July 27, 2016

Katie Victoria
Senior Administrative Analyst
Water Services Division, City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Re: Proposal to Provide 2016 Water Rate Study

Dear Ms. Victoria,

Urban Futures Inc. (UFI) and Precision Civil Engineering Inc. (PCE) are pleased to submit this joint proposal to provide advisory and engineering services to the City of Garden Grove's Water Services Division and Finance Department (City) related to the Water Rate Study (Study). We believe that our unique combination of qualifications, resources, and experience will ensure a value-added project resulting from efficient and successful implementation of forward-looking solutions that will benefit the City and its customers.

Many aspects of this project are similar to recent projects, where our project team has assisted water and wastewater agencies with cost-of-service and connection fees studies and development of recycled water funds. We have worked with Quartz Hill Water District, Rowland Water District, Delta Diablo Sanitation District, Laguna Beach County Water District, Eastern Municipal Water District, and the cities of Santa Barbara, Simi Valley, Arroyo Grande, Beverly Hills, Thousand Oaks, and San Bernardino, and among many others.

We are well-equipped to provide the City with the highest level of service at the lowest possible cost. Two of our firm's most important values are: a COMMITMENT to serving our clients with integrity, honesty, and mindfulness of the public interest; a dedication to RESULTS – delivery of service that is on time, within budget, and at a level that exceeds the expectations of the client.

We are enthusiastic about the opportunity to work with you and the City. If you have any questions, please do not hesitate to contact me at (714) 923-3565 or JamesL@UrbanFuturesInc.com.

Sincerely,

URBAN FUTURES, INC.

James K. Lee
Principal, Utility Advisory Services

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UNIQUELY QUALIFIED PROJECT TEAM

The following points summarize why we the proposed project team believe we are uniquely qualified to serve the City:

URBAN FUTURES, INC.

- UFI has familiarity with the City's finances and finance staff through serving currently as the City's Municipal Advisor and Continuing Disclosure Consultant.
    - We understand the financial ins and outs of the City's water system through a recently completed 5-yr audit and fixes and credit rating presentation.
- UFI retains Jim Morris as in-house utility counsel. Jim serves as a valuable resource to ensure compliance with Proposition 218 and the latest regulations
- UFI uses leading-edge software in R Shiny. We have implemented development of models in R Shiny based on the following advantages:
    - Produces the most interactive and flexible customer impact models;
    - Possesses many times more processing speed and capacity than Excel, which is particularly useful for evaluating and determining the specifics of Water Budget Rate Structures;
    - It is a low-cost and open source software platform that can be updated by staff while representing the leading edge of rate studies today.

PRECISION CIVIL ENGINEERING, INC.

- PCE directly operates a dozen utilities, which provides unique insight when developing:
    - Engineering cost estimates for the water utility;
    - Base operational cost estimates for the water utility;
    - Strategic planning for utility improvements
- PCE has direct experience with evaluation of existing and billing systems and the implementation of new billing systems, which is a critical issue should City Council move forward with adopting a Water Budget Rate Structure;
- PCE has experience modeling price elasticity of demand, whether related to historical and projected water usage to traffic system design.

UFI's approach, references, and key personnel resumes were submitted by SOQ in April 2016. PCE's key personnel resumes are enclosed in this proposal. Please see the following pages for an outline of scope of work, fees, and proposed schedule.

SCOPE OF WORK

As part of our scope, UFI will develop a financial planning and rate structure model that can generate a comparative analysis between scenarios to assist City staff and stakeholders – the City Council, the community at large, etc. – with the ability to clearly understand the advantages and disadvantages of each scenario, ranging from reserve funding, capital expenses, rate impact, and adjustments to financial policies. This will ensure that short and long-term capital and operational needs are met through a steady system of rate adjustments. When developing rates, besides meeting each year's revenue requirements, it is equally important to review how customers will be affected. As such, it is essential to develop a few viable financial plans that meet the City's objectives over the short-term and long-term.

As part of the utility rate study, UFI will examine existing consumption data of the City's customers to calibrate the price differentials and range of the potential tiers to be proposed. UFI will review existing customer classifications and determine their appropriateness with industry standards. Besides increases in rates, changes to rate structure can also cause "rate shock" to certain customers. Therefore, UFI will be cognizant of the current rate structure as we provide guidance to the City's goal of developing a proposed rate structure to encourage more efficient water use for a sustainable water supply, while generating sufficient annual revenue to meet the City's financial obligations. In every case and scenario, we will ensure that rates comply with the cost of service principles of Proposition 218 per Article XIII D.

With the media messages on conservation and drought conditions, public interest in rates has increased, which requires the City and its consultant to clearly convey why revenue adjustments may be necessary and for what purpose. Obtaining council and public understanding and approval is critical for successful implementation. UFI has assisted numerous agencies with implementing their rates and is well positioned to present thoughtful and concise presentations to generate discussion. Upon development of the proposed utility rates, UFI can also assist the City with its public outreach efforts. UFI will attend meetings with members of the public, development community, and City Council to present in a readily understandable format the proposed changes to the rates. UFI's presentations include visual graphics, and our models are designed to instantaneously illustrate impacts of changes to assumptions and parameters so that informed decisions can be made readily and efficiently.

Rate and fees studies represent the core services provided by UFI. We will ensure that sound principles are used for updating the City's rates and fees. Our broad range of experience in the areas of interest to the City will help ensure the long-term health of the utilities and that revenue requirements are collected in a fair and equitable manner. The City will derive the benefit of our Project Team's experience in implementing solutions with utilities throughout California.

For this engagement, **James Lee** will serve as Project Manager to the City and as lead for the UFI/PCE team effort. Mr. Lee has extensive experience working with California agencies to develop and adopt utility rates and fees. In addition, Mr. Lee provides financial advisory services, offering to the City a seamless transition between developing rates and fees and evaluating debt capacity or opportunities to refinance existing debt. The ability to serve in both roles makes UFI nimble for the City's purposes. For example, Mr. Lee is familiar with the project and financing requirements of the State Revolving Loan program, having a direct line to the administrators of the program, and this experience and access would expedite the City's

efforts with financing for its recycled water programs. **Russell Sager** will provide data processing, report compilation, and other analytical support for the project.

The following scope reflects our understanding of the City's project based on the RFP and on discussion with City staff regarding the City's current issues and concerns.

TASK 1 – PROJECT MANAGEMENT

Task 1.1 – Ongoing Project Management and Quality Assurance Process

UFI's project management approach stresses communication, teamwork, objectivity, and accountability for meeting project objectives and includes general administrative duties, including correspondence with the City, billing, project documentation, and administration of the study plan. We believe in a no-surprise approach and communication on a regular basis through face-to face meetings and web and phone conferences so that the client is aware of the status of the project at all times.

The quality assurance (QA) process ensures that all work performed by UFI on this project will be accurate and of the highest quality. The QA process involves several layers of review. The Project Manager is present at all internal project meetings and works closely with the City and project team. The work effort is reviewed for consistency, accuracy, and validity and ensure that the rate and connection fees analyses are based on sound rate-making principles and standard industry practice. The review also ensures that the final project report is comprehensive, consistent with the results, and meets the high quality standards of UFI. QA is also accomplished through periodic reviews of the utility rates model (Model) throughout the course of its development.

With two senior personnel and two support staff for Urban Futures, Inc. (UFI) and Precision Civil Engineering, Inc. (PCE), respectively, our proposed engagement team is more than adequately staffed to meet the City's needs on a timely and accurate basis.

Task 1.2 – Stakeholder Outreach

Both UFI and PCE have extensive experience addressing the concerns of the public, developers, and other stakeholders. Although the public outreach process is often overlooked in terms of significance with respect to the overall project, it is the culmination of the project, and stakeholder buy-in is a crucial political element. The project team is familiar with the process, and has successfully achieved buy-in for numerous rate studies utilizing its customer-friendly Model and detailed documentation of the process that outlines the rationale for proposed rates and fees.

