4. PROPOSED BUDGET

Our proposed budget is strictly on a time and materials basis, giving the City absolute discretion over the tasks performed. The budget has been developed based on the known City needs, as identified in the task list above, as well as based our historic need.

FCS GROUP Proposed Project Budget	Workload by Consultant					Total Labor Expenses
	Principal	Grantham		Mullen		
		Project Manager	Project Consultant	Analyst	Admin Support	
Labor Effort & Expense by Task	\$235	\$215	\$150	\$125	\$70	
Task 1. Project Management	0.0	36.0	0.0	0.0	6.0	\$ 8,160
Task 2. Buy-In Fee Analysis	1.0	52.0	50.0	48.0	0.0	\$ 24,915
Task 3. Brine Line Calculations	0.0	12.0	24.0	8.0	0.0	\$ 5,120
Task 4. Financial Optimization Module	0.0	10.0	40.0	0.0	0.0	\$ 8,150
Task 5. On Call Services	2.0	50.0	160.0	80.0	0.0	\$ 48,220
Total Study Hours	3.0	160.0	274.0	136.0	6.0	\$ 94,565

APPENDIX A – RÉSUMES

EDUCATION

- B.A., Government and History, Franklin and Marshall College
- Post Baccalaureate, Engineering Science, Rutgers University College of Engineering

PROFESSIONAL AFFILIATIONS

- American Water Works Association
- California Society of Municipal Finance Officers

PUBLISHED REPORTS

- "Green" Credits - Considerations to Incentivize Green Technology and Prevent Financial Challenges, Growth and Infrastructure Consortium Annual Conference, 2010
- Asset Management, Washington Association of Sewer and Water Districts Spring Conference, 2010
- Utility Organizational Structure Alternatives, Utility Management Conference AWWA/WEF 2010
- Funding Recycled Water in the Silicon Valley, Utility Management Conference AWWA/WEF 2010
- Conservation Rates and Water Budget Allocation During Shortages, ACE AWWA National Conference, 2009
- Asset Management: A Financial Perspective, ACWA Spring Conference, Monterey, CA, 2008; NWEA Annual Conference, Sparks, NV, 2008
- City of Scottsdale, AZ Asset Management Program, 80th Annual AWPCA Conference, Mesa, AZ, 2007

ROBERT GRANTHAM

Senior Project Manager

PROFESSIONAL EXPERIENCE

Robb Grantham is the regional branch manager for our California operations and a project manager specializing in financial and management analyses for water, sewer, stormwater, solid waste, and transportation utilities. He has worked with over 85 municipalities in 13 states, including California, Arizona, Washington, Oregon, and Texas. He is currently completing or has recently completed rate consulting services for the cities of Riverside, Oceanside, Carlsbad, Del Mar, and Orange County Sanitation District and Western Municipal Water District.

Robb active in industry associations including being an active member of the AWWA National Rates Committee and has served on the WaterReuse Association's Project Advisory Committee. He has also published an article with the *Underground Infrastructure Management Magazine* on recycled water rates and cost of service allocations. His analytical skills include performing revenue requirement and rate development analyses, financial forecasting, economic feasibility studies, engineering financial chapters, capital facilities charge/connection fee development, bond parity certification, utility formations, facility valuations, unit price analyses, and indirect cost and management studies.

EXPERTISE

- ◆ Financial Planning & Analysis
- ◆ Cost of Service Utility Rate Studies (Water, Sewer, Stormwater, Recycled Water & Solid Waste)
- ◆ Connection Charges/System Development Charges (SDCs) / Capital Facilities Charges
- ◆ Utility Formations
- ◆ Utility Valuation
- ◆ Economic/Feasibility Analysis
- ◆ Asset Management
- ◆ Comprehensive Plans
- ◆ Bond Certifications
- ◆ Management/Organization Studies
- ◆ Litigation/Expert Witness

- Greenfield Water Reclamation Plant Committee, 80th Annual AWPCA Conference, Mesa, AZ, 2007
- Rate Setting Strategies for Water Re-Use, Underground Infrastructure Magazine, 2006

