

July 12, 2022

Mr. Mark Uribe
Director of Finance
City of Camarillo
601 Carmen Drive
Camarillo, CA 93010

Subject: Proposal to Conduct 2022-23 Water and CSD Studies

Dear Mr. Uribe:

Raftelis Financial Consultants, Inc. (Raftelis) is pleased to submit this scope of services to provide the City of Camarillo (City) studies in updating the Water Enterprise and Camarillo Sanitary District (CSD) Financial Plans and capacity fee studies; as well as optional work to evaluate financial impacts and solutions due to drought and provide for public outreach services. Our scope outlines the tasks Raftelis believes will be involved in completing the 2022-23 studies. We have compartmentalized the scope into four distinct components:

- J Water and CSD Financial Plans Update
- J Updated Water and CSD Capacity Fees
- J Optional - Drought Impacts and Drought Rate Evaluation
- J Optional – Public Outreach Participation and Support

I, Kevin Kostiuk, will again serve as Project Manager and ultimately be responsible for the project's success. Steve Gagnon, PE, will serve as Project Director. Steve has 20 years of experience in financial analysis and environmental engineering and is registered with the Securities and Exchange Commission as a Municipal Advisor. Jonathan Jordan will continue to lead the modeling efforts with support on analyses and project deliverables from other Los Angeles office-based Raftelis staff.

Should the City utilize Raftelis for any optional communications services, I will be supported by Gina DePinto, APR. Gina has 34 years of experience and leadership in crisis communications, community outreach, advocacy, stakeholder engagement, marketing, and media relations for utilities and local government in California.

If you have any questions, please do not hesitate to contact me using the following contact information.

Kevin Kostiuk, Manager
445 S Figueroa Street, Suite 1950, Los Angeles CA 90071
P: 213.262.9309 / E: kkostiuk@raftelis.com

Sincerely,

Kevin Kostiuk



Scope of Services

TASK 1 – RATE STUDIES

TASK 1.1 PROJECT INITIATION AND MANAGEMENT

KICK-OFF MEETING

The webinar kick-off meeting will provide an opportunity for the City to provide input on the project's approach, work plan, schedule, and priorities. Raftelis will develop a kick-off meeting package that contains the meeting agenda and presentation materials to guide the discussion.

DATA COLLECTION AND REVIEW

Prior to the kick-off workshop, Raftelis will have reviewed the City's water and wastewater-related data as requested in a data request. The data request list outlines all of the information needed to complete the Study. The data request may include customer information and financial documents such as updated budgets, reserve policies, capital plans, strategic plans, etc. Raftelis will update information such as operating costs, water use and wastewater flows, capital spending plans, and revenues generated to develop financial forecasts. The kick-off workshop will provide an opportunity to review a substantial portion of the requested data jointly.

PROJECT MANAGEMENT

Our project management approach stresses communication, teamwork, objectivity, and accountability to meet project objectives. This task includes general administrative duties, including client correspondence, billing, project documentation, and administration of the study plan.

Meetings/Workshops: One (1) project kick-off meeting

Deliverables: Kick-off meeting presentation materials and meeting minutes

TASK 1.2 – FINANCIAL PLAN UPDATES

WATER ENTERPRISE FINANCIAL UPDATE

Modeling the yearly ending cash balance and debt service coverage ratio allows staff, the Utilities Committee, and the City Council to determine the rate impacts of updated operating and capital scenarios and to assess the proper use of debt and reserves to fund future capital. This also allows for a comparison to prior year model results and a reconciliation of differences between the prior-year projected schedule of revenue increases versus an updated projection.

Once all data has been collected and reviewed, Raftelis will utilize the existing Water Enterprise financial plan model to project the City's revenue requirements based on historical results, the current budget, the City's updated capital improvement program (CIP), and the most refined estimates for future water supplies and demands. Proposed rates resulting from the financial plan model update will be based on the current cost of service (completed in calendar

Water and CSD 2022-23 Studies

City of Camarillo and Camarillo Sanitary District

year 2022 for the Water Enterprise) and rate structure (i.e., any proposed revenue adjustments will be applied uniformly to existing rates).

Model updates will include operations and maintenance (O&M), labor, power, purchased water, materials, etc. Raftelis will project the amount of cash to be collected through water charges to meet the enterprise's costs, including O&M, capital, debt service, and reserve funding.