UFI/PCE will be responsible for developing all presentation and outreach materials – e.g., City Council presentation, Proposition 218 mailer – and will provide drafts of such materials to City staff well in advance of meetings.

Task 1.3 – General Administration

UFI/PCE will work jointly with UFI as lead to perform general administrative duties, including client correspondence, billing, project documentation, and administer study control plan.

Task 1.4 – Monthly Work Plan Status Reports

UFI/PCE will work jointly with UFI as lead to provide, at minimum, monthly status reports summarizing the hours expended, tasks accomplished, assignments to go, and identifying significant problems with suggested solutions.

Meetings: Meetings, as appropriate
Deliverables: Presentation and outreach materials

TASK 2 – PROJECT INITIATION AND DATA COLLECTION

Task 2.1 – Request for Financial and Operation Data

The kick-off meeting provides a solid foundation for the project and ensures that project participants are in mutual agreement as to the project's approach, work plan, schedule, and the City's priorities. As part of the meeting, UFI/PCE will discuss the City's current water rates.

For the water rate study, UFI will identify any new customer classes that may be considered as part of the water rate structure update, work with staff to identify and prioritize pricing objectives for rate structure alternatives, develop a framework for the proposed new rate structure, and evaluate the various policy options available for meeting the City's goals and objectives.

A detailed data request list will be submitted to the City prior to the meeting so that all appropriate data in the required format can be forwarded to UFI/PCE. UFI's request will include, but not be limited to:

- Water customer records, including data on basis for billings to customers for single-family residential customers, plus consumption records for other classes of users (multi-family residential, commercial and industrial users), billings for the past five years by customer classification, and revenue data for the most recent two years;
- Summary of the City's water funds, and City's current budgets. Data covering known or projected changes to O&M costs for the City's water operations, such as fire hydrant fee charges, and operational impacts from new capital projects;
- Population growth trends;
- Past five years audited statements for the water utility;
- Latest documents related to debt issues, such as official statements, providing information about debt service, bond covenants, debt service coverage requirements, etc.;
- Contract agreements with other entities; and
- Survey city data to be used for benchmarking.

PCE's request will include, but not be limited to:

- City's master plans and data pertinent to the future planned growth;
- City's 2015 Urban Water Management Plan
- Estimated costs and scheduling for projected major capital improvement projects for the water operations. Annual capital improvement projects, expansions, and related major expenditures.

Task 2.2 – Review of Data and Documentation

Upon receiving the items requested in the data request, the project team will conduct a thorough review of the information provided by the City. It is important for the project team to get an understanding of the nature of both the revenue streams and the revenue requirements over the study period, especially for non-recurring expenditures or volatile revenue requirements.

Task 2.3 – Review of Reserves and Policies

In addition, UFI will review the City's current structure of financial funds and reserves and policy objectives. UFI will develop recommendations for appropriate reserve levels that are consistent with industry standards as well as the City's risk management practices to maintain financial solvency.

UFI and PCE will work jointly to review the City's billing system and provide a summary of guidelines and/or recommendations.

Meetings: Kickoff meeting and other meetings, as appropriate
Deliverables: Data request list, presentation materials and meeting minutes, summary of guidelines and recommendations

Task 3 – Historical Review of Financial Status

As a continuation of Task 2.2, UFI will review City's past and present revenue, expenditures, rate structure and design, including current reserve levels and recent use of reserves, to determine appropriate reserve levels and funding mechanisms to ensure the ability of the City to complete projects required to ensure system reliability.

Meetings: Meetings as needed
Deliverables: Memorandum summarizing financial status and current reserve levels and funding mechanisms

Task 4 – Capital Facilities Plans Assessment

Task 4.1 – Water Master Plan Review and Engineering Cost Estimates

UFI and PCE will work jointly with City staff to develop the capital facilities component of long-term revenue requirements and the alternative methods of financing the project including grants and low-interest loans such as the State Revolving Fund and Clean Renewable Energy Bonds that the proposed team has extensive experience with.

UFI and PCE will review the latest Water Master Plan, the 2015 Urban Water Management Plan and other available documents. PCE will develop engineering cost estimated for the City's projects as listed per the RFP.

Task 4.2 – 10-Year Capital Plan

UFI will incorporate PCE engineering cost estimates into the long-range financial plan which will provide the basis of revenue requirements for rate development. UFI will include toggles in the model for sensitivity analyses ranging for:

- Up to three capital plan scenarios (e.g., aggressive, moderate);
- Updated construction costs;
- Updated components on a line-item basis;

Meetings: Meeting to review engineering cost estimates with staff
Deliverables: Engineering cost estimates, 10-year capital plan

TASK 5 – REVENUE REQUIREMENTS PROJECTIONS

The objective of this task is to project the City's revenue requirements for the study period. This major task requires an assessment of revenues based on the current rate and fee schedules, an estimation of future revenue requirements, the City's ability to meet projected revenue requirements, and the determination of the level of revenue adjustments and additional financing requirements.

Task 5.1 – Meetings with Finance to Review Budgets, Models, and Objectives

UFI will conduct two meetings with the City's Finance Director and Finance Department staff to review the operating and capital improvements program (CIP) budgets, to review the Water budget and revenue requirements models, and to discuss major financial policies and objectives related to utility revenue requirements.

The goal of these meetings is to identify the key issues and scenarios that will drive the remainder of the study and how the concepts will be presented to Council when it deliberates on a water budget rate structure as expected for March 2017.

Task 5.2 – Project Water Revenues Based on Population and Other Growth Factors

This task will include the projections of budget items such as annual costs related to sources of water supply, labor, power, materials, capital expenditures, plant investment, operating and maintenance (O&M) expenses, reserve contributions, depreciation and debt service using assumptions based on different economic factors and growth trends.

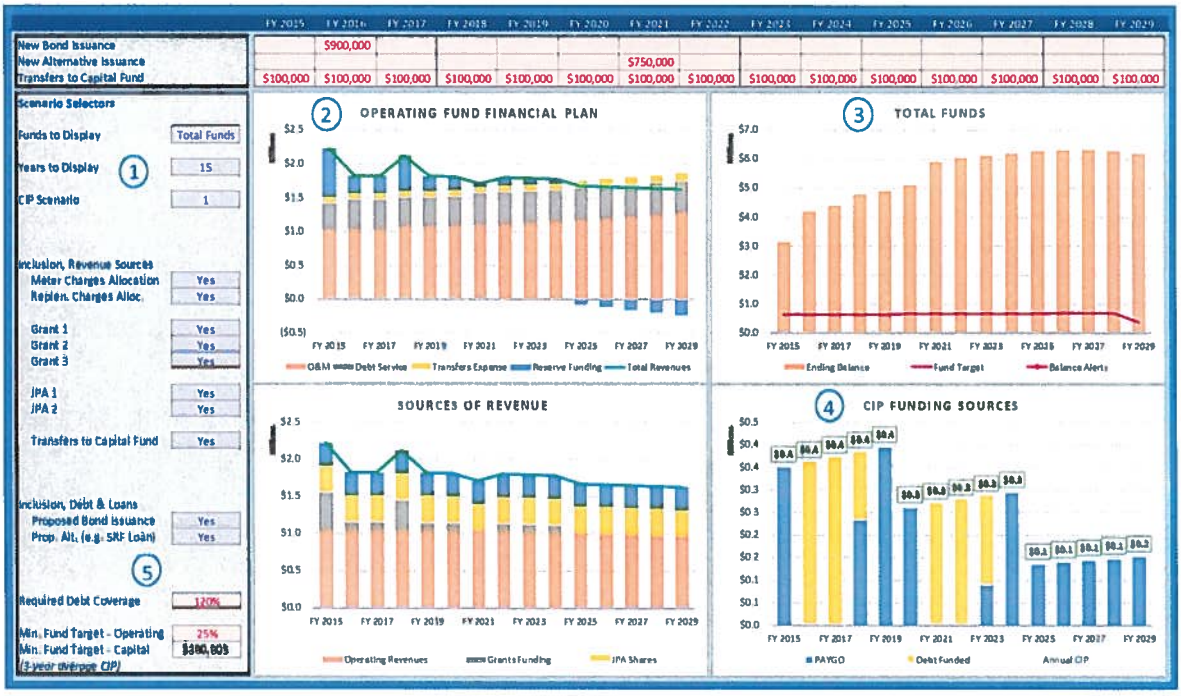
UFI will develop a forecast of revenue requirements over the planning horizon. This will include an estimate of revenues based on current rates, usage characteristics, and other non-operating revenues. Revenue requirements will be projected over the rate-setting period based on historical results, the current budget, various funding levels for the City's capital improvement plans (CIP), existing debt service, other obligations and current economic trends. Rates, debt, grants, government subsidies, or revolving fund loans can be provided as options for capital cost financing. Projecting revenue adjustments over a long planning horizon can illustrate future rate impacts and potential challenges to the City's financial situation and will allow the City to make adjustments to expenses, reserve balances or capital project scheduling to smooth rate impacts and to maintain financial stability.