CURRENT CLIENTS AND PROJECTS

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| <ul style="list-style-type: none"> ▪ City of Barstow, CA – Sewer Utility Rate Study ▪ City of Brisbane, CA - User Fee Study ▪ City of Carlsbad, CA – Wastewater Cost of Service and Rate Design Study ▪ City of Del Mar, CA – Water and Wastewater Cost of Service Study; Drought Rates; and Connection Fee Study ▪ City of Garden Grove, CA - Billing Cycle Evaluation ▪ City of Modesto, CA - Water Rate and Connection Charge Study ▪ City of Oceanside, CA – GASB 34 Update ▪ City of Oceanside, CA - Water Utilities Financial Plan ▪ City of Oceanside, CA – Drought Emergency Water Rates ▪ Orange County Sanitation District, CA – Capital Facilities Capacity Charge Update ▪ Orange County Sanitation District, CA – Wholesale User Rates for Santa Ana Regional Interceptor ▪ Orange County Sanitation District, CA – Revenue Program and Rate Update | <ul style="list-style-type: none"> ▪ City of Riverside, CA – Wastewater Master Plan ▪ City of Sacramento, CA – CIP Programming Guide ▪ City of Sacramento, CA – Water and Sewer Utility Rate Model Development ▪ City of Sacramento, CA – Cost of Service and Utility Rate Study ▪ Sacramento County Department of Water Resources, CA – Organizational Assessment Study ▪ Sacramento County Water Agency, CA – Rate Study - Zone 41 ▪ Sacramento Regional County Sanitation District, CA – Revenue Program Development ▪ Sacramento Regional County Sanitation District, CA – Sewer Rate and Fee Study ▪ San Francisco Public Utilities Commission, CA – Raw Water Rate Study ▪ City of San Jose, CA – Connection Fee Study ▪ Santa Ana Water Project Authority, CA – SARI Financial Model | <ul style="list-style-type: none"> ▪ Santa Margarita Water District, CA – Water Cost of Service and Rate Design Study ▪ Santa Margarita Water District, CA – Water and Wastewater Rate Study ▪ City of Santa Paula, CA – Refuse Feasibility Study ▪ City of Santa Paula, CA – Continuing Services - DBOF Negotiation Support ▪ City of Santa Paula, CA – Evaluation of Water Recycling Facility DBOF Proposals ▪ City of Santa Paula, CA – Financial Assistance for the Development of a Joint Powers Authority ▪ City of Tulare, CA – Wastewater Connection Fee Study ▪ City of Vallejo, CA – Water System Valuation and Economic Advisory Services ▪ Western Municipal Water District, CA – Sewer and Reclaimed Water On-Call Contract ▪ Western Municipal Water District, CA – Water Scenario Planning Improvement |
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ADDITIONAL SPEAKING ENGAGEMENTS

- ◆ Investing in Sustainability: When It Makes Sense and Justifying the Cost, AWWA/WEF Utility Management Conference, 2011
- ◆ Utility Organizational Structure Alternatives, Presented at the Utility Management Conference AWWA/WEF, February 2010
- ◆ Funding Recycled Water in the Silicon Valley, Presented at the Utility Management Conference AWWA/WEF, February 2010
- ◆ Conservation Rates and Water Budget Allocations During Shortages, Presented at ACE AWWA National Conference, June 2009
- ◆ Asset Management: A Financial Perspective, Presented at the Nevada Water Environment Association Conference and Association of California Water Agencies Conference, May 2008
- ◆ City of Scottsdale, AZ Asset Management Program, Paper presented at 80th Annual Arizona Water Pollution Control Association Conference, May 2007
- ◆ Greenfield Water Reclamation Plant Management Committee, Paper presented at 80th Annual Arizona Water Pollution Control Association Conference, May 2007
- ◆ Rate Setting Strategies for Water Re-Use, Underground Infrastructure Magazine, 2006
- ◆ Greenfield Water Reclamation Plant Cost-of-Service Study, Paper presented at the Water Environment Federation 77th Annual Technical Conference and Exposition, Washington, D.C., 2005
- ◆ Allocation of Recycled Water Costs, Paper presented at the Water Environment Federation 77th Annual Technical Conference and Exposition, Washington, D.C., 2005 and at the California Section of the WaterReuse Association Annual Conference, San Diego, CA, 2005
- ◆ Discussion of Asset Management Practices, Paper presented at the Carollo Engineers Technology Transfer Seminar: Cloth Media (DISK) Tertiary Filtration and Asset Management Seminar, Mesa, AZ, 2004
- ◆ Alternative Funding Sources for Recycled Water Programs, Paper presented at the WaterReuse Association 19th Annual Symposium, Phoenix, AZ, 2004
- ◆ AwwaRF's MANAGER: A One-Stop Shop for Conducting Multi-Discipline WTP Infrastructure Assessments and GASB 34 Financial Audits, Paper presented at the AWWA 2004 Information Management and Technology Conference, Baltimore, MD, 2004

EDUCATION

- B.S., Managerial Economics, University of California, Davis
- B.A., Communications, University of California, Davis

PROFESSIONAL AFFILIATIONS

- Municipal Management Association of Northern California, 2008

MATTHEW MULLEN

Project Consultant

PROFESSIONAL EXPERIENCE

Matthew Mullen is a project consultant at FCS GROUP with experience providing cost of service studies for various utilities throughout the western United States. His expertise includes cost allocations; developing retail rates, wholesale rates, drought rates, and recycled water and capacity charges; performing supply analyses and bond feasibility analyses; and incorporating VBA programming to develop intuitive, user-friendly financial models.

Prior to joining FCS GROUP, Mr. Mullen was an auditor for the U.S. Department of Agriculture's Natural Resources Conservation Services Financial Management division. In this role, he was responsible for auditing contract payments and ensuring accuracy and legality of documentation and calculations.

