



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT

November 22, 2022

SUBJECT: Council discussion and Consideration of an Agreement with ClearSource Financial Consulting for preparation of a water and sewer rate analysis.

PREPARED BY: Jim Goodwin, City Manager

Recommendation

Staff recommends approving the agreement with ClearSource Financial Consulting for preparation of a water and sewer rate analysis at an amount not to exceed \$45,900 and direct the City Manager to sign.

Background/Discussion

State law requires that water and sewer utility rates be reviewed periodically to ensure fair cost recovery for operation of the utilities. Ratepayers are then given the opportunity to "protest" proposed rate changes before they take effect. Wheatland last completed an analysis in 2018, and the rate schedule implemented then is expiring in September 2023.

ClearSource Financial Consulting was retained to complete the last rate cycle analysis and was also utilized in 2020 to help project impacts of regional sewer project alternatives. Based on the company's familiarity with Wheatland's utilities and the potential changes to occur because of the regional sewer project, the company is a prudent choice for this current rate study. In addition, there is a need to get the project moving quickly to meet timelines associated with the regional sewer project funding. Based on the current timelines, staff believes the state will require rate information as a condition of funding for the regional sewer project later next year. The Regional Sewer Ad-hoc Committee (Mayor West and Councilmember Pendergraph) reviewed the proposal and recommended approving the agreement.

The proposed agreement has three key components:

1. Analysis of water rates, potential rate adjustments and preparation of Prop 218 notification.
2. Analysis of sewer rates, potential rate adjustments, and p-reparation of Prop 218 notification for existing services.

3. Analysis of projected sewer rates once a regional sewer project is implemented to determine any difference between “normal” rates (analyzed in #2 above) and the rates resulting from the regional project.

Alternatives

The City Council may choose not to approve the agreement.

Fiscal Impact

No General Fund impact. The cost of the study will be split between the water and sewer utility funds.

Attachments

1. Professional services agreement with ClearSource Financial Consulting.
2. Exhibit A, Proposal and Scope of Work

City of Wheatland Services Agreement

This Agreement is entered into as of the date last signed and dated below by and between City of Wheatland, a municipality ("City"), and ClearSource Financial Consulting, a California corporation ("Contractor"), who agree as follows:

1 Scope of Work

Contractor shall perform the work and render the services described in the attached Exhibit A (the "Work"). Contractor shall provide all labor, services, equipment, tools, material and supplies required or necessary to properly, competently and completely perform the Work. Contractor shall determine the method, details and means of doing the Work.

2 Payment

2.1 City shall pay to Contractor a fee based on the fee arrangement described on the attached Exhibit A.

The total fee for the Work shall not exceed \$ 45,900. There shall be no compensation for extra or additional work or services by Contractor unless approved in advance in writing by City. Contractor's fee includes all of Contractor's costs and expenses related to the Work.

2.2 At the end of each month, Contractor shall submit to City an invoice for the Work performed during the preceding month. The invoice shall include a brief description of the Work performed, the dates of Work, number of hours worked and by whom (if payment is based on time), payment due, and an itemization of any reimbursable expenditures. If the Work is satisfactorily completed and the invoice is accurately computed, City shall pay the invoice within 30 days of its receipt.

3 Term

3.1 This Agreement shall take effect on the above date and continue in effect until completion of the Work, unless sooner terminated as provided below. Time is of the essence in this Agreement. If Exhibit A includes a Work schedule or deadline, then Contractor must complete the Work in accordance with the specified schedule or deadline, which may be extended by City for good cause shown by Contractor. If Exhibit A does not include a Work schedule or deadline, then Contractor must perform the Work diligently and as expeditiously as possible, consistent with the professional skill and care appropriate for the orderly progress of the Work.

3.2 This Agreement may be terminated at any time by City upon 10 days advance written notice to Contractor. In the event of such termination, Contractor shall be fairly compensated for all work performed to the date of termination as calculated by City based on the above fee and payment provisions. Compensation under this section shall not include any termination-related expenses, cancellation or demobilization charges, or lost profit associated with the expected completion of the Work or other such similar payments relating to Contractor's claimed benefit of the bargain.

4 Professional Ability of Contractor

Contractor represents that it is specially trained and experienced, and possesses the skill, ability, knowledge and certification, to competently perform the Work provided by this Agreement. City has relied upon Contractor's training, experience, skill, ability, knowledge and certification as a material inducement to enter into this Agreement. All Work performed by Contractor shall be in accordance with applicable legal requirements and meet the standard of care and quality ordinarily to be expected of competent professionals in Contractor's field.

5 Conflict of Interest

Contractor (including principals, associates and professional employees) represents and acknowledges that (a) it does not now have and shall not acquire any direct or indirect investment, interest in real property or source of income that would be affected in any manner or degree by the performance of Contractor's services under this agreement, and (b) no person having any such interest shall perform any portion of the Work. The parties agree that Contractor is not a designated employee within the meaning of the Political Reform Act and City's conflict of interest code because Contractor will perform the Work independent of the control and direction of the City or of any City official, other than normal contract monitoring, and Contractor possesses no authority with respect to any City decision beyond the rendition of information, advice, recommendation or counsel.

6 Contractor Records

6.1 Contractor shall keep and maintain all ledgers, books of account, invoices, vouchers, canceled checks, and other records and documents evidencing or relating to the Work and invoice preparation and support for a minimum period of three years (or for any longer period required by law) from the date of final payment to Contractor under this Agreement. City may inspect and audit such books and records, including source documents, to verify all charges, payments and reimbursable costs under this Agreement.