UFI will develop a multi-year (ten-years or more) cash flow analysis to determine revenue adjustments needed to meet projected revenue requirements for the planning period while minimizing sharp rate fluctuations. The cash flow worksheet incorporates revenues generated from different sources, expenses needed to maintain the water system, any transfers in and out of the water enterprise fund, tracking of interest earnings, and any coverage necessary to meet current and proposed debt service requirements. UFI will also review reserve policies to recommend the deposits and withdrawals to maintain appropriate reserve balances (operating, capital, rate stabilization, etc.) that are consistent with industry standards as well as the City's risk management practices.

The financial plan will be presented in an easy-to-understand format on an interactive 'Dashboard' which shows the impacts of various assumptions so that decisions regarding revenue adjustments, capital financing through pay-go or debt and reserve balances can all be made quickly and efficiently. A snapshot of the sample Dashboard is shown.

Several features of the Model's Dashboard shown below include the ability to show or indicate:

1. Scenario selectors with ability to change criteria such as:
    - Fund
    - CIP scenario
    - Years to display
    - Funding sources
    - Debt issuances and loans and transfers
2. Reserve balances and target levels according to fund, based on existing City policies and/or recommended policies
3. Projected operating costs and revenue streams
4. Different funding sources of CIP – PAYGO, debt/loan financing
5. Debt service coverage and other targets



Task 5.3 – Project Revenues from Non-Operating Revenues

UFI will review and project revenues from non-operating and other miscellaneous sources of revenue such as interest earnings, miscellaneous service fees, or other sources.

Task 5.4 – Develop Annual Revenue Requirements

UFI will develop annual revenue requirements as detailed in Task 5.2 and the factors listed per the RFP.

Task 5.5 – Cash Flow Analyses for Water Operations

UFI will develop annual revenue requirements as detailed in Task 5.2 and the capital requirements with toggles for sensitivity analyses as detailed in Task 4.

Task 5.6 – Evaluate Water Services Business Principles

UFI will evaluate the existing Water Services Business Principles and make recommendations for revisions, if necessary.

Task 5.7 – Assess Need for Rate Stabilization Plan

A rate stabilization is a great way to enhance the City's utility credit for minimal administrative impact. UFI will assess the need for a rate stabilization plan and recommend the level of funding.

Task 5.8 – Provide Base Operational Cost for Water Utility

UFI will provide a base operation cost for operating the water utility and provide a reasonable basis on which to project costs. UFI has extensive experience with projecting operational costs based on whole or allocated usage. PCE has unique experience with serving as the operations for a dozen utilities.

Meeting(s)/Conference(s): Two meetings
Deliverable(s): Meeting materials, long-range financial plan, rate stabilization plan, memorandum summarizing evaluation of Water Services Business Principles and base operation costs

Task 6 – Classification of Costs

A cost of service analysis will ensure that the water utility remains consistent with cost of service principles such as required by Proposition 218. The cost of service study will be performed based on industry standards and methodologies approved by the American Water Works Association (AWWA) M1 Rate Manual. Mr. Lee has developed numerous financial plans, utility rate models, and connection fees studies. They will collectively ensure that the cost of service allocations focus on appropriate service functions, appropriately allocate the cost of service (revenue requirements) to the service functions, determine how those services are used by each customer class, and develop the cost allocation components of the models.

Cost allocations among customer classes for the water utility will likely be based on the AWWA-approved Base-Extra Capacity approach which focuses on the different usage patterns (or peaking factors) demonstrated by each customer class.

Task 6.1 – Determine Functional Classifications

The cost of service of providing water service will be allocated to the various cost components, including capacity-related costs, commodity costs, customer costs, and other direct and indirect costs consistent

with industry standards. The purpose of this task is to allocate the costs associated with the various cost components to the various customer classes on the basis of the relative responsibility of each. Costs will be allocated based on the determination of units of service for each customer class and the application of unit costs of service to the respective units. The result is the total cost responsibility required of each customer class in order to maintain the financial stability of the City's water utility.

The functional classifications will serve as the initial step in developing the overall cost of service, and UFI will review classifications with City staff before the rest of the cost of service is developed.

Task 6.2 – Evaluation of Data and Records Processes

Both UFI and PCE have extensive experience with not only evaluating operational processes related to data, records, and cost allocation classifications, but with the implementation of recommended billing systems. UFI/PCE will assess the adequacy of the City's operations to accumulate, record, and report costs in the desired cost allocation classifications. UFI will provide recommended changes, if necessary, to provide the required data in the most useful format in the future.

Meeting(s)/Conference(s): Meetings, as needed
Deliverable(s): Functional classifications (as part of the Cost of Service model)

TASK 7 – COST OF SERVICE

Throughout the cost allocation process, UFI will comply with the City's *policy considerations and procedures, as well as current federal, state, and local rules and regulations such as Proposition 218. Although not a law firm, UFI is very familiar with Proposition 218 requirements and its implications on water rates. UFI will review with City staff these considerations along with the water cost of service analysis during a team meeting.*

Task 7.1 – Review Meter-Sized Method of Fixed Charges

UFI will review existing meter size-method of fixed charges to determine their appropriateness and recommend revised or new customer class designations. Such classification may include single-family residential, multi-family residential, commercial, irrigation, industrial, etc. This task will be based on billing summary data, other meter size service data as may be available from the City, the Consultant's judgment, and previous experience with other utilities exhibiting similar usage characteristics and patterns. Billing summary data will be requested by the Consultant in a format suitable to make determinations.

Task 7.2 – Determine Water Usage Characteristics Based on Historical Consumption

UFI will review and analyze historical water consumption, revenue records, and billing summaries to determine water usage characteristics by customer class versus meter size. UFI will estimate the relative responsibility of each customer class for each of the functional cost elements. Such information will be used to provide the basis for equitable cost allocations to each meter size and/or customer class.

Task 7.3 – Allocate Cost of Service to Various Cost Components

UFI will allocate the cost of service to the various cost components, which constitute a functional classification of the different types of service the City provides. Functional cost components will include, as appropriate, base or volume related costs, extra capacity costs, fire protection costs, and customer costs.