EXPERTISE

- ◆ Cost of Service Utility Rate Studies
- ◆ Capacity Charges/Connection Fees/ System Development Charges
- ◆ Bond Feasibility Analysis
- ◆ Supply Alternatives Analysis
- ◆ Billing Analysis

CURRENT CLIENTS AND PROJECTS

- | | | |
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| <ul style="list-style-type: none"> ▪ City of Carlsbad/Carlsbad Municipal Water District, CA – Water, Wastewater, and Recycled Water Cost of Service Study (2009); Drought Rates; and Connection Fee Study ▪ City of Del Mar, CA – Water and Wastewater Cost of Service Study; Drought Rates; and Connection Fee Study (2008-2010) ▪ City of Garden Grove, CA - Billing Cycle Evaluation ▪ King County, WA – Transit Financial Forecasting Model (2010) ▪ City of Longview, WA - Residential Garbage Rates ▪ City of Mesa, AZ - Greenfield WRP Cost of Service Study and Updates (2008, 2010) ▪ City of Modesto, CA - Water Rate and Connection Charge Study ▪ City of Oceanside, CA – 2010 GASB 34 Update ▪ City of Oceanside, CA - Drought Emergency Water Rates ▪ City of Oceanside, CA – Water and Wastewater Rate Updates ▪ City of Oceanside, CA – Supply Options Feasibility | <p style="text-align: center;">Analysis</p> <ul style="list-style-type: none"> ▪ Orange County Sanitation District, CA – 2010 Capital Facilities Capacity Charge Update ▪ Orange County Sanitation District, CA - 2008 Revenue Program and Rate Update ▪ Orange County Sanitation District, CA – Wholesale User Rates for the Santa Ana Regional Interceptor (2008) ▪ City of Riverside, CA – Bond Feasibility Analysis and Rate Update ▪ City of Sacramento, CA – Cost of Service and Utility Rate Study (2010) ▪ Sacramento Regional County Sanitation District, CA – Revenue Program Development ▪ San Francisco Public Utilities Commission, CA – 2010 Raw Water Rate Study ▪ City of San Jose, CA – Connection Fee Study ▪ Santa Ana Water Project Authority, CA – SARI Financial Model (2009) ▪ Santa Margarita Water District, CA – Water Cost of Service and Rate Design Study (2009) ▪ Santa Margarita Water District, CA – Water and | <p style="text-align: center;">Wastewater Rate Study (2011)</p> <ul style="list-style-type: none"> ▪ City of Santa Paula, CA - Continuing Services - DBOF Negotiation Support ▪ City of Scottsdale, AZ – Paradise Valley Water District Feasibility Study ▪ City of Scottsdale, AZ – Cost of Service Rate Study for Water and Wastewater Enterprise Funds (2011) ▪ City of Tigard, OR - Supply Options Update ▪ City of Tulare, CA - Wastewater Connection Fee Study ▪ Western Municipal Water District, CA – Water Scenario Planning Improvement (2009) ▪ Western Municipal Water District, CA – Sewer and Reclaimed Water On-Call Contract (2010) ▪ City of Westminster, CO – Water and Sewer Tap Fee Study (2010) ▪ City of Westminster, CO – Utility Financial Modeling (2009) |
|---|---|---|

RELEVANT PROJECT EXPERIENCE

UTILITY RATE STUDIES

City of Carlsbad/Carlsbad
Municipal Water District, CA
City of Del Mar, CA
City of Modesto, CA
City of Oceanside, CA
Orange County Sanitation
District, CA
City of Riverside, CA
Sacramento County, CA
Sacramento Regional County
Sanitation District, CA
San Francisco Public Utilities
Commission, CA

Santa Ana Water Project
Authority, CA
Santa Margarita Water
District, CA
City of Santa Paula, CA
City of Scottsdale, AZ
City of Westminster, CO

SYSTEM DEVELOPMENT
CHARGES / CONNECTIONS

City of Carlsbad/Carlsbad
Municipal Water District, CA
City of Del Mar, CA
Orange County Sanitation
District, CA
City of Tulare, CA
Western Municipal Water
District, CA

BILLING ANALYSIS

City of Garden Grove, CA

BOND FEASIBILITY ANALYSIS

City of Riverside, CA

SUPPLY ALTERNATIVES
ANALYSIS

City of Mesa, AZ
City of Oceanside, CA
City of Tigard, OR

DROUGHT RATES

City of Carlsbad/Carlsbad
Municipal Water District, CA
City of Del Mar, CA
City of Oceanside, CA

SOLID WASTE UTILITY RATES

City of Longview, WA

FINANCIAL PLANNING

King County Transit Division,
WA
Western Municipal Water
District, CA

EDUCATION

- M.S., Infrastructure Planning and Management, Stanford University
- B.S., Engineering Sciences, Harvard University

PROFESSIONAL AFFILIATIONS

- Washington Finance Officers Association
- American Water Works Association
- Commissioner, Woodinville Water District

RECENT SPEAKING ENGAGEMENTS

- Fire Impacts on Water Utilities; WFOA Annual Conference, Bellevue, WA, 2009
- The Bucket Brigade: Managing the Cost of Utility Related Fire Protection Services, FCS GROUP Workshop, 2009
- Asset Management: A Financial Perspective, ACWA Spring Conference, Monterey, CA, 2008; NWEA Annual Conference, Sparks, NV, 2008
- Sustainability of Your Utilities, Colorado Municipal League, 2007
- Using Cost of Service Studies to Set Water and Wastewater Utility Rates, CSMFO 2007
- Water & Sewer Cost of Service Rates: What, Why and How, CSMFO 2007
- Top 10 Ways to Save Your Ratepayers Money, WFOA 2006
- What, Why and How of Utility Rate Setting, WFOA Regional Workshop, 2006
- Evaluating Automated Meter Reading, AWWA 2005