6.2 In accordance with California Government Code section 8546.7, the parties acknowledge that this Agreement, and performance and payments under it, are subject to examination and audit by the California State Auditor for three years following final payment under the Agreement.

7 Ownership of Documents

All works of authorship and every report, study, spreadsheet, worksheet, plan, design, blueprint, specification, drawing, map, photograph, computer model, computer disk, magnetic tape, CAD data file, computer software and any other document or thing prepared, developed or created by Contractor under this Agreement and provided to City ("Work Product") shall be the property of City, and City shall have the rights to use, modify, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product without further compensation to Contractor or any other party. Contractor may retain a copy of any Work Product and use, reproduce, publish, display, broadcast and distribute any Work Product and prepare derivative and additional documents or works based on any Work Product; provided, however, that Contractor shall not provide any Work Product to any third party without

City's prior written approval, unless compelled to do so by legal process. If any Work Product is copyrightable, Contractor may copyright the same, except that, as to any Work Product that is copyrighted by Contractor, City reserves a royalty-free, nonexclusive and irrevocable license to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product. If City reuses or modifies any Work Product for a use or purpose other than that intended by the scope of work under this Agreement, then City shall hold Contractor harmless against all claims, damages, losses and expenses arising from such reuse or modification. For any Work Product provided to City in paper format, upon request by City at any time (including, but not limited to, at expiration or termination of this Agreement), Contractor agrees to provide the Work Product to City in a readable, transferable and usable electronic format generally acknowledged as being an industry-standard format for information exchange between computers (e.g., Word file, Excel spreadsheet file, AutoCAD file).

8 Confidentiality of Information

8.1 Contractor shall keep in strict confidence all confidential, privileged, trade secret, and proprietary information, data and other materials in any format generated, used or obtained by the City or created by Contractor in connection with the performance of the Work under this Agreement (the "Confidential Material"). Contractor shall not use any Confidential Material for any purpose other than the performance of the Work under this Agreement, unless otherwise authorized in writing by City. Contractor also shall not disclose any Confidential Material to any person or entity not connected with the performance of the Work under this Agreement, unless otherwise authorized in advance in writing by City. If there is a question if Confidential Material is protected from disclosure or is a public record or in the public domain, the party considering disclosure of such materials shall consult with the other party concerning the proposed disclosure.

8.2 Contractor, and its officers, employees, agents, and subcontractors, shall at all times take all steps that are necessary to protect and preserve all Confidential Material. At no time shall Contractor, or its officers, employees, agents, or subcontractors in any manner, either directly or indirectly, use for personal benefit or divulge, disclose, or communicate in any manner, any Confidential Material to any person or entity unless specifically authorized in writing by the City or by order of a court or regulatory entity with jurisdiction over the matter. Contractor, and its officers, employees, agents, and subcontractors shall protect the Confidential Material and treat it as strictly confidential in accordance with applicable law, City policies and directives, and best industry security practices and standards.

8.3 If any person or entity, other than City or Contractor, requests or demands, by subpoena, discovery request, California Public Records Act request or otherwise, Confidential Material or its contents, the party to whom the request is made will immediately notify the other party, so that the parties may collectively consider appropriate steps to protect the disclosure of those materials. The parties agree to take all steps reasonably necessary to preserve the confidential and privileged nature of the Confidential Material and its content. In the event that the parties cannot agree whether to oppose or comply with a disclosure demand, the opposing party may oppose the demand at its sole cost and expense, in which event the party favoring disclosure will refrain from disclosing the demanded Confidential Material until such time as a final agreement regarding disclosure is reached or, if an agreement is not reached, a judicial determination is made concerning the demand.

8.4 Unless otherwise directed in writing by the City, upon contract completion or termination, Contractor must destroy all Confidential Materials (written, printed and/or electronic) and shall provide a written statement to the City that such materials have been destroyed.

9 Compliance with Laws

General. Contractor shall perform the Work in compliance with all applicable federal, state and local laws and regulations. Contractor shall possess, maintain and comply with all federal, state and local permits, licenses and certificates that may be required for it to perform the Work. Contractor shall comply with all federal, state and local air pollution control laws and regulations applicable to the Contractor and its Work (as required by California Code of Regulations title 13, section 2022.1). California Labor Code Compliance for Pre- and Post-Construction Related Work and Maintenance.

10 Indemnification.

10.1 Contractor shall indemnify, defend, protect, and hold harmless City, and its officers, employees and agents ("Indemnitees") from and against any claims, liability, losses, damages and expenses (including attorney, expert witness and Contractor fees, and litigation costs) (collectively a "Claim") that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of Contractor or its employees, agents or subcontractors. The duty to indemnify, including the duty and the cost to defend, is limited as provided in this section. However, this indemnity provision will not apply to any Claim arising from the sole negligence or willful misconduct of City or its employees or agents. Contractor's obligations under this indemnification provision shall survive the termination of, or completion of Work under, this Agreement.

10.2 This section 10.2 applies if the Contractor is a "design professional" as that term is defined in Civil Code section 2782.8. If a court or arbitrator determines that the incident or occurrence that gave rise to the Claim was partially caused by the fault of an Indemnatee, then in no event shall Contractor's total costs incurred pursuant to its duty to defend Indemnitees exceed Contractor's proportionate percentage of fault as determined by a final judgment of a court or final decision of arbitrator.