Task 7.4 – Distribute Costs by Functional Components

UFI will distribute the costs by functional components to the various customer classifications and meter sizes on the basis of the relative responsibility of each classification for service provided as determined from the customer classification units of service, and the application of unit costs of service to the respective units.

Task 7.5 – Ensure Equitable Distribution of Costs

UFI will compare revenue under existing rates by each customer class with the allocated cost of service to determine the adequacy of present revenue levels for each class and the indicated adjustment in rates required to equitably distribute costs to the respective classes of customers.

Meeting(s)/Conference(s): Meetings, as needed
Deliverable(s): Cost of Service model

Task 8 – Water Utility Rate Model Development

UFI understands that the City is open to conservation-based rate structures that promote equity and conservation while positively impacting the short and long-term financial health of the City's utilities. Indeed, the City plans to present the advantages of a water budget rate structure to City Council in March 2017. Mr. Lee has extensive experience with the rate structure development process from analyzing alternative rate structures to guiding discussions with agency staff and governing bodies to arrive at the rate structure that best meets both the elected's and objectives and the unique needs of the agency. UFI can develop refinements to the current water budget rate structure that more closely aligns the rates charged with the cost of providing service.

UFI will develop water utility rates within the Model. The Model will feature the flexibility to compare the current rate structure with any proposed new rate structure such as an inclining tiers-based rate structure for the water utility. The Model will also have the capability to examine different options to enhance revenue stability while still balancing competing objectives such as affordability for essential need and signalling conservation.

One of the Model's strengths is in its use as a communications tool. For example, the Model can show customers and decision makers the drivers for the rationale behind the revised rate structure. Under an inclining-tiers structure, for example, the tiered structure

Graphical Interface Showing Tier Widths and Cost Component Breakdown

Tiers	Current Rates	Proposed Rates				
		Water Supply	Delivery	Conservation	Offset	Total
Tier 1		$1.86			($0.06)	$1.80
Tier 2	$1.89	$1.86	$0.34			$2.20
Tier 3	$1.89	$3.80	$0.34	$0.24		$4.38
Tier 4	$1.89	$5.70		$0.24		$5.94
Uniform Rate	$1.89	$1.86	$0.17			$2.03

would be built up based on several cost components for each tier including water supply costs, the City's system costs (delivery costs), and peak costs of capital. A hypothetical such structuring is shown in the table to the right. Water supply rates in tiers 1 (indoor allocation) and 2 (outdoor allocation) are associated with low water supply costs, and tiers 3 (50 percent of total allocation) and 4 are based on the cost of expanding the recycled water supply and conservation programs.

Utilizing the Model, UFI will determine the rates required for each tier to collect the required revenues. UFI will also build-in the capability to conduct various scenario analyses to address different conservation issues such as drought, loss of water supply, and different levels of capital funding. The Dashboard, which displays key variables and results on-screen and in real-time, will facilitate discussion for quick consensus building. This has proven to be particularly useful when making presentations to elected officials (e.g. City Council), allowing them to fully appreciate the impacts of their decisions instantly.

Task 8.1 – Evaluate Reasonableness of Existing Rate Structures

UFI will evaluate the City's existing water rate structures in terms of reasonableness of criteria used, and equitability among users.

Task 8.2 – Modify Rate Structure to Water Rate Structure

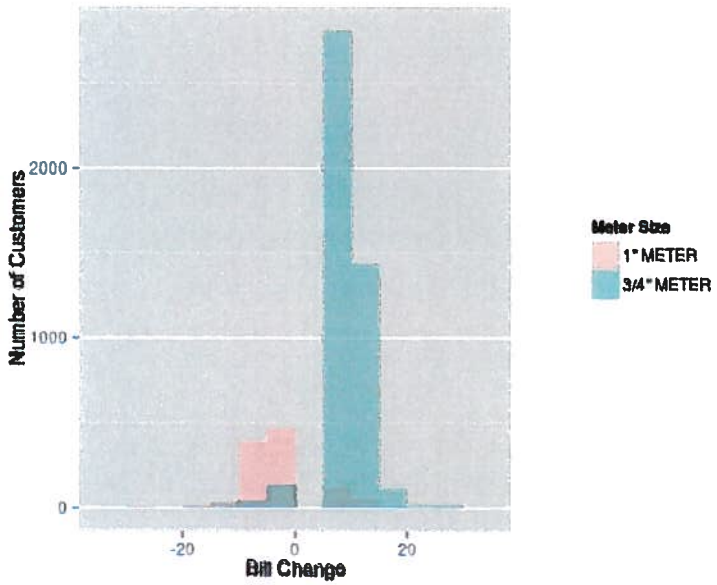
UFI will modify, as appropriate, a water rate structure appropriate for the City. Possible structural modification may include, but not necessarily be limited to, the following: Block thresholds, and pricing policies for commercial and industrial users.

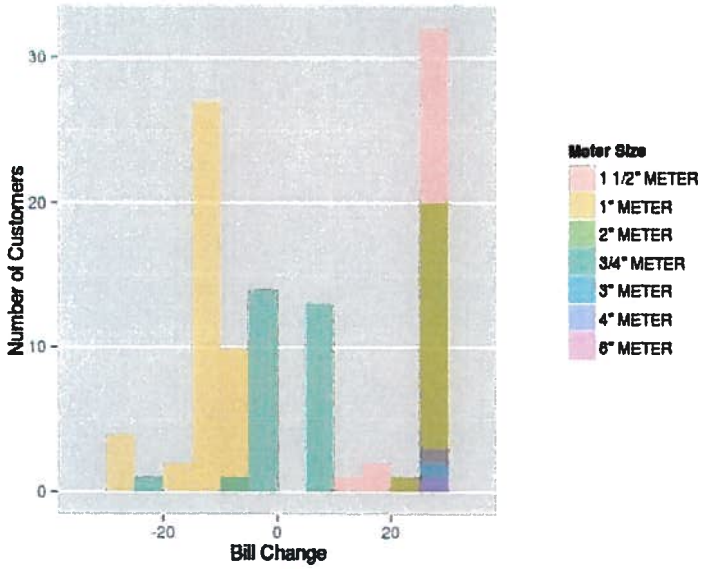
Task 8.3 – Recommendations to Avoid Revenue Loss Due to State Mandates

UFI will review the fixed cost and make recommendations to avoid a reduction in revenues while State mandated water use efficiency regulations are in place and/or in wet years.

Task 8.4 – Evaluate Affordability of Rates

UFI will assess the need for rates that address customer affordability, including research and development of an affordability index may be necessary to complete this analysis.