EDWARD CEBRON Principal

PROFESSIONAL EXPERIENCE

Edward Cebron a principal of FCS GROUP and has over 28 years of professional experience addressing economic and financial issues. He has managed and conducted more than 500 financial and economic analyses for municipal water, sewer, storm drainage and solid waste utilities. His efforts include rate studies, impact fee /connection charge/system development charge (SDC) analyses, feasibility studies, cost-of-service analyses, indirect cost plans, financing plans, and utility valuations. Mr. Cebron’s work focuses on both traditional and innovative solutions to designing rates and establishing connection charges, administrative fees, assessments, latecomer charges and other fees and charges related to utility cost-of-service issues. He is frequently asked to present on these topics at regional training seminars and conferences, and to provide expert services in disputes. He is proficient in computer modeling and has developed and delivered numerous spreadsheet models in the course of his assignments.

Mr. Cebron is also known for his expertise in the formation of regional utilities and the consolidation of existing utilities; for instance, he played an instrumental role on each of the following studies: Cascade Water Alliance Formation, Willamette Regional Facility Plan, King County Regional Infiltration / Inflow Control Project, Three Rivers Regional Wastewater Agency, and Portland Regional Transmission Strategy Project. During his career he has amassed a wealth of knowledge in the field of water pricing, including establishing wholesale rates and wheeling charges and developing innovative rate structures, such as tailored rates and conservative incentives. In fact, he was one of four nationally recognized experts hired by Seattle Public Utilities to review the methodology, data and results of the Seattle Water Conservation Potential Assessment.

EXPERTISE

- ◆ Strategic Utility Financial Planning
- ◆ Wholesale Rate Setting & Water Supply
- ◆ Utility Rate Studies (Water, Sewer, Stormwater, Reclaimed Water, Solid Waste)
- ◆ Fiscal Impacts/Fiscal Health
- ◆ Impact Fees/Connection Charges/SDCs
- ◆ Utility Formations
- ◆ Economic Analysis & Feasibility Studies
- ◆ Utility Valuations
- ◆ Bond Feasibility/Parity Certification
- ◆ Acquisitions/Mergers
- ◆ Capital Reinvestment & Utility Sustainability
- ◆ Comprehensive Plans (Financial Element)
- ◆ Litigation, Negotiations, and Mediations
- ◆ Transportation Studies

CURRENT CLIENTS AND PROJECTS

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> ▪ City of Barstow, CA – 2009 Sewer Utility Rate Study ▪ City of Carlsbad, CA, 2009 Wastewater Cost of Service and Rate Design Study ▪ Jones & Stokes, CA, HCP Evaluation Review ▪ City of King City, CA, Sewer Rate Study and Financing Plan ▪ Lake Arrowhead Community Services District, CA, 2008 SRF Letter of Determination ▪ Lake Arrowhead Community Services District, CA, 2010 Water and Sewer Rate Work Update ▪ Los Alamos Community Services District, CA, Water/Wastewater Rate & Connection Fee Study ▪ Los Osos Community Services District, CA, 2009 Water Rate Study and Financial Plan ▪ Mammoth Community Water District, CA, Strategic Financial Plan ▪ City of Manhattan Beach, CA, 2009 Water and Sewer Rate Study | <ul style="list-style-type: none"> ▪ City of Modesto, CA, Water Rate and Connection Charge Study ▪ City of Oceanside, CA, 2010 GASB 34 Update ▪ City of Oceanside, CA, 2008 Water Utilities Financial Plan ▪ City of Oceanside, CA, 2008 Drought Emergency Water Rates ▪ Orange County Sanitation District, CA, 2010 Capital Facilities Capacity Charge Update ▪ Orange County Sanitation District, CA, 2008 Revenue Program and Rate Update ▪ City of Sacramento, CA, 2010 CIP Programming Guide ▪ City of Sacramento, CA, 2010 Water, Sewer, and Stormwater Utility Rate Model Development ▪ City of Sacramento, CA – Cost of Service and Utility Rate Study ▪ Sacramento County (Department of Water Resources), CA, Organizational Assessment Study | <ul style="list-style-type: none"> ▪ Sacramento County Water Agency, CA, Rate Study - Zone 41 ▪ Sacramento Regional County Sanitation District, CA, Revenue Program Development ▪ Santa Margarita Water District, CA, On-Call Rate Assistance ▪ Santa Margarita Water District, CA, Water and Wastewater Rate Study ▪ San Francisco Public Utilities Commission, CA, 2010 Raw Water Rate Study ▪ City of San Jose, CA, Connection Fee Study ▪ City of Santa Paula, CA, Refuge Feasibility Study ▪ City of Santa Paula, CA, Continuing Services - DBOF Negotiation Support ▪ City of Santa Paula, CA, Evaluation of Water Recycling Facility DBOF Proposals ▪ City of Tulare, CA, Wastewater Connection Fee Study |
|--|---|--|