11 Insurance

Types & Limits. Contractor at its sole cost and expense shall procure and maintain for the duration of this Agreement the following types and limits of insurance: [***The general liability and automobile coverage limits may be adjusted depending on the Work's overall risks, cost and complexity.***]

Type	Limits	Scope
Commercial general liability	\$2,000,000 per occurrence & \$4,000,000 aggregate	at least as broad as ISO CG 0001
Automobile liability	\$2,000,000 per accident	at least as broad as ISO CA 0001, code 1 (any auto)
Workers' compensation	Statutory limits	

Employers' liability	\$1,000,000 per accident	

11.1 **Other Requirements.** The general and automobile liability policy(ies) shall be endorsed to name City, its officers, employees, volunteers and agents as additional insureds regarding liability arising out of the Work. Contractor's coverage shall be primary and apply separately to each insurer against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability. City's insurance or self-insurance, if any, shall be excess and shall not contribute with Contractor's insurance. Each insurance policy shall be endorsed to state that coverage shall not be canceled, except after 30 days (10 days for non-payment of premium) prior written notice to City. Insurance is to be placed with admitted insurers with a current A.M. Best's rating of A-VII or better unless otherwise acceptable to City. Workers' compensation insurance issued by the State Compensation Insurance Fund is acceptable. Contractor agrees to waive subrogation that any insurer may acquire from Contractor by virtue of the payment of any loss relating to the Work. Contractor agrees to obtain any endorsement that may be necessary to implement this subrogation waiver. The workers' compensation policy must be endorsed to contain a subrogation waiver in favor of City for the Work performed by Contractor.

11.2 **Proof of Insurance.** Upon request, Contractor shall provide to City the following proof of insurance: (a) certificate(s) of insurance evidencing this insurance; and (b) endorsement(s) on ISO Form CG 2010 (or insurer's equivalent), signed by a person authorized to bind coverage on behalf of the insurer(s), and certifying the additional insured coverage.

12 General Provisions

12.1 **Entire Agreement; Amendment.** The parties intend this writing to be the sole, final, complete, exclusive and integrated expression and statement of the terms of their contract concerning the Work. This Agreement supersedes all prior oral or written negotiations, representations, contracts or other documents that may be related to the Work, except those other documents (if any) that are expressly referenced in this Agreement. This Agreement may be amended only by a subsequent written contract approved and signed by both parties.

12.2 **Independent Contractor.** Contractor's relationship to City is that of an independent contractor. All persons hired by Contractor and performing the Work shall be Contractor's employees or agents. Contractor and its officers, employees and agents are not City employees, and they are not entitled to City employment salary, wages or benefits. Contractor shall pay, and City shall not be responsible in any way for, the salary, wages, workers' compensation, unemployment insurance, disability insurance, tax withholding, and benefits to and on behalf of Contractor's employees. Contractor shall, to the fullest extent permitted by law, indemnify City, and its officers, employees, volunteers and agents from and against any and all liability, penalties, expenses and costs resulting from any adverse determination by the federal Internal Revenue Service, California Franchise Tax Board, other federal or state agency, or court concerning Contractor's independent contractor status or employment-related liability.

12.3 Subcontractors. No subcontract shall be awarded nor any subcontractor engaged by Contractor without City's prior written approval. Contractor shall be responsible for requiring and confirming that each approved subcontractor meets the minimum insurance requirements specified in section 11 of this Agreement. Any approved subcontractor shall obtain the required insurance coverages and provide proof of same to City in the manner provided in section 11 of this Agreement.

12.4 Assignment. This Agreement and all rights and obligations under it are personal to the parties. The Agreement may not be transferred, assigned, delegated or subcontracted in whole or in part, whether by assignment, subcontract, merger, operation of law or otherwise, by either party without the prior written consent of the other party. Any transfer, assignment, delegation, or subcontract in violation of this provision is null and void and grounds for the other party to terminate the Agreement.

12.5 No Waiver of Rights. Any waiver at any time by either party of its rights as to a breach or default of this Agreement shall not be deemed to be a waiver as to any other breach or default. No payment by City to Contractor shall be considered or construed to be an approval or acceptance of any Work or a waiver of any breach or default.

12.6 Severability. If any part of this Agreement is held to be void, invalid, illegal or unenforceable, then the remaining parts will continue in full force and effect and be fully binding, provided that each party still receives the benefits of this Agreement.

12.7 Governing Law and Venue. This Agreement will be governed by and construed in accordance with the laws of the State of California. The county and federal district court where City's office is located shall be venue for any state and federal court litigation concerning the enforcement or construction of this Agreement.

12.8 Notice. Any notice, demand, invoice or other communication required or permitted to be given under this Agreement must be in writing and delivered either (a) in person, (b) by prepaid, first class U.S. mail, (c) by a nationally-recognized commercial overnight courier service that guarantees next day delivery and provides a receipt, or (d) by email with confirmed receipt. Such notices, etc. shall be addressed as follows:

City:

City of Wheatland
Attn: City Manager
City of Wheatland, 111 C Street, Wheatland, CA 95692
E-mail: jgoodwin@wheatland.ca.gov

Contractor:

ClearSource Financial Consulting
Attn: Terry Madsen
7960 B Soquel Drive, Suite 363
Aptos, CA 95003
E-mail: tmadsen@clearsourcefinancial.com

Notice given as above will be deemed given (a) when delivered in person, (b) three days after deposited in prepaid, first class U.S. mail, (c) on the date of delivery as shown on the overnight courier service receipt, or (d) upon the sender's receipt of an email from the other party confirming the delivery of the notice, etc. Any party may change its contact information by notifying the other party of the change in the manner provided above.