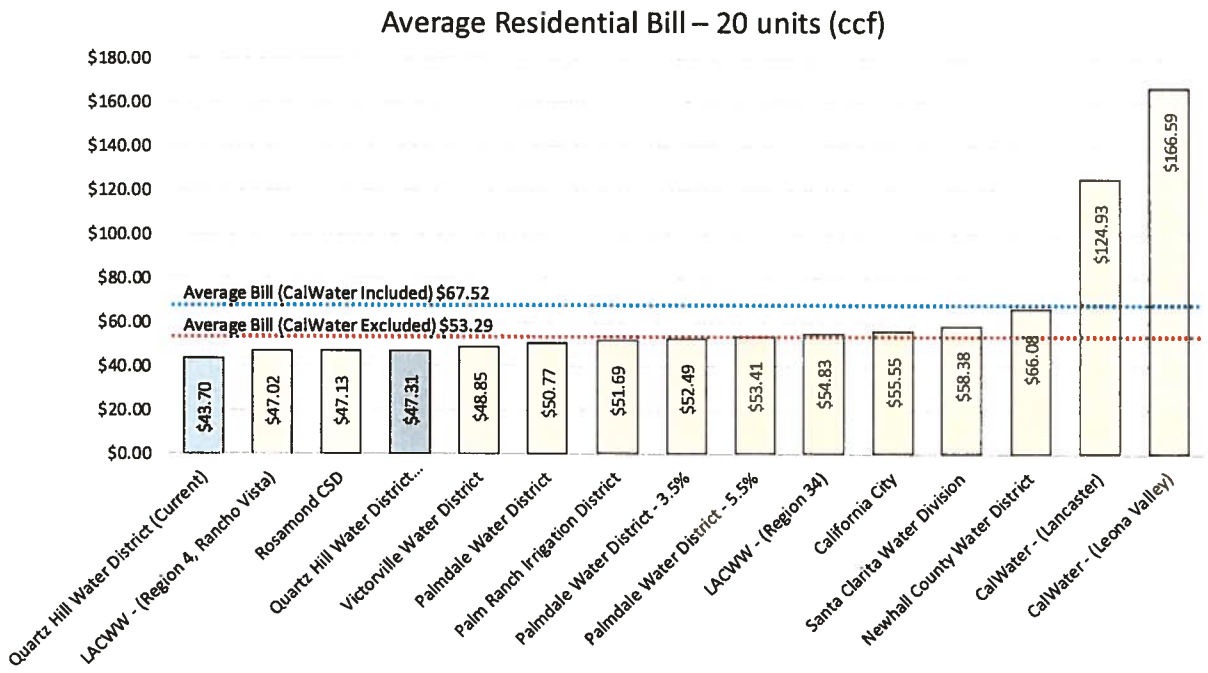


Task 8.5 – Update Meetings with City Council Sub-Committee

UFI will budget three meetings for city council sub-committees updates where UFI will review the findings and give updates.

Task 8.6 – Provide Survey of Peer Agencies

UFI will provide a survey of peer water rate structures from the City's "Survey Cities" and surrounding municipalities.



Meeting(s)/Conference(s): Three update meetings with City Council
Deliverable(s): Water Rate Model showing calculated proposed rates and customer impact analyses

TASK 9 – RATE DESIGN AND COMPARISONS

UFI understands that the City wishes to explore a Water Budget Rate Structure, and plans to present the merits of this and other alternative rate structures to City Council in March 2017. UFI will review the topics covered and agreed upon during the workshop with City staff – principles behind rate setting, evolution of rate structure, and the results of the pricing objectives exercise. UFI will introduce alternative rate structures that may meet the City's pricing objectives and discuss the pros and cons of each alternative. UFI will also present each pricing objective in terms of its viability of implementation according to the abilities and constraints of the billing system. Based on the City's priorities and goals and the capabilities of the billing system, UFI will present a short list of pricing objectives and rate setting principles for the City to rank.

Based on the Council's ranking of pricing objectives and other input gathered during the preceding workshop, UFI will provide the City Council with basis for recommending an alternative rate structure, as appropriate.

The goal of the workshop is for the Council to select and provide direction on which rate structure to evaluate for the future.

Whenever possible, UFI's approach to presenting complex and multi-faceted topics such as rate structure comparisons or impacts is to offer a combination of: 1) visual representation; and 2) periodic group poll or questionnaire for knowledge check and general opinion. This method encourages an environment of open and fluid discussion, facilitating real-time understanding of and consensus regarding the subject matter.

Task 9.1 – Develop Status Quo Rate Structure (Inclining Tiers)

UFI will develop a rate structure that will adapt the City's current rate design to meet State water use efficiency regulations, legal requirements of Proposition 218, and recover necessary fixed costs.

Task 9.2 – Develop Budget-Based Structure (Water Budget)

UFI will develop a budget based rate structure based on a water budget model for all customers. The budget based rate structure shall include parcel-based water budgets with an indoor budget based on per capita water use and an outdoor water use budget based on irrigated area and evapotranspiration rates. UFI will compare the rate structure developed in subtask 9.1 to the rate structure developed in subtask 9.2 in a way to facilitate a decision by the Garden Grove elected board between the rate structures.

Task 9.3 – Price Elasticity of Demand Model

UFI will develop multiple models during the process of rate design, which may include a price elasticity of demand model, cost allocation model, plant in service allocation model, and others. All models will become the property of Garden Grove, and the appropriate personnel will be trained on the operation of said models. A water budget rate structure will be developed in R Shiny, while price elasticity or other less processing-heavy models will be developed in Excel.

Task 9.4 – Development of Models for Transition to City Staff

UFI will develop its models with the expectation that will be able to conduct the next rate design study independently after having worked and trained with UFI. UFI will provide Garden Grove with the modeling data used for Sub-Task 9.1 and 9.2, and the model will have the ability to change simple variables, such as percent of fixed cost recovery and any component of the budgets per Task 9.2 such as indoor gallons per capita per day, in order to model different scenarios for consideration. UFI will incorporate training sessions with staff as needed.

Meeting(s)/Conference(s): Two meetings with staff to review model alternatives, one pricing objectives workshop with City Council, one training session with staff for model transition
Deliverable(s): City Council workshop materials, training modules and materials, inclining tiers rate structure, water budget and other alternative rate structures

TASK 10 – MEETINGS AND PRELIMINARY DRAFT REPORT

The process for developing the proposed rates and fees will be described in a draft report. This draft report will include an executive summary highlighting the major issues and decisions and an overview of operations, CIP, the financial plan and the final rates resulting from the Study. The discussion on rate structure selection will be presented as a comprehensive section on the rate design assumptions and methodologies used to develop the user-rate calculations and financial planning. Comments from City staff will be incorporated into the Report as appropriate, and the Model will be refined to reflect appropriate issues or concerns raised by stakeholders. The report will be submitted to the City and will include appropriate supporting data from the Model to address the requirements of Proposition 218.

UFI will prepare 15 copies of a draft report and meet with the City, and other members deemed appropriate by staff, including City Council, to discuss preliminary results of the study. The rate design will be reviewed and general consensus will be obtained for the proposed rate structure and rate design recommended.

Meeting(s)/Conference(s): Meeting with the City (as a follow-up to Workshop proposed in previous task) to develop consensus on the most appropriate rate structure
Deliverable(s): Meeting materials, 15 copies of Draft Report

TASK 11 – PRESENTATIONS AND FINAL REPORT

UFI will present final results and the reports to the City Council through a series of up to three presentations in workshop format. The presentation materials used in the Workshop will be provided to City staff for review prior to the workshops. Comments from the City Council will be incorporated into the Final Report. The Final Report will be submitted to the City to address the Proposition 218 requirements.

Meeting(s)/Conference(s): Up to three meetings with City Council
Deliverable(s): Meeting materials, 15 copies of Final Report

KEY PERSONNEL

The experience of UFI's key personnel are included in the Statement of Qualifications submitted in April 2016. The resumes of key personnel for UFI's partnering firm Precision Civil Engineering are included in the following pages:

PRECISION CIVIL ENGINEERING, INC.

Edward Dunkel Jr.

President & CEO

Mr. Dunkel is the founder and president of Precision Civil Engineering, Inc. (PCE) A fifth generation Fresno County resident, Mr. Dunkel is part of a family that has provided engineering and surveying services to the Central Valley for over 55 years. And has a diverse background in civil engineering and land surveying having involved in hundreds of both public and private sector projects.

Mr. Dunkel is also actively involved in many community and professional organizations, including: Regional Jobs Initiative Construction Cluster; board of the Building and Industry Association, CSU Fresno School of Engineering Advisory Board; Board of the Bulldog Foundation for California State University, Fresno; member of the Athletic Advisory Council to President Castro for CSU, Fresno; He holds a Bachelor degree in Civil Engineering from California State University Fresno.