ADDITIONAL SEMINARS/SPEAKING ENGAGEMENTS

- ◆ **The Bucket Brigade: Managing the Cost of Utility Related Fire Protection Services**, FCS GROUP Workshop, March 2009
- ◆ **Asset Management: A Financial Perspective**, Association of California Water Agencies Spring Conference, Monterey, CA, 2008; Nevada Water Environment Association Annual Conference, Sparks, NV, 2008
- ◆ **Sustainability of Your Utilities**, Colorado Municipal League, 2007
- ◆ **Using Cost of Service Studies to Set Water and Wastewater Utility Rates**, California Society of Municipal Finance Officers Annual Conference, 2007
- ◆ **Water & Sewer Cost of Service Rates: What, Why and How**, California Society of Municipal Finance Officers Annual Conference, 2007
- ◆ **Managing Water Quality: Onsite Wastewater System Utilities**, Washington Association of Sewer & Water Districts Fall Conference, September 2007

- ◆ Top 10 Ways to Save Your Ratepayers Money, Washington Finance Officers Association Annual Conference, September 2006
- ◆ What, Why and How of Utility Rate Setting, Washington Finance Officers Association Regional Workshop, 2006
- ◆ Evaluating Automated Meter Reading, American Water Works Association Annual Conference, 2005
- ◆ Water & Sewer Rate Structures: What, Why & How, WOW Spring 2005
- ◆ Large and Unique Customers: Defining Costs and Structure, Pacific Northwest Clean Water Association, October 2004
- ◆ Basic Costs of Service Wastewater Rates, Pacific Northwest Clean Water Association, October 2004
- ◆ Evaluating Automated Meter Reading, Washington Finance Officers Association Annual Conference, September 2003
- ◆ Basics of Cost of Service Rates, Washington Finance Officers Association Regional Workshop, March 2003
- ◆ Special Districts Roundtable, Washington Finance Officers Association Annual Conference, 2003
- ◆ The Economics of Radio-Read Water Metering, Washington Financial Officers Association Annual Conference, September 2003
- ◆ Water and Sewer Rate Structures: “What, Why, and How,” Washington Finance Officers Association Annual Conference, September 2003
- ◆ Tailoring Water Rates to Northwest Needs, PNWS-AWWA Annual Conference, Boise, ID, May 2003
- ◆ Fundamentals of Utility Rate Making, Washington Finance Officers Association, March 2003
- ◆ Making Growth Pay for Growth, Washington Finance Officers Association Annual Conference, September 2002
- ◆ Non-Rate Utility Revenues: Avoiding Rate Subsidy of Direct Services, Washington Finance Officers Association Annual Conference, 2002
- ◆ Utility Financial Reserves, Washington Finance Officers Association Annual Conference, September 2002
- ◆ Utility Rate Setting, Washington Finance Officers Association Annual Conference, September 2001
- ◆ System Development Charges, PNWS-AWWA Financial Issues for Small Systems, October 2000
- ◆ Utility Rate Setting, Washington Finance Officers Association Annual Conference, September 2000
- ◆ Top Ten Ways to Save Your Ratepayers Money, Washington Finance Officers Association Annual Conference, September 2000
- ◆ Engineering & Finance: Can We Talk? Oregon Municipal Finance Officers Association, Sun River, OR, March 2000
- ◆ Wise Financial Management, Washington Association of Sewer & Water Districts, Yakima, WA,

April 1999

- ◆ Rates and Standby Charges, Whatcom County Financial Officers Association, Lynden, WA, April 1999
- ◆ Weathering Conservation Rates, Washington Finance Officers Association Annual Conference, Bellevue, WA, September 1998
- ◆ Utility Reserve Requirements, Washington Finance Officers Association Annual Conference, Bellevue, WA, September 1998
- ◆ Utility Connection Charges, Washington Finance Officers Association Annual Conference, Tacoma, WA, September 1996
- ◆ District Finance: Financial Mission of a Water/Sewer District, Water and Sewer Risk Management Pool, June 1996
- ◆ Long-Term Capital Funding Needs, AWWA/APWA Spring Conference, May 1996
- ◆ Utility Rate Setting, Northwest Government Financial Institute, Portland, OR, November 1995
- ◆ Special Rates and Charges, Washington Finance Officers Association Conference, Pasco, WA, September 1995
- ◆ Utility Connection Charges: Methods of Implementation, Washington Finance Officers Association Conference, Pasco, WA, September 1995
- ◆ Directing Our Energies, Washington Finance Officers Association 40th Annual Conference, Tri-Cities, WA, September 1995
- ◆ Utility Rate Setting, Washington Finance Officers Association, Vancouver, WA (September 1994) and Pasco, WA (September 1995)
- ◆ Utility Excise Taxes -- Limiting Your Liability, Washington State Association of Sewer Districts, Wenatchee, WA, May 1994
- ◆ Developing Utility Rates, Three-Day Workshop, Water and Sewer Management Pool, Port Townsend, WA, March 1994
- ◆ General Facilities Charges, Washington State Association of Sewer Districts, November 1993
- ◆ Connection Charges and Risk, One-Day Workshop, Water and Sewer Management Pool, Wenatchee, WA, October 1993
- ◆ Stormwater System Development Charges, Surface Water Management in the 1990's, Bend, OR, March 1993

**CITY OF OCEANSIDE
AMENDMENT TO
PROFESSIONAL SERVICES AGREEMENT**

**PROJECT: CAPITAL ASSET PROCESS REVIEW AND ASSET LISTING FOR
GASB 34 REPORTING AND WATER UTILITIES CONTINUING SERVICES**

THIS AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (hereinafter "Amendment"), dated December 16, 2009 for identification purposes, is made and entered into by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY", and FCS GROUP, hereinafter designated as "CONSULTANT."