Signature Authority. Each party warrants that the person signing this Agreement is authorized to act on behalf of the party for whom that person signs. The Parties may execute and deliver this Agreement and documents necessary to perform it, including task orders and amendments, in any number of original or facsimile counterparts. When each Party has signed and delivered at least one counterpart to the other Party, each counterpart shall be deemed an original and, taken together, the counterparts shall constitute one and the same document, which shall be binding and effective.

City of Wheatland:

Dated: _____

By: _____
Jim Goodwin
City Manager

ClearSource Financial Consulting:

Dated: _____

By: _____
Terry Madsen
President

**CITY OF
WHEATLAND**

NOVEMBER 16, 2022
PROPOSAL TO PERFORM CONSULTING SERVICES

**WATER & SEWER RATE STUDY
WITH SEWER RATE FEASIBILITY &
COMPARISON ANALYSIS**



ClearSource Financial Consulting

7960 B Soquel Drive, Suite 363
Aptos, California 95003

TERRY MADSEN | PRESIDENT
tmadsen@clearsourcefinancial.com
831.288.0608

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November 16, 2022

CITY OF WHEATLAND

Attention: Jim Goodwin, City Manager

111 C Street

Wheatland, California 95692

VIA ELECTRONIC TRANSMISSION: JGOODWIN@WHEATLAND.CA.GOV

PROPOSAL: WATER AND SEWER RATE STUDY WITH SEWER RATE FEASIBILITY & COMPARISON ANALYSIS

To Mr. Goodwin:

Thank you for the opportunity once again to provide cost of service and rate consulting for the City of Wheatland's Water and Sewer Utilities. **ClearSource Financial Consulting** is well-qualified, available, and equipped to complete the scope of work envisioned by the City. We bring an **open mind for change** and exhibit the **energy to do the heavy lifting it takes for a fresh look** on the topics. We commit to the City of Wheatland to provide premier service, on time, and within budget:

PREMIER SERVICE	ON TIME	WITHIN BUDGET
We routinely demonstrate care about the details and the rightful influence of local conditions . We do the hard work to achieve modern and meaningful outcomes that reflect the way our clients serve their communities today.	We know time is of the essence in this work: a key determination of success and satisfaction for many of our city clients. All project reporting will be ready 150 days from project start , ready then for a thoughtful pace for Council review, noticing, and public hearing.	We will finish the scope of services without change orders , which is our standard practice. We do not ask our clients to bear the risk in estimating what it takes to do this work thoroughly and with successful enactment.

I founded ClearSource Financial Consulting in 2011 to focus on these principles in service solely to California public agencies. As President, I am authorized to negotiate and bind ClearSource contractually under the City's terms. My signature obligates ClearSource to the commitments in this proposal and confirms that it shall remain valid for a period of 90 calendar days from submittal.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry Madsen", written over a horizontal line.

TERRY MADSEN, PRESIDENT | CLEARSOURCE FINANCIAL CONSULTING

PHONE: 831.288.0608

EMAIL: TMADSEN@CLEARSOURCEFINANCIAL.COM

STATEMENT OF QUALIFICATIONS

CLEARSOURCE PROFILE

We reacquaint the City of Wheatland to **ClearSource Financial Consulting** for performance of its Water and Sewer Rate Study. We look forward once again to this opportunity to serve the City's leaders, service providers, and constituents.

FIRM HISTORY | ClearSource is a privately owned California-based boutique consulting firm intentionally sized and structured to emphasize a **highly tailored, high quality study experience for our public sector clients**. ClearSource is staffed by a three-person team of seasoned individuals with decades of combined experience in local government financial analysis. We are particularly focused on equitable forms of locally controlled cost recovery within the challenges and constraints of the ever-evolving California statutory and legal environment, informed respectfully and strategically by the voter driven principles embedded in Propositions 218 and 26.

Our firm is centered on the philosophy and principles of ClearSource founder and President, Terry Madsen, who will lead this project from start-to-finish. **For over 21 years, Terry has provided financial consulting services exclusively to local government agencies**. In October 2011, he founded ClearSource, a firm dedicated to providing local government agencies with premier financial consulting, serving with the:

- Energy and enthusiasm to dive deep into the details,
- Willingness to do the heavy lifting necessary to implement modernization and lasting change,
- Exclusive staffing on projects of only tenured professionals able to enact both the science and art in these studies, and
- Commitment to on-time delivery and not-to-exceed consulting fees.

SERVICE EXPERTISE | ClearSource provides professional services to California municipal agencies, consulting on topics focused on **revenue management through cost of service-based resources**. We specialize in conducting the following common areas of study and consultation on a wide cross-section of governmental services and funds:

- Agency-wide user and regulatory fee and rate studies
- Master fee and rate schedule development and ongoing management
- Comparative/market analysis
- Cost allocation plans
- Internal service fund rate studies

Our primary focus is on revenue streams linked to cost of service principles, equity, and local-government control. Throughout these areas of expertise, we often work in harmony with internal and external stakeholders to achieve successful implementation of the necessary solutions.

PUBLIC SECTOR DEDICATION | As with every study of this type, the successful completion of this project for the City will require **positive, professional relationships with agency staff**, contract service providers, stakeholders, and the City Council and/or subcommittees. ClearSource clientele can attest to our ability to successfully navigate timing, competing values, and other challenges that arise when completing multi-faceted projects.