EXPERIENCE

As president and CEO of PCE, Mr. Dunkel is responsible for overseeing daily company operations and ensuring client expectations are met and quality results achieved, molding Precision Civil Engineering, Inc. into the fastest growing civil engineering firm in the Valley. He lends vast experience and expertise to large master plan communities requiring cost-efficient, competent analysis and design with oversight on improvement plan preparation and entitlement applications. Mr. Dunkel is involved in management and oversight of project teams for hundreds of diverse projects, acting as lead liaison, having daily interaction with local agencies; such as Caltrans, County of Madera and County of Fresno. Mr. Dunkel is experienced in complying with agency requests in a responsible and timely fashion.

Mr. Dunkel, oversees and prepares land planning documentation including; due diligence reporting, preliminary engineering, feasibility analysis, conceptual land planning (land use, circulation, etc.), master/specific plan preparation and coordination, rezoning and general plan amendments, tentative subdivision and parcel mapping, EIR coordination (including CEQA/NEPA documentation). Also coordinates and attends municipal workshops and neighborhood meetings. Mr. Dunkel also has general oversight of utility feasibility and site grading analysis studies, hydrology/ hydraulic studies (including FEMA floodplain documentation), assessment district engineering, construction specifications, and improvement plans.

As part of Mr. Dunkel's daily duties he oversees; topographic and A.L.T.A surveys, boundary/Right-of-way surveys, final subdivision and parcel maps, dedication documentation and legal descriptions and construction staking.

His previous experience includes working for the City of Fresno on capitol improvement and general fund projects, including: street design, utility design; telemetry monitoring for water system analysis and design; contract specification and administration with critical path construction timelines; water system design and analysis; water well design and aquifer recharge analysis and design. He also performed design and estimating duties.

Previously in private practice, Mr. Dunkel worked on hundreds of public and private projects. His experience extends into soils analysis, investigations and slope stability; utility master planning and design; hydrology/hydraulics studies; grading and drainage design; storm water storage design; dry utility coordination; water well design; NPDES; SWPPP applications; and erosion control plans. Mr. Dunkel also has extensive experience with construction material testing and inspection analysis, and forensic and failure analysis on construction materials.

Education:

B.S., Civil Engineering, CSU, Fresno

Gonzaga University:
Certificate Soil Compaction

Lorman Education Services:
Advanced Zoning and Land Use

Asphalt Institute: Professional Development Certification.

Asphalt Pavements, Materials, Design, construction, pavement management, maintenance and rehabilitation.

Professional Affiliations:

American Society of Civil Engineers

ASCE

Regional Jobs Initiative Construction Cluster Chair

Bulldog Foundation Board of Directors

CSU Fresno Athletic Advisory Council

CSU Fresno Lyles School of Engineering Advisory Board

Fresno County Economic Development Corporation: Board of Directors

Awards:

2008 CSU Fresno School of Engineering Alumni of the Year

Office:

Fresno, California

Years of Experience:

30

Mr. Vang is a licensed professional engineer and has an extensive background in hydraulics, hydrology and designing drainage systems, sewer systems and water systems. He also has vast experience in the design of traffic systems, roads, and transportation improvements assuring a high-quality product for infrastructure needs to various agencies.

Mr. Vang holds a bachelor's degree in civil engineering from California State University, Fresno. He minored in mathematics while earning his bachelor's degree.

EXPERIENCE

Mr. Vang is currently the V.P. Transportation Manager for Precision Civil Engineering, Inc., bringing his specialization in master planning of sewer, water and storm drain systems. He excels in utilizing computer models and providing strategic planning for utility improvements. He has become an expert at evaluating in-situ conditions to engineer economical and competent designs. Mr. Vang is also well versed in the field of Traffic Engineering, including the design of traffic signal systems, geometric street design, signage and striping based on current Caltrans, MUTCD and AASHTO standards.

As such, Mr. Vang reviews and prepares Traffic Impact Studies for PCE, performing trip generation, trip distribution, travel-demand forecasting and site impact analysis. He utilizes computer modeling to analyze intersection capacity, determine intersection level of service and perform signal timing analysis.

Prior to rejoining Precision, Mr. Vang was the County Engineer for Madera County. During his tenure at the County of Madera, Mr. Vang successfully facilitated and gained voter approval of a $12M proposition 218 ballot measure to improve the Bass Lake sewer system. Mr. Vang facilitated several public informational neighborhood meetings to provide public outreach and education outlining the need for the improvements. By working with the community to address the community's needs and concerns, Mr. Vang successfully gained the trust and support from the community for the bond measure. The bond measure passed with an unprecedented 85% of the property owners voting in favor. In addition Mr. Vang successfully administered rate increases over a dozen sewer and water districts.

Mr. Vang developed annual budgets for each sewer and water district. In addition as part of the rate increase process Mr. Vang developed the budgets, rate structures and engineers assessment reports. Mr. Vang has in depth knowledge of the Proposition 218 legislation, the processes needed to be compliance, and prior litigation history and interpretations of the legislation. Mr. Vang has also worked closely with Bond Counsel and Financial Advisors to assist in the sale of revenue bonds and assessment bonds.

Education:

B.S., Civil Engineering, California State University, Fresno

Minor in Mathematics

Professional Registrations:

Civil Engineer, CA RCE 63824

Traffic Engineer, CA TE 2674

Civil Engineer, NV RCE 021284

Certifications:

SWANA, Manager of Landfill Operations # 857211

Professional Memberships:

SWANA

CLSA

Years of Experience:

18

PRECISION CIVIL ENGINEERING, INC

John T. Ennis, PE
Sr. Engineer

Mr. Ennis brings to Precision Civil Engineering, Inc., his experience with and knowledge with infrastructure master planning and transportation design.

As one of PCE's Sr Engineers and Project Managers, Mr. Ennis is responsible for all aspects of a project's engineering requirements. He acts as the central communication hub between clients and all team members, monitoring and coordinating the project to ensure all timelines are met. Mr. Ennis also coordinates with outside agencies and other consultant team members to keep projects on track and is the key liaison between clients and public agencies, advocating client's needs and goals while considering public agency requirements.

Mr. Ennis' other areas of expertise include: planning, grading and drainage design, storm drainage design, street layout and design, sewer and water system layout and design. His experience and ability to build and maintain relationships with clients and agencies allows him to ensure that changes which may impact the projects schedules are properly coordinated, addressed and reflected in the design process.

EMPLOYMENT HISTORY

ENNIS CONSULTING (NOV 2003 – PRESENT)
Owner/Sole Proprietor

CITY OF FRESNO (AUG 2002 – OCT 2003)
Assistant City Traffic Engineer

MWH SOFT, INC. (OCT 2000 - AUG 2002)
Supervising Engineer

AECOM (JUN 1991 - OCT 2000)
Sr Engineer/Project Manager

EXPERIENCE

Transportation Experience

Intelligent Transportation System Implementation Project - Fresno, CA.
Claribel Road Intersection Improvements - Stanislaus County, CA.
Friant Road Widening – Friant, CA.
Clovis Avenue Widening - Fresno, CA.
Scripps Poway Parkway - Poway, CA.
Elk Grove - Florin Road, Sacramento, CA.
State Route 43/State Route 99 Interchange - Selma, CA.
Manning Avenue Widening - Fresno, CA.

Construction Management Experience

Storm Damage Bridge Repair – Coalinga, CA.
Simpson Street Reconstruction – Kingsburg, CA.