RECITALS

WHEREAS, City and Consultant are the parties to that certain Professional Services Agreement dated June 10, 2009, hereinafter referred to as the "Agreement", wherein Consultant agreed to provide certain services to the City as set forth therein;

WHEREAS, the Agreement will expire June 10, 2013;

WHEREAS, the parties desire to modify Section 1.0 (Scope of Work) and Section 7.0 (Compensation);

AMENDMENT

NOW, THEREFORE, as set forth herein, the parties hereto do mutually agree that the Agreement shall be amended as follows:

1. **SCOPE OF WORK.** CONSULTANT will provide continuing financial services to monitor water and wastewater funds; scope of work shall be completed by June 30, 2010. CONSULTANT will provide capital asset process review and asset listing for GASB 34 reporting; scope of work shall be completed by March 31, 2010.

2. **COMPENSATION.** CONSULTANT'S compensation for all work performed in accordance with this Amendment, shall not exceed the total contract price of \$113,640 which shall be broken down as follows:

Capital Asset Process Review (GASB 34)	\$28,000
Water Utilities Continuing Services	<u>85,640</u>
	\$113,640

PROJECT: CAPITAL ASSET PROCESS REVIEW AND ASSET LISTING FOR GASB 34 REPORTING AND WATER UTILITIES CONTINUING SERVICES

No work shall be performed by CONSULTANT in excess of the total contract price without prior written approval of the Financial Services Director.

3. Except as expressly set forth in this Amendment, the Agreement shall remain in full force and effect and is hereby ratified and reaffirmed.

SIGNATURES. The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Amendment on behalf of the respective legal entities of the CONSULTANT and the CITY.

IN WITNESS WHEREOF the parties hereto being duly authorized on behalf of their respective entities to execute this Amendment, do hereby agree to the covenants contained in the Agreement, including this Amendment and have caused this Amendment to be executed by setting hereunto their signatures on the dates set forth below.

FCS GROUP

By: [Signature] / PRINCIPAL
Name/Title

Date: 12/3/09

By: _____
Name/Title

Date: _____

911 417 946
Employer ID No.

CITY OF OCEANSIDE

By: [Signature]
Peter Weiss, City Manager

Date: 12-31-09

APPROVED AS TO FORM:

[Signature], ASST.
City Attorney

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.

State of Washington

County of King

The foregoing instrument was acknowledged before me this 3rd day
of December, 2009, by John Chilverducci.

Personally known or Produced _____

as identification.



Teresa V. Bollinger
Teresa V. Bollinger
Printed Name of Notary

CITY OF OCEANSIDE

PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT is made and entered into this 10th day of June 2009, by and between the CITY OF OCEANSIDE, a municipal corporation, and OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION (OCDC), a municipal corporation, hereinafter collectively designated as "CITY", and Financial Consulting Solutions Group, Inc. hereinafter designated as "CONSULTANT".

RECITALS

- A. CITY desires to obtain professional financial advisory services from an independent contractor for the City of Oceanside and the Oceanside Community Development Commission.
- B. CONSULTANT has submitted a proposal to provide financial advisory services for the CITY in accordance with the terms set forth in this Agreement.
- C. CITY desires to contract with CONSULTANT as an independent contractor and CONSULTANT desires to provide services to CITY as an independent contractor.
- D. CONSULTANT has demonstrated its competence and professional qualifications necessary for the satisfactory performance of the services designated herein by virtue of its experience, training, education and expertise.

NOW, THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

- 1.0 **SCOPE OF WORK.** The project is more particularly described as follows: assist the CITY on an as-needed basis in connection with any financings or projects that the City may undertake.
- 1.1 **PROFESSIONAL SERVICES PROVIDED BY CONSULTANT.** The professional services to be performed by CONSULTANT shall consist of but not be limited to the following:
 - 1.1.1 **Water Utilities**
 - a. Review funding for long-range capital requirements and explore alternative financing sources and scenarios in selecting optimal financing strategy
 - b. Review current charges including capacity charges and proposed charges to ensure recovery of actual costs associated with services provided
 - c. Perform water and wastewater rate analysis and financial modeling

1.1.2 Financial Management/Advisory Services

- a. Compile feasibility analyses based on market conditions and assumptions provided by the CITY's financing team
- b. Review and analyze legislation that may have a financial impact on the City
- c. Other projects and activities as requested by CITY

2.0 **INDEPENDENT CONTRACTOR.** CONSULTANT'S relationship to the CITY shall be that of an independent contractor. CONSULTANT shall have no authority, express or implied, to act on behalf of the CITY as an agent, or to bind the CITY to any obligation whatsoever, unless specifically authorized in writing by the Finance Director. CONSULTANT shall be solely responsible for the performance of any of its employees, agents or subcontractors under this agreement.