During his career, **Terry Madsen has been commended repeatedly for his integrity, client service, dedication, and perseverance**. His treatment of agency staff and respect for the both the challenges they face and the results they require to successfully accomplish their goals, results in working relationships that span multiple years and varied projects.

STATEMENT OF QUALIFICATIONS

CLEARSOURCE EXPERIENCE

COST RECOVERY TOPICS | ClearSource has performed consulting services within the past 24 months comparable to the City of Wheatland's scope of work for its Water and Sewer Rate Study for the sample of California cities and their specific fee/cost recovery-based programs listed in **Exhibit 1**. This includes service to municipal utility enterprise, as well as identification of trending topics in California fee design, such as short term vacation rentals, retail cannabis, electric vehicle charging, stormwater management and inspections, and technology enhancement cost recovery. **Our expertise is "costs of service" and "cost recovery," and we are successful for our clients across varied municipal service areas, new challenges, and changing political landscapes.**

EXPERIENCE OF SCALE | ClearSource works with agencies of diverse size and service population. Providing premiere consulting services to communities comparable in size to the City of Wheatland (pop. 3,664) is a normal part of our practice. Within the past three years, ClearSource has served the following clients of comparable population to Wheatland (under 20,000) and service scale:

- **City of Solvang (POP. 5,709)** | Citywide user/regulatory fees and overhead cost allocation
- **City of Gustine (POP. 5,981)** | Water and sewer rates; Citywide user/regulatory fees
- **City of Taft (POP. 7,011)** | Citywide user/regulatory fees
- **City of Sebastopol (POP. 7,489)** | Citywide user/regulatory fees; overhead cost allocation
- **City of Grover Beach (POP. 12,707)** | Building fees
- **City of McFarland (POP. 13,902)** | User and regulatory fees for development review

- **City of Kerman (POP. 16,639)** | Citywide user/regulatory fees; overhead cost allocation
- **City of Laguna Woods (POP. 17,514)** | User and regulatory fees, cost allocation plan
- **City of Pinole (POP. 18,628)** | Citywide user/regulatory fees; overhead cost allocation

CALIFORNIA CLIENTELE | ClearSource is a California-based consulting firm working exclusively for a diverse array of California-based public agencies on varied topics within the overall question of locally controlled cost recovery of public services, including projects for the following cities, counties, and districts:

- | | |
|--------------------|------------------------|
| • Azusa | • Oxnard |
| • Bell Gardens | • Palos Verdes Estates |
| • Campbell | • Pinole |
| • Cathedral City | • Placentia |
| • Costa Mesa | • Rancho Mirage |
| • Elk Grove | • Roseville |
| • Escalon | • Santa Ana |
| • Grover Beach | • Santa Clara |
| • Gustine | • San Leandro |
| • Hemet | • Seal Beach |
| • Huntington Beach | • Sebastopol |
| • Kerman | • Shafter |
| • La Quinta | • Solvang |
| • Laguna Woods | • Taft |
| • Lake Forest | • Torrance |
| • Larkspur | • Ventura |
| • Lawndale | • Wasco |
| • Lincoln | • Watsonville |
| • Long Beach | • West Sacramento |
| • Malibu | • Wheatland |
| • McFarland | • Woodside |
| • Milpitas | • El Dorado County |
| • Monte Sereno | • Kern County |
| • Moorpark | • Santa Clara County |
| • Novato | • Pleasant Valley PRD |
| • Oakdale | • Rancho Simi PRD |
| • Ojai | • Sacramento RTD |
| • Oroville | |

STATEMENT OF QUALIFICATIONS

EXHIBIT 1 | SAMPLING OF COST OF SERVICE TOPICS STUDIED RECENTLY

Cost of Service Category	Sampling of Cities Served by ClearSource in the Last 24 Months										
In all cases, ClearSource delivered publishable and working master schedule of fees and supporting cost of service models in Microsoft Excel, enabling our clients to manage fees between comprehensive studies.	City of Huntington Beach, CA	City of La Quinta, CA	City of Lake Forest, CA	City of Larkspur, CA	City of Lincoln, CA	City of Novato, CA	City of Rancho Mirage, CA	City of Roseville, CA	City of Santa Clara, CA	City of Torrance, CA	City of Ventura, CA
	City of Wasco, CA										
	Community Development										
	Planning	x	x	x	x	x	x	x	x	x	x
	Land Development	x	x	x	x	x	x	x	x	x	x
	Building & Safety	x	x	x	x	x	x	x	x	x	x
	Public Safety										
	Fire Prevention & Operations	x	x		x		x	x	x	x	x
	Emergency Medical Services							x		x	
	Police	x	x		x	x		x	x	x	x
	Animal Control							x		x	x
	Public Works										
	Infrastructure & Operations	x	x	x	x	x	x	x	x	x	x
	Engineering	x	x	x	x	x	x	x	x	x	x
	Utilities	x			x			x	x	x	x
	Community Services										
	Parks & Community Spaces	x	x	x	x	x		x	x	x	x
	Recreation Programs		x	x	x			x	x	x	x
	Community Centers & Libraries	x	x	x		x		x	x	x	x
	Facility Use and Rentals	x	x	x	x	x		x	x	x	x
	Special Events	x	x	x		x	x	x	x	x	x
	Film Permitting	x	x	x	x		x	x		x	x
	Administration & Governmental										
	Business Licensing					x	x	x			x
	Clerk / Public Records	x	x	x	x	x	x	x	x	x	x
	Indirect Cost Rates & Charges	x	x	x	x	x		x	x	x	x
	Fully Burdened Hourly Rates	x	x	x	x	x	x	x	x	x	x
	Trending Topics										
	Vacation Rentals		x			x	x				x
	Cannabis Retailers		x			x					x
	Electric Vehicle Charge Stations			x		x					
	NPDES	x	x						x	x	x
	Technology Enhancement	x	x		x	x		x	x		x