CSD FINANCIAL UPDATE

Raftelis will conduct the same update to the CSD financial plan model. The updated financial plan scenarios will be compared against the annual revenue increases projected in 2021-22. Proposed revenue adjustments will be applied uniformly to existing rates based on the existing wastewater cost of service analysis. We have budgeted for an increased number of webinars that may be required to discuss CSD capital financing scenarios with the City's Municipal Advisor.

Meetings: Four (4) webinars with City and CSD staff

Deliverables: Updated Financial Plan Models for Water and CSD

TASK 1.3 – PUBLIC MEETINGS (FINANCIAL PLANS AND RATE STUDIES)

CITY MANAGER MEETING

Before our presentations to the Utilities Committee and the City Council, Raftelis will hold a meeting with the executive City staff and the City Manager to review preliminary financial plan results and recommendations from Raftelis and City staff. This presentation will be the basis for the Utilities Committee and City Council presentations in the following sub-tasks.

UTILITIES COMMITTEE MEETING #1

Raftelis will conduct multiple webinars with City/District staff to develop proposed financial plans for the City Councils' consideration. Raftelis will present options at a working session with the Utilities Committee. The session will discuss the preliminary results of the financial plan updates and any drought rates evaluated in the optional Task 3. Changes, comments, and feedback will be incorporated into updated scenarios prior to the subsequent Utilities Committee meeting and City Council presentation.

UTILITIES COMMITTEE MEETING #2

Raftelis will hold a second meeting with the Utilities Committee and City/District staff to review revised results and recommendations. Raftelis will incorporate feedback and scenario direction from the Utilities Committee into a presentation for the City Council.

CITY COUNCIL PRESENTATION

Raftelis will present the Study results to City Council. The presentation will cover: the financial plans and any proposed revenue adjustments for the utilities; the results of the optional drought rate design task. The presentation will discuss financial plan inputs, primary drivers for changes to rates and revenue streams, effects of the long-range capital program, and customer impacts from any drought rate proposal.

Based on the outcome of the City Council meeting, Raftelis will prepare a study report to document the findings and recommendations and provide supporting data in the Model to address the requirements of Proposition 218. The capacity fee study will be documented in a separate report to serve as its own administrative record, independent of the rates charged to existing customers.

Meetings/Workshops: Four (4) meetings: one (1) with the City's executive staff, two (2) with the Utilities Committee, and one (1) with City Council

Deliverables: Presentation materials

TASK 1.4: RATE IMPLEMENTATION

PROPOSITION 218 NOTICE REVIEW

Raftelis will be available to assist the City in drafting and reviewing Proposition 218 notices to City customers. While Raftelis will assist in the process, the customer notice is a legal document and should be drafted by the City and reviewed by the City Attorney's office.

REPORT DEVELOPMENT

The process for developing the proposed water, recycled water, and CSD rates 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. Comments from City staff will be incorporated into the Final Report as appropriate, and the models will be refined to reflect issues or concerns raised by stakeholders. The Final Report will be submitted to the City and will include appropriate supporting data from the models to address the requirements of Proposition 218.

Recent legal decisions have emphasized the importance for a thorough administrative record and defensible methodology of the final rates for service. To ensure that the Study includes a thorough administrative record, the Final Report will include an exhibit listing all assumptions and methodologies used to develop the financial plan and rates. The Report will lead the reader through Raftelis' approach at arriving at revenue and rate adjustments that are defensible, reflect the City's policies and goals, and are driven by the revenue requirements of each utility.

TASK 4.3 – PUBLIC HEARING

Raftelis has assisted numerous agencies with the Proposition 218 process and will be available to assist the District with public information during the 45-day noticing period. Raftelis will be present at the Public Hearing where

recommended rates may be adopted, absent a majority protest. The Raftelis project team will be available to answer questions or to present the Rate Study, if requested.