CONSULTANT shall report to the CITY any and all employees, agents and consultants performing work in connection with this project, and all shall be subject to the approval of the CITY.

CONSULTANT is not acting as a fiduciary to the CITY in carrying out the professional services described in Section 1.1 hereof.

3.0 **WORKERS' COMPENSATION.** Pursuant to Labor Code section 1861, the CONSULTANT hereby certifies that the CONSULTANT is aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and the CONSULTANT will comply with such provisions and provide certification of such compliance as a part of this Agreement.

4.0 **LIABILITY INSURANCE.**

4.1 CONSULTANT shall, throughout the duration of this Agreement, maintain comprehensive general liability and property damage insurance, or commercial general liability insurance, covering all operations of CONSULTANT, its agents and employees, performed in connection with this Agreement including, but not limited to, premises and automobile.

4.2.1 CONSULTANT shall maintain liability insurance in the following minimum limits:

Comprehensive General Liability Insurance
(bodily injury and property damage)

Combined Single Limit Per Occurrence	\$ 1,000,000
General Aggregate	\$ 2,000,000*

Commercial General Liability Insurance
(bodily injury and property damage)

General limit per occurrence	\$ 1,000,000
General limit project specific	\$ 2,000,000

<u>Automobile Liability Insurance</u>	\$ 1,000,000
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*General aggregate per year, or part thereof, with respect to losses or other acts or omissions of CONSULTANT under this Agreement.

- 4.2.2 If coverage is provided through a Commercial General Liability Insurance policy, a minimum of 50% of each of the aggregate limits shall remain available at all times. If over 50% of any aggregate limit has been paid or reserved, the CITY may require additional coverage to be purchased by the CONSULTANT to restore the required limits. The CONSULTANT shall also notify the CITY'S Project Manager promptly of all losses or claims over \$25,000 resulting from work performed under this contract, or any loss or claim against the CONSULTANT resulting from any of the CONSULTANT'S work.
- 4.3 Insurance company providing General Liability insurance to the CONSULTANT for the purposes of this Section shall add the City of Oceanside as "additional insured" under the designated insurance policy for all work performed under this Agreement. Insurance coverage provided to the CITY as an additional insured shall be primary insurance and other insurance maintained by the CITY, its officers, agents and employees shall be excess only and not contributing with insurance provided pursuant to this Section.
- 4.4 All insurance companies affording coverage to the CONSULTANT pursuant to this Agreement shall be insurance organizations authorized by the Insurance Commissioner of the State of California to transact business of insurance in the state or be rated as A-X or higher by A.M. Best.
- 4.5 All insurance companies affording coverage shall provide thirty (30) days written notice to the CITY should the policy be cancelled before the expiration date. For the purposes of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation.
- 4.6 CONSULTANT shall provide evidence of compliance with the insurance requirements listed above by providing a Certificate of Insurance, in a form

satisfactory to the City Attorney, concurrently with the submittal of this Agreement.

- 4.7 CONSULTANT shall provide a substitute Certificate of Insurance no later than thirty (30) days prior to the policy expiration date; or immediately upon receipt. Failure by the CONSULTANT to provide such a substitution and extend the policy expiration date shall be considered a default by CONSULTANT and may subject the CONSULTANT to a suspension or termination of work under the Agreement.
- 4.8 Maintenance of insurance by the CONSULTANT as specified in this Agreement shall in no way be interpreted as relieving the CONSULTANT of any responsibility whatsoever and the CONSULTANT may carry, at its own expense, such additional insurance as it deems necessary.
- 5.0 **PROFESSIONAL ERRORS AND OMISSIONS INSURANCE.** Throughout the duration of this Agreement and four (4) years thereafter, the CONSULTANT shall maintain professional errors and omissions insurance for work performed in connection with this Agreement in the minimum amount of One Million Dollars (\$1,000,000).

CONSULTANT shall provide evidence of compliance with these insurance requirements by providing a Certificate of Insurance.

- 6.0 **CONSULTANT'S INDEMNIFICATION OF CITY.** CONSULTANT shall indemnify and hold harmless the CITY and its officers, agents and employees against all claims or lawsuits for damages to persons or property arising out of negligent acts, errors, omissions or wrongful acts of conduct of the CONSULTANT or its employees, agents, subcontractors or others in connection with the execution of the work covered by this Agreement, except for those claims arising from the willful misconduct, sole negligence or active negligence of the CITY, its officers, agents or employees. CONSULTANT'S indemnification shall include any and all costs, expenses, expert fees, attorneys' fees and liability assessed against or incurred by the CITY, its officers, agents or employees in defending against such claims or lawsuits, whether the same proceed to judgment or not. Further, CONSULTANT, at its own expense, shall, upon written request by the CITY, defend any such suit or action brought against the CITY, its officers, agents or employees resulting or arising from the tortious acts or omissions of the CONSULTANT.