STATEMENT OF QUALIFICATIONS

CLEARSOURCE REFERENCES

ClearSource submits the following references for our recent service to these California public agencies:

City of Wheatland, CA

WATER AND SEWER RATE STUDY

Original Contract: 2017 | Most Recent: 2020

Jim Goodwin, City Manager

Phone: 530.633.2761

Email: jgoodwin@wheatland.ca.gov

Water and sewer rate revenue requirements, cost of service analysis, and rate design; sewer feasibility analysis

City of Gustine, CA

WATER AND SEWER RATE STUDY AND CITYWIDE USER FEE STUDY

Original Contract: 2013 | Most Recent: 2021

Sean Scully, City Manager (now City Manager at City of Lincoln)

Phone: 916.434.2400

Email: sean.scully@lincolncalifornia.gov

Water and sewer rates, Proposition 218 noticing, and Citywide user and regulatory fees including: aquatics, facility rentals, recreation, police, animal control, planning, public works, building, fire, water, and finance/administration

City of Wasco, CA

USER/REGULATORY FEE STUDY

Contract: 2020

Keri Cobb, Community Development Director

Phone: 661.758.7250

Email: kcobb@cityofwasco.org

User and regulatory fees for: building, planning, engineering, and animal control

Rancho Murieta Community Services District, CA

RECYCLED AND RAW WATER RATE STUDY AND OVERHEAD COST ALLOCATION PLAN

Contract: 2019-20

Tom Hennig, General Manager

Phone: 916.354.3700

Email: thennig@rmcsd.com

Recycled water rate forecasting, raw water rate analysis, and overhead cost allocation plan

City of Roseville, CA

CITYWIDE USER/REGULATORY FEE STUDY AND INTERNAL SERVICE FUND RATES

Original Contract: 2015 | Most Recent: 2021-22

Dennis Kauffman, Chief Financial Officer

Phone: 916.774.5313

Email: dkauffman@roseville.ca.us

Internal service fund rates and Citywide Master Fee Schedule, including: administration and finance; utility customer service; planning, engineering, and building; encroachment; housing; fire and life safety, emergency medical, police, and animal licensing; special events, permitting, facilities use, and parks and recreation; CFD maintenance; and rates for direct labor charges

ADDITIONAL REFERENCES | ClearSource has enthusiastic references from other public agencies in the region surrounding the City of Wheatland and across California. Should additional references or sample reports be desired, we will furnish them immediately upon the City's request.

STATEMENT OF QUALIFICATIONS

CLEARSOURCE TEAM

TEAM ORGANIZATION | In our work with the City of Wheatland, Water and Sewer Rate Study will be led start-to-finish by Terry Madsen. As our Project Manager, he will conduct all meetings, present all reports, and oversee development of all analysis and outcomes. Analytical and strategic support will be provided only by skillful, senior-level professionals: Jeanette Hahn and David Schroeder, as described by **Exhibit 2**.

SOLE PROVISION OF SERVICES | All services described in this proposal will be completed by ClearSource personnel. We are entirely qualified and fully resourced to complete the studies within our existing firm organization. No services will be subcontracted to other firms, nor will any

subconsultants or subcontractors be used to supplement ClearSource staff and capabilities.

EXHIBIT 2 | PROJECT TEAM STRUCTURE



PROJECT MANAGER / PRIMARY CONTACT

We introduce **Terry Madsen as our Project Manager and primary contact person for the City of Wheatland**. Terry is highly regarded by his clients. Please reach the following agency leaders to discuss their experience working with him:

- ➔ Stone James, Economic Development Director
CITY OF CATHEDRAL CITY, CA
Phone: 760.770.0336
Email: sjames@cathedralcity.gov
- ➔ Amy Cunningham, Finance Director
CITY OF NOVATO, CA
Phone: 415.899.8918
Email: acunningham@novato.org
- ➔ Monika Radeva, City Clerk
CITY OF LA QUINTA, CA
Phone: 760.777.7035
Email: mradeva@laquintaca.gov
- ➔ Derek Tisinger, Division Chief (Fire Dept.)
COUNTY OF KERN, CA
Phone: 661.330.0218
Email: dtisinger@kerncountyfire.org

CONTACT | Phone Terry at **831.288.0608** or email to tmadsen@clearsourcefinancial.com.



Terry Madsen

**PROJECT MANAGER AND
PRINCIPAL CONSULTANT**

25% of Total Project Hours

PROFESSIONAL EXPERIENCE | Terry Madsen is the President of ClearSource Financial Consulting. For over 21 years, he has provided financial consulting services to local government agencies. In October 2011, Terry founded ClearSource Financial Consulting, a firm dedicated to providing local government agencies with premier financial consulting services. From October 2001 to October 2011 Terry was employed by a competing California firm, NBS. Terry's depth of knowledge includes numerous service areas including user fee studies, indirect cost allocation studies, internal service fund rate studies, water and wastewater rate studies, and special financing district administration.