Meeting(s): One (1) conference call to review comments to the draft report and Proposition 218 notice; attendance at one (1) public hearing

Deliverable(s): Draft and Final Reports in Microsoft Office and Adobe PDF; presentation materials

TASK 2 – CAPACITY FEE STUDIES COMPLETION

TASK 2.1 – CAPACITY FEE MODEL UPDATE

As part of the 2021-22 studies (prior year work), Raftelis developed a capacity fee model based on the fee framework developed in 2019 and revisited with staff in 2021. Preliminary fees were presented internally in August 2021 before water and CSD rate work took priority. To complete the work Raftelis will need to update the existing models with current data and present updated fee results. We anticipate that the budget remaining on the prior year contract is sufficient to complete the update in this subtask (Task 2.1). The hours and fees within our fee proposal table reflect the effort required to complete Tasks 2.2 and 2.3 only.

TASK 2.2 – PUBLIC MEETINGS

Raftelis will facilitate one workshop each with the City’s Utilities Committee and the City Council. The goal of the workshops is to receive feedback, buy-in, and final direction from participants. Depending on the progress of other studies, the content of these workshops may be able to be held in conjunction with Utilities Committee and City Council meetings to discuss water and CSD financial plan and proposed rates.

TASK 2.3 – CAPACITY FEE STUDY REPORT

The process for developing proposed capacity fees and the associated methodology will be described in a detailed draft report. Proposed fees and the Report will meet applicable regulatory requirements (Government Code 66000). Comments from City staff will be incorporated into a Final Report.

Meetings: Two (2) virtual webinars with City staff; one (1) onsite workshop with the Utilities Committee; one (1) onsite workshop with the City Council

Deliverables: Capacity Fee Model in Microsoft Excel™; Draft and Final Capacity Fee Reports; presentation materials

TASK 3 – DROUGHT RATE EVALUATION (OPTIONAL)

TASK 3.1 REVIEW DROUGHT STAGES

The first step in developing drought rates is to examine the City’s Water Shortage Contingency Plan. Generally, each stage in the plan targets a system-wide, or customer class, reduction of a certain percentage of total water demand.

TASK 3.2 DROUGHT RATE FRAMEWORK

In developing drought rates four questions must be addressed:

1. How much water reduction is called for?
2. How much will the reduction in water sales cost the City in unrecovered fixed costs?
3. How should the net loss be recovered to best achieve the City's objectives?
4. How will the proposed shortage structure impact the City's water customers?

TASK 3.3 CALCULATE DROUGHT RATES

Assuming conservation targets are achieved, each drought stage will result in a revenue loss from water sales reductions. Raftelis will quantify the net revenue loss to account for any additional drought-related costs and/or avoided costs at each stage in our analysis. Based on the demand reduction scenarios and selected drought rate structure, the Drought Rate Model will calculate the rates for each demand reduction scenario and present the resulting customer impacts in both numerical and graphical format. When revenue recovery rather than conservation is the objective of the shortage rate, a fixed surcharge may be most appropriate, acknowledging a trade-off with affordability to low-use and low-income customers.

We will present our findings and recommendations to the Utilities Committee and City Council, concurrent with the rate studies meetings defined in Task 1. Should the City wish to adopt a schedule of drought rates, it is legally required to be adopted via Proposition 218, just like the City's standard water rates. Raftelis assumes drought rate adoption on the same timeline as the standard water rates and that the drought rates will be documented in the water rate study report in Task 1.4.

Meetings: *Three (3) webinars with City staff*

Deliverables: *Draft and Final Drought Surcharge Rate Models in Microsoft Excel*

TASK 4 – PUBLIC OUTREACH AND COMMUNICATIONS SUPPORT (OPTIONAL)

There has never been a more critical time to communicate the value of water and wastewater services provided by the City and CSD. Now, more than ever, meaningful, deliberate, and strategic communication efforts can make the difference. Our communications specialists provide the guidance, structure, strategies, and tactics to help make rate proposals successful and avoid delays and/or reputational crisis. Below are examples of the communication consulting services Raftelis can offer on a time and materials basis

-) Strategic communication planning
-) Public involvement and community outreach
-) Meeting facilitation
-) Graphic design and marketing materials
-) Media and spokesperson training
-) Risk and crisis communication
-) Social media strategy

TASK 4.1 PARTICIPATION ONLY

This sub-task provides for the attendance of our Project Manager at three community meetings. The effort in the fee proposal reflects the preparation of presentation materials, travel time, and meeting time. It is assumed that City staff and/or other communications consultants will plan, prepare, message, and facilitate the meetings.