Education:

MBA Craig School of Business
California State University, Fresno

B.S., Civil Engineering, California State University, Fresno

Registrations/Certifications:

Civil Engineer, CA

Office:

Fresno, California

Years of Experience:

25

PRECISION CIVIL ENGINEERING, INC

John T. Ennis, PE
Sr. Engineer

Public Works Experience

California Air National Guard – Fresno, CA.
Landfill Closure – Eastern Fresno County, CA
Rio Mesa Infrastructure Master Plan – Madera County, CA
City of Kingsburg Wastewater Master Plan – Kingsburg , CA
Reclaimed Water System Master Plan - City of San Diego, CA.
Water System Master Plan – City of Escondido, CA.
Water System Master Plan – City of South Lake Tahoe, CA.
Water System Master Plan - Otay Water District (San Diego), CA.
Water System Master Plan – City of Hanford, CA.
Water System Hydraulic Computer Model Conversion - Poway, CA.
Water System Hydraulic Computer Model Conversion - Ontario, CA.
Water System Hydraulic Computer Model Conversion – Corona, CA.
Sanitary Sewer Master Plan – Coalinga, CA.
Storm Drainage Master Plan – City of Redondo Beach, CA.
Storm Drainage Master Plan – City of Malibu, CA.
Water System Master Plan – City of Atwater, CA.
Storm Drainage Master Plan – Porterville, CA.
Storm Drainage Master Plan - County of San Joaquin, CA.
Sanitary Sewer Master Plan – City of Visalia, CA.
Sanitary Sewer Master Plan – City of Tulare, CA.
Geographic Information Systems Experience
Olivenhain MWD Water Storage - Rancho Santa Fe, CA.
Storm Drain Master Plan, Facilities Management and GIS - Torrance, CA.
State of Idaho - Nez Perce Indian Water Rights Study
Wellhead Protection Study – County of Merced, CA.

PRECISION CIVIL ENGINEERING, INC

Julio Padilla
Project Engineer

Mr. Padilla brings to Precision Civil Engineering, Inc., his experience with and extensive knowledge of planning, design, construction and accounting aspects of new and existing water facilities, including regulatory compliance is being met. He also has experience with water system operations, planning and securing grant funding for wastewater districts.

EXPERIENCE

Mr. Padilla is responsible for all aspects of a project's engineering requirements. He acts as the central communication hub between clients and all team members, monitoring and coordinating the project to ensure all timelines are met. Mr. Padilla also coordinates with architects and other outside consultants to keep projects on track and is the key liaison between clients and public agencies, advocating client's needs and goals while considering public agency requirements.

Mr. Padillas' other areas of expertise include: planning, grading and drainage design, storm drainage design, street layout and design, sewer and water system layout and design. His experience and ability to build and maintain relationships with clients and architects allows him to ensure that changes to the site layout are properly coordinated, addressed and reflected in the design process.

- **MD-43, Miami Creek Knolls – Feasibility Study**; Project Manager to conduct a feasibility study to evaluate and drill a test well in the Ahwahnee area, near Oakhurst. The study consisted of the construction of a test well and/or water treatment facility, feasibility study report, complete environmental documents, land acquisition, plans and specifications for the selected project. Consolidation option was considered with Hillview Water Company, but the constructed test hole met the State's Safe Drinking Water Standards. The feasibility study was funded through the Proposition 84 Fund Program for a total grant of $500,000.

- **MD-43, Miami Creek Knolls – Water Improvements Construction**; Project Manager and funding coordinator for the development of approved test well performed during the Feasibility Study, site improvements, 180,000 gal storage tank, and new water distribution and meters installation. The construction of the water facility improvements was funded through the Proposition 84 Fund Program for a total grant of $3,326,313.

- **MD-6, Lake Shore – Feasibility Study;** Project Manager to conduct a feasibility study, which included the construction of a test well and/or a water treatment facility, pilot study, feasibility study report, complete environmental documents, land acquisition, plans and specifications for the selected project. The consolidation option has been highly considered between MD-7, Marina View Heights and Bass Lake Water Company, as the most cost effective project, if treatment is required. The feasibility study was co-funded through the Proposition 84 Fund Program and the Safe Drinking State Revolving Fund Program for a total grant of $500,000.

Education:

B.S., Civil Engineering, California State University, Long Beach

Registrations/Certifications:

Certified Water Distribution Operator Grade 1 and 2, No. 14516

Member, American Society of Civil Engineers, ASCE

Member, Society of Hispanic Professional Engineers, SHPE

Office:

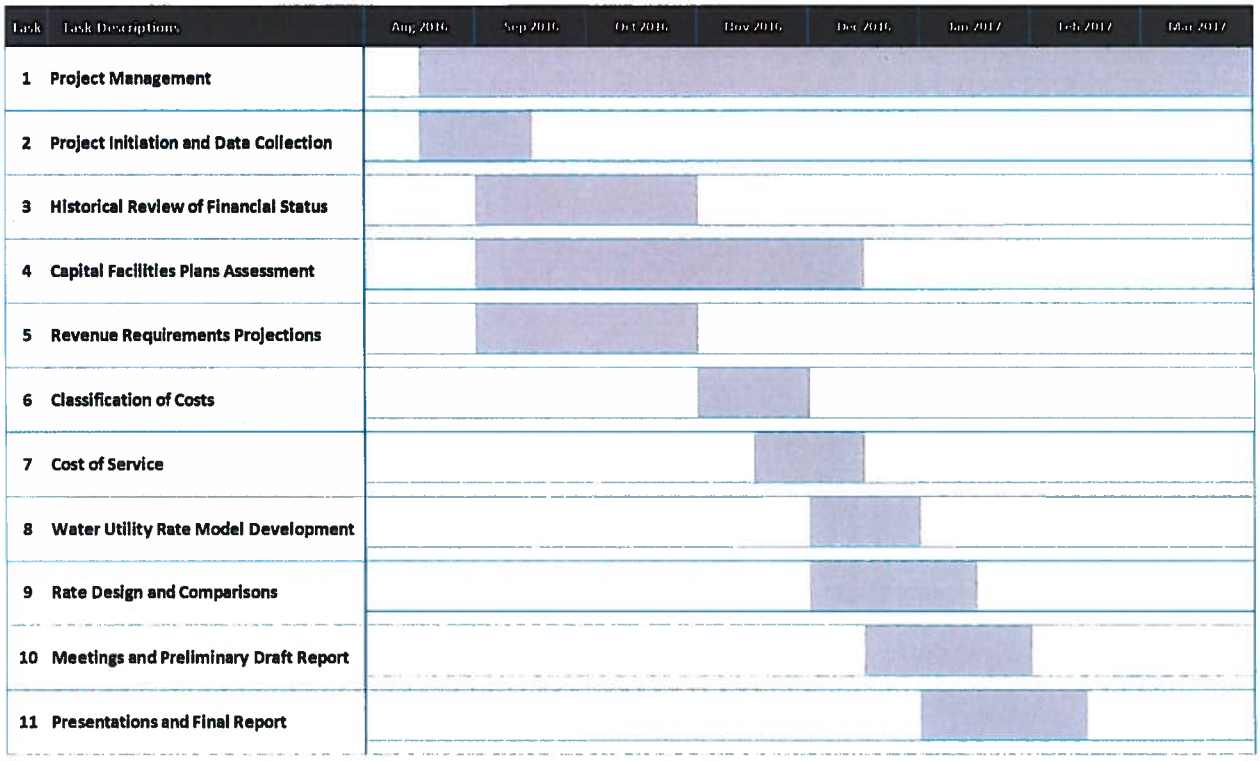
Fresno, California

Years of Experience:

12

SCHEDULE

UFI proposes to complete the scope of services within the timeframe shown in the schedule below. The proposed schedule assumes a notice-to-proceed by mid-August 2016, and that UFI will receive data in a timely manner and be able to schedule meetings as necessary. UFI can adapt the schedule to the City's needs.



FEE ESTIMATE

UFI proposes to complete the scope of services outlined above on a time-and-materials basis with a not-to-exceed cost of $87,640, inclusive of expenses.