During his career, Terry has served the following diverse sampling of California agencies, among many others: the Cities of Costa Mesa, Huntington Beach, La Quinta, Laguna Woods, Larkspur, Long Beach, Milpitas, Palos Verdes Estates, Rancho Mirage, Roseville, San Leandro, Santa Ana, Santa Clara,

STATEMENT OF QUALIFICATIONS

Sebastopol, Shafter, Torrance, and Ventura; the Counties of El Dorado and Kern; and special districts such as Sacramento Regional Transit and Rancho Simi Recreation and Parks.

Within the past several years, Terry has supported cost allocation, cost of service, and user/regulatory fee studies for the following sampling of California public agencies:

- ➔ County of Kern, CA | Project Manager – Fire prevention fees, fire department indirect cost rates
- ➔ City of Lake Forest, CA | Project Manager – Citywide user and regulatory fees, formal cost recovery policy, Citywide indirect cost allocation
- ➔ City of La Quinta, CA | Project Manager – Citywide user and regulatory fees
- ➔ City of Long Beach, CA | Project Manager – Engineering development review fees
- ➔ City of Roseville, CA | Project Manager – Citywide user and regulatory fees, internal service fund rates
- ➔ City of Ventura, CA | Project Manager – Citywide user and regulatory fees, Citywide indirect cost allocation, internal service fund rates

Terry has worked closely with every level of the public body including property owners, community organizations, City Council/Board members, special commissions, agency managers, all members of the agency finance team, directors of every agency department, management analysts, and the direct service staff that are the primary contact points for members of the community, such as inspectors, plan reviewers, operators, maintenance personnel, and records staff.

Terry's experience in performing fee studies includes all phases of the work, from project initiation to completion and presentation of final findings. His efforts include data gathering, conducting interviews with agency staff, model development, report preparation, and presentation and delivery of study narratives. He has analyzed fees for a comprehensive array of municipal services, such as planning, land development, building, fire protection, code enforcement, community services, parks, recreation, administration, general governmental, public infrastructure, utilities, and others.

Terry is a member of the California Society of Municipal Finance Officers. He received his undergraduate degree (Cum Laude) from Cal Poly, San Luis Obispo. He was awarded a Bachelor of Science in Business Administration with a Finance Concentration and an Economics Minor. He received his graduate degree from California State University, San Bernardino. He was awarded a Master of Business Administration with an Entrepreneurship Concentration.

Terry is based in Santa Cruz County and serves ClearSource clientele across California.

PROJECT ROLE | Terry will serve as our Project Manager, responsible for the performance of all study elements and fulfillment of our agreement with the City. He will also be the Principal Consultant for the studies, directing analysis for our staff, performing targeted analysis, troubleshooting, providing quality assurance, facilitating onsite and remote interaction with City staff and leadership, and representing our work in public procedures.

Continuity of Service

As an intentionally structured small firm that believes our size is integral to the way we provide **personalized and high quality service to our client communities**, ClearSource nonetheless is asked by agencies about our plans for ensuring continuity of service if a team member faces personal emergency disruptive to the project. In fact, this is essential to our business and reputation. In addition to our collegiality and cross-discipline synergy, this is one of the key reasons **our staff is comprised only of seasoned professionals** in this area of expertise.

Our consultants are each two or more decades into consulting careers rich with successful project management, direct project performance, and accomplished public engagement for successful implementation of outcomes. For the City of Wheatland, in the unlikely event our Project Manager Terry Madsen became unable to complete these services, fellow team member Jeanette Hahn will step into his place, able to perform at equal level, effectiveness, and achievement to Terry.

STATEMENT OF QUALIFICATIONS

SUPPORT STAFF

We introduce the following professionals who will be assigned to the City of Wheatland for specific elements within the overall project.



Jeanette Hahn

SENIOR CONSULTANT

55% of Total Project Hours

PROFESSIONAL EXPERIENCE | Jeanette Hahn is a Senior Consultant for ClearSource Financial Consulting. She has over 21 years of experience advising municipal agencies on equitable and effective costs of service, cost recovery, and strategic financial planning.

Jeanette has analytical and policy expertise in the following subject matter:

- Cost of service analysis and cost allocation for cost recovery opportunities, including user fees, regulatory fees, and contracts/partnerships
- Water, wastewater, reclaimed water, and storm water/drainage utility rates and fees
- Development impact fees and capacity charge nexus analysis/justification
- Economic feasibility/decision analysis
- Long-range financial planning
- Benchmarking

Prior to becoming part of the ClearSource team in 2017, Jeanette succeeded at competing consulting firms. She was Director of Financial Consulting for California-based NBS from 2007 to 2011 and served progressive roles at FCS GROUP from 1997 to 2007, including California Regional Manager from 2004 to 2007. Jeanette stepped down from these executive roles in 2011 to balance family needs.

Jeanette has performed over 250 separate engagements for public agencies of diverse size and situation throughout the Western United States, including in California, Washington, Oregon, Idaho, Nevada, Utah, Montana, and Alaska. She is articulate and agile when working within the legal framework of rate and fee-setting across these states, with particular emphasis on California's Proposition 218 and the state's Mitigation Fee Act.

As an accomplished and highly regarded speaker, Jeanette has earned a reputation for crafting effective and persuasive messages for attaining legislative and public approval of financial plans and accompanying rates and fees. Her skills have been deployed frequently in municipal work to defuse contentious or actively contested matters.