TASK 4.2 OPEN HOUSE STYLE MEETING WITH FACILITATION

Given the recent water rate re-structuring for residential users and looking forward to the significant re-investment required for maintaining CSD service levels, we envision the need to hold multiple community meetings to engage the public. These meetings would be proposed as Open House formats where information about the City and CSD's plans to re-invest would be shared at a series of stations following a brief presentation.

The first meeting would: provide information about common approaches to funding water and wastewater utility services; gather input on participants' sense of existing challenges and concerns; how ratepayers envision ensuring a secure water future; and which funding approaches they feel make the most sense or that they would support. At a second meeting City staff would: communicate the value of water services the City and CSD provides, again summarize the challenges being faced and planned investments to deliver a secure water future; summarize the rate study process to date and provide specific examples of how public input has informed and helped guide the Study; and share recommendation(s), including anticipated bill impacts, answer questions, and gather additional feedback.

If the City is interested in Raftelis providing outreach services, we would work with staff to identify a scope based on our role in the process, be it attendance only, participation, or facilitation. And we would identify the number of community meetings and the degree of direct messaging necessary to ensure success.

Meetings: *Three (3) Outreach facilitations support meetings*

TASK 4 – WATER AND CSD MISCELLANEOUS FEE STUDY (OPTIONAL)

Raftelis will work with City staff to update the administrative and non-rate fee schedule. These fees recover administrative costs associated with different City and CSD service work. Our approach involves calculating the average cost of performing certain tasks. We will work with staff to determine the average time spent on various tasks by varying levels of personnel. We will ask staff for labor rates (including fringe benefits) for each personnel type, the hourly depreciation rates for various types of equipment used to perform these tasks, and any materials involved. We will then sum the costs to determine the total cost of service for administrative and service tasks. Raftelis will take into consideration the existing fee schedule and prior analyses.

Fee Schedule

Raftelis proposes to complete the scope of work outlined above on a time-and-materials basis with a not-to-exceed cost of \$68,945 for the Rate Studies and Capacity Fee Study tasks; and \$37,059 for the three optional tasks (Drought Rate Evaluation, Public Outreach and Communication, and Miscellaneous Fee Study. The following work plan provides a detail of the estimated level of effort required for completing each task and sub-task described within the scope and the hourly billing rates for the personnel scheduled to complete the project.

Water and CSD 2022-23 Studies

City of Camarillo and Camarillo Sanitary District

Tasks	Web Meetings	Number of Meetings	Hours						Total Fees & Expenses
			PD	PM	SC	TR	Admin	Total	
Task 1 Rate Studies									
1.1. Kickoff Workshop, Data Collection, Project Management		1	4	6	10		4	24	\$5,298
1.2. Financial Plan Updates for Water and CSD	4		6	16	48	4		74	\$16,370
1.3. Public Meetings		4	12	32	16			60	\$15,732
1.4. Rate Implementation	1	1	6	20	48	2	1	77	\$17,108
Task 2 Capacity Fee Studies									
2.1 Capacity Fee Model Update	2		Included in Existing Contract Remaining Budget					0	\$0
2.2. Public Meetings		2	6	14	10			30	\$7,756
2.3 Capacity Fee Study Report				4	24	4		32	\$6,680
Task 3 Drought Rate Evaluation (Optional)									
3.1 Review of Shortage Stages	1		1	4	8			13	\$2,895
3.2 Drought Rate Framework	1		2	12	16			30	\$6,790
3.3. Calculate Drought Rates	1		4	16	36	2		58	\$12,860
Task 4 Public Outreach and Communication (Optional)									\$0
4.1 Participation Only		3	2	18	6			26	\$6,784
4.2 Open-House Format Meetings with Facilitation			To Be Determined					0	\$0
Task 5 Miscellaneous Fee Study (Optional)	2		2	10	24	1			\$7,730
Total Estimated Meetings / Hours	12	11	45	152	246	13	5	424	
Hourly Billing Rate			\$325	\$240	\$185	\$240	\$80		
Total Professional Fees			\$14,625	\$36,480	\$45,510	\$3,120	\$400	\$100,135	
PD - Project Director, Sudhir Pardiwala PM - Project Manager, Kevin Kostiuk SC- Staff Consultant, Jonathan Jordan TR - Technical Reviewer Admin - Administrative Staff			Task Fees						\$100,135
			Total Expenses						\$5,869
			Total Fees & Expenses						\$106,004