CONSULTANT'S indemnification of CITY shall not be limited by any prior or subsequent declaration by the CONSULTANT

7.0 **COMPENSATION:**

7.1 Financial advisory projects and services will be billed based on an hourly billing rate:

<u>Professional</u>	<u>Hourly Rate*</u>
Principal	\$240
Senior Project Manager	\$200
Project Manager	\$185
Project Consultant	\$160
Analyst	\$140

<u>Administrative & Technical Support</u>	<u>Hourly Rate*</u>
Public Relations	\$125
Technical Writer/Graphic Artist	\$100
Administrative Support	\$ 70

*Hourly rates may be adjusted annually on January 1 with CITY approval

CONSULTANT will be paid by CITY on a time and material basis in accordance with the standard billing rates shown in Section 7.1. Payment to CONSULTANT shall be made monthly within 30 days of receipt and approval of CONSULTANT's invoice.

7.2 Expenses for air travel, ground travel including rental cars and/or mileage (at actual expense) and lodging will be charged at cost plus 5%. Other expenses will not be directly charged. For any client-requested extraordinary expenses, specific terms will be established prior to expenditure and billing. When applicable, subconsultants will be charged on an actual cost basis. Appropriate documentation and third party receipts will be provided for all expenses.

8.0 **TERM OF AGREEMENT.** CONSULTANT has been retained as one of four firms to provide financial advisory services to the CITY for five years from the date of this agreement.

9.0 **TERMINATION OF AGREEMENT.** The CITY may terminate this Agreement for any reason by providing thirty (30) days written notice to the CONSULTANT. This contract may be terminated by the CITY by giving CONSULTANT written notice of such termination no fewer than fifteen (15) days in advance of the effective date of said termination. CONSULTANT shall be entitled to terminate this agreement only in the case of a material breach by the CITY, and upon failure of the CITY to remedy said breach within fifteen (15) days of said notice. In the event that the contract is terminated before completion, CONSULTANT shall be

paid for the services to date.

10.0 **ENTIRE AGREEMENT.** This Agreement comprises the entire integrated understanding between CITY and CONSULTANT concerning the work to be performed for this project and supersedes all prior negotiations, representations or agreements.

11.0 **INTERPRETATION OF THE AGREEMENT.** The interpretation, validity and enforcement of the Agreement shall be governed by and construed under the laws of the State of California. The Agreement does not limit any other rights or remedies available to CITY.

The CONSULTANT shall be responsible for complying with all local, state and federal laws whether or not said laws are expressly stated or referred to herein.

Should any provision herein be found or deemed to be invalid, the Agreement shall be construed as not containing such provision, and all other provisions, which are otherwise lawful, shall remain in full force and effect, and to this end the provisions of this Agreement are severable.

12.0 **AGREEMENT MODIFICATION.** This Agreement may not be modified orally or in any manner other than by an Agreement in writing, signed by the parties hereto.

13.0 **NOTICES.** All notices, demands, requests, consents or other communications which this Agreement contemplates or authorizes, or requires or permits either party to give to the other, shall be in writing and shall be personally delivered or mailed to the respective party as follows:

TO CITY:

City of Oceanside
Finance Director
300 North Coast Highway
Oceanside, CA 92054

TO CONSULTANT:

Robert Grantham
FCS Group
7525 166th Ave NE, Suite D-215
Redmond, WA 98052

Either party may change its address by notice to the other party as provided herein.

Communications shall be deemed to have been given and received on the first to occur:

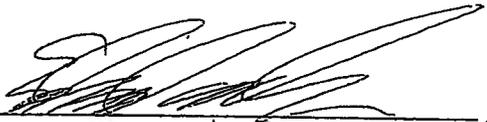
- a. Actual receipt at the offices of the party to whom the communication is to be sent, as designated above, or

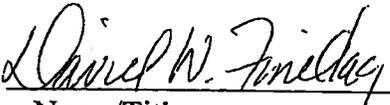
- b. Three (3) working days following the deposit in the United States mail of registered or certified mail, postage prepaid, return receipt requested, addressed to the offices of the party to whom the communication is to be sent, as designated above.

14.0 **SIGNATURES.** The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the CONSULTANT and the CITY.

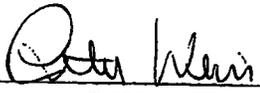
IN WITNESS WHEREOF the parties hereto for themselves, their heirs, executors, administrators, successors and assigns do hereby agree to the full performance of the covenants herein contained and have caused this Professional Services Agreement to be executed by setting hereunto their signatures:

FCS GROUP

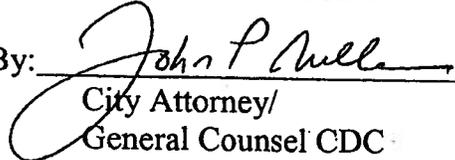
By: 
Name/Title Edward Gebren, Principal

By: 
Name/Title David W. Finley
Principal

CITY OF OCEANSIDE

By: 
Peter Weiss, City Manager/
Executive Director CDC

APPROVED AS TO FORM:

By: 
City Attorney/
General Counsel CDC

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.

CITY OF OCEANSIDE
PROFESSIONAL SERVICES AGREEMENT

State of: Washington

County: King

The foregoing instrument was acknowledged before me this 4th day of May, 2009,

By Edward Cebron and David Findlay

Personally know or _____ Produced _____ as identification.



[Signature]
Notary Public