PCE proposes to complete the scope of services outlined above on a time-and-materials basis with a not-to-exceed cost of $39,860, inclusive of expenses.

The following work plans provide a breakdown of the estimated level of effort required for completing each task described and the hourly billing rates for the personnel scheduled to complete the project.

Urban Futures, Inc.

Task	Task Descriptions	Web Meetings	No of Meetings	Hours Requirements				Total Fees & Expenses
				JL	RS	Admin	Total	
	HOURLY RATES			$185	$100	$75		
1	Project Management							
1.1	Ongoing Project Management and Quality Assurance Process	1		16	4	3	23	$3,585
1.2	Stakeholder Outreach	1		6	10		16	$2,110
1.3	General Administration	1		3	6	3	12	$1,380
1.4	Monthly Work Plan Status Reports	1		6	8	6	20	$2,360
2	Project Initiation and Data Collection							
2.1	Request for Financial and Operation Data		1	2	4		6	$770
2.2	Review of Data and Documentation			8	20		28	$3,480
2.3	Review of Reserves and Policies			4	2		6	$940
3	Historical Review of Financial Status	1	1	4	8		12	$1,540
4	Capital Facilities Plans Assessment							
4.1	Water Master Plan Review and Engineering Cost Estimates	1	1	2	2		4	$570
4.2	10-Year Capital Plan	1		4	2		6	$940
5	Revenue Requirements Projections							
5.1	Meetings with Finance to Review Budgets, Models, and Objectives		2	12	16	2	30	$3,970
5.2	Project Water Revenues Based on Population and Other Growth Factors			2	4		6	$770
5.3	Project Revenues from Non-Operating Revenues			1	2		3	$385
5.4	Develop Annual Revenue Requirements	1		8	20		28	$3,480
5.5	Cash Flow Analyses for Water Operations			4	4		8	$1,140
5.6	Evaluate Water Services Business Principles			1	2		3	$385
5.7	Assess Need for Rate Stabilization Plan			1			1	$185
5.8	Provide Base Operational Cost for Water Utility	1		6	4		10	$1,510
6	Classification of Costs							
6.1	Determine Functional Classifications			4	1		5	$840
6.2	Evaluation of Data and Records Processes			4	1		5	$840
7	Cost of Service							
7.1	Review Meter-Sized Method of Fixed Charges			3	1		4	$655
7.2	Determine Water Usage Characteristics Based on Historical Consumption			6	8		14	$1,910
7.3	Allocate Cost of Service to Various Cost Components			6	16		22	$2,710
7.4	Distribute Costs by Functional Components	1		3	8		11	$1,355
7.5	Ensure Equitable Distribution of Costs	1		6	12		18	$2,310
8	Water Utility Rate Model Development							
8.1	Evaluate Reasonableness of Existing Rate Structures	1		4	4		8	$1,140
8.2	Modify Rate Structure to Water Rate Structure			12	16		28	$3,820
8.3	Recommendations to Avoid Revenue Loss Due to State Mandates			2	2		4	$570
8.4	Evaluate Affordability of Rates			8	20		28	$3,480
8.5	Update Meetings with City Council Sub-Committee		3	12	20		32	$4,220
8.6	Provide Survey of Peer Agencies			2	4		6	$770
9	Rate Design and Comparisons							
9.1	Develop Status Quo Rate Structure (Inclining Tiers)		1	10	24		34	$4,250
9.2	Develop Budget-Based Structure (Water Budget)		2	45	70		115	$15,325
9.3	Price Elasticity of Demand Model	1		6	10		16	$2,110
9.4	Development of Models for Transition to City Staff	2	1	10	16		26	$3,450
10	Meetings and Preliminary Draft Report	1	1	6	20		26	$3,110
11	Presentations and Final Report	1	3	15	15		30	$4,275
	TOTAL ESTIMATED MEETINGS / HOURS	17	16	254	386	14	654	
	PROFESSIONAL FEES			$46,990	$38,600	$1,050	$86,640	

Total Fees	$86,640
Total Expenses	$1,000
TOTAL	$87,640

JL - James Lee

RS = Russell Sager

Precision Civil Engineering, Inc.

Task	Task Descriptions	No of Meetings	Hours Requirements						Total Fees & Expenses
			Principal	Sr. Eng.	Proj. Mgr.	Proj. Eng.	Clerical	Printing	
	HOURLY RATES		$170	$155	$145	$120	$55	$25	
1	**Project Management**								
1.1	Ongoing Project Management and Quality Assurance Process		2	2	2			6	$940
1.2	Stakeholder Outreach							0	$0
1.3	General Administration		2	2	2			6	$940
1.4	Monthly Work Plan Status Reports							0	$0
2	**Project Initiation and Data Collection**								
2.1	Request for Financial and Operation Data	1	1	1	1			3	$470
2.2	Review of Data and Documentation			1	1			2	$300
2.3	Review of Reserves and Policies							0	$0
3	**Historical Review of Financial Status**			2	4	3		9	$1,250
4	**Capital Facilities Plans Assessment**								
4.1	Water Master Plan Review and Engineering Cost Estimates	1	2	16	24	48	2	4	$12,170
4.2	10-Year Capital Plan		2	6	16	24	4	4	$6,690
5	**Revenue Requirements Projections**								
5.1	Meetings with Finance to Review Budgets, Models, and Objectives	1						0	$0
5.2	Project Water Revenues Based on Population and Other Growth Factors							0	$0
5.3	Project Revenues from Non-Operating Revenues							0	$0
5.4	Develop Annual Revenue Requirements							0	$0
5.5	Cash Flow Analyses for Water Operations							0	$0
5.6	Evaluate Water Services Business Principles			1				1	$155
5.7	Assess Need for Rate Stabilization Plan							0	$0
5.8	Provide Base Operational Cost for Water Utility			1	2	2		5	$685
6	**Classification of Costs**								
6.1	Determine Functional Classifications			2	2	2		6	$840
6.2	Evaluation of Data and Records Processes							0	$0
7	**Cost of Service**								
7.1	Review Meter-Sized Method of Fixed Charges			1				1	$155
7.2	Determine Water Usage Characteristics Based on Historical Consumption							0	$0
7.3	Allocate Cost of Service to Various Cost Components			1	2	2		5	$685
7.4	Distribute Costs by Functional Components							0	$0
7.5	Ensure Equitable Distribution of Costs							0	$0
8	**Water Utility Rate Model Development**								
8.1	Evaluate Reasonableness of Existing Rate Structures							0	$0
8.2	Modify Rate Structure to Water Rate Structure							0	$0
8.3	Recommendations to Avoid Revenue Loss Due to State Mandates							0	$0
8.4	Evaluate Affordability of Rates							0	$0
8.5	Update Meetings with City Council Sub-Committee			4	4	4		12	$1,680
8.6	Provide Survey of Peer Agencies							0	$0
9	**Rate Design and Comparisons**								
9.1	Develop Status Quo Rate Structure (Inclining Tiers)							0	$0
9.2	Develop Budget-Based Structure (Water Budget)							0	$0
9.3	Price Elasticity of Demand Model							0	$0
9.4	Development of Models for Transition to City Staff			2	2	2		6	$840
10	**Meetings and Preliminary Draft Report**	1	2	8	18	18	8	2	$6,790
11	**Presentations and Final Report**	1	1	4	4	8	8	2	$2,770
	TOTAL ESTIMATED MEETINGS / HOURS	5	12	54	84	113	22	74	
	PROFESSIONAL FEES		$2,040	$8,370	$12,180	$13,560	$1,210	$37,360	
								Total Fees	$37,360
								Total Expenses	$2,500
								TOTAL	$39,860

Principal - Ed Dunkel
Project Manager - John Ennis
Sr. Engineer - Ken Vang
Project Engineer - Julio Padilla