Furthermore, she has been repeatedly invited to present in educational and industry forums, such as the California Society of Municipal Finance Officers, League of California Cities, Association of California Water Agencies, and California Special Districts Association, among many others.

Within the past several years with ClearSource, Jeanette has support cost allocation, cost of service, and user/regulatory fee studies for the following sampling of California public agencies:

- City of Milpitas, CA | Senior Consultant – Citywide indirect cost allocation plan, Citywide fully burdened hourly labor rates
- County of Kern, CA | Senior Consultant – Fire department indirect cost rates
- City of Santa Clara, CA | Senior Consultant – Citywide indirect cost allocation plan, parks and recreation cost recovery public outreach
- Rancho Murieta Community Services District, CA | Senior Consultant – recycled and raw water rates, indirect cost allocation plan
- City of Huntington Beach, CA | Senior Consultant – Citywide user and regulatory fees, indirect cost allocation plan
- City of Ventura, CA | Senior Consultant – Citywide indirect cost allocation plan

Jeanette holds a Bachelor of Arts in Economics with a Public Finance concentration from the University of Washington, Seattle.

PROJECT ROLE | Jeanette will provide senior level analysis, including framework of quantitative models, strategic positioning in targeted subjects, and quality assurance/quality control. Jeanette is also well able to ensure our team's continuity of service commitments for overall project management.

STATEMENT OF QUALIFICATIONS



David Schroeder

SENIOR CONSULTANT

20% of Total Project Hours

PROFESSIONAL EXPERIENCE | David Schroeder is a Senior Consultant for ClearSource Financial Consulting. He has served the public sector for more than 16 years, focusing on recovery of municipal service costs, particularly within the varied structures of California special financing districts used by cities, counties, and special purpose districts across the state.

David's technical expertise is centered on large-scale and complex database analysis on multiple platforms, geographic information systems and science (GIS), and auditing of records and systems. Project areas in which David applies these skills for public sector clients have included:

- ➔ Special financing district administration, formation, annexation, auditing, and continuing disclosure reporting.
- ➔ Advanced GIS, including design and analysis to support district formation, annexation, Proposition 218 procedures, rate studies, and development impact fee analysis.
- ➔ Solutions generation for complex issues facing municipal clients, including fund close-outs, independent auditing of special financing districts, design and administration of refund programs, and data-driven public outreach.

David's expertise has supported a variety of public services including: lighting and landscaping, public safety, public facilities and maintenance services, and other municipal activities spanning general and

special benefit. He is conversant in and has trained client agencies on GIS, including systems such as ESRI ArcGIS and the creation and usage of GIS web applications on the platform.

Within the past several years with ClearSource, David has support cost allocation, cost of service, and user/regulatory fee studies for the following sampling of California public agencies:

- ➔ City of Santa Ana, CA | Senior Consultant – Citywide indirect cost rates and charges, internal service fund rates
- ➔ City of Lincoln, CA | Senior Consultant – Citywide user/regulatory fees, indirect cost allocation
- ➔ City of Placentia, CA | Senior Consultant – Citywide user/regulatory fees, indirect cost allocation
- ➔ City of Solvang, CA | Senior Consultant – Citywide user/regulatory fees, indirect cost allocation
- ➔ City of Hemet, CA | Senior Consultant – Citywide user/regulatory fees, indirect cost allocation
- ➔ City of Seal Beach, CA | Senior Consultant – Citywide user/regulatory fees, indirect cost allocation, budget analysis of labor allocations

David earned a Bachelor of Science in Business Administration, concentrating in Accounting Information Systems, from California State University San Bernardino. He is also certified from the University of West Florida's Graduate Geographic Information Science program.

PROJECT ROLE | David will provide large scale data analysis, financial modeling, and research in support of analytical tasks.

PROJECT APPROACH

PROJECT UNDERSTANDING

Nature of the Project

The City of Wheatland is in need of a **Water and Sewer Rate Study**. This type of project is focused on determining the sufficiency of the utility enterprise's known, projected resources to fully fund its estimated costs of services over the next five to ten years and to identify near- and/or long-term actions that may be necessary to revise revenues, particularly user rates, to address any anticipated deficiencies.

City Objectives

The City of Wheatland is undertaking this project in order to inform its continued planning and decision-making related to operation of the City's Water and Sewer Utilities. The project is intended to comply with the underlying "cost of service" basis for utility rates demanded of public agencies by California's Proposition 218 (Constitutional) framework to control their local fee-based sources in harmony with the asserted rights of fee payers.

Additionally, a component of the project is to conduct a discrete **Sewer Rate Feasibility and Comparison Analysis**. This is necessary to inform the City's continued planning and decision-making related to participation in a regional wastewater treatment project. (ClearSource supported the City on a similar feasibility analysis in 2020.) In this forthcoming analysis, the City expects to document two financial scenarios for its sewer utility:

- ➡ Outcomes assuming the City joins the regional treatment system
- ➡ Outcomes assuming the City continues to provide its own wastewater treatment

Outcomes must include an answer to the fundamental question of whether existing sewer rates are sufficient in meeting projected costs under the scenarios, or if not, the impact to sewer rates to cover estimated deficiencies.

CLEARSOURCE WORK PLAN

ClearSource presents the following work plan to complete the scope of services envisioned by the City of Wheatland for its **Water and Sewer Rate Study and Sewer Rate Feasibility/Comparison Analysis**. Note: Where meetings are identified, ClearSource will attend either via video conference or onsite attendance, as chosen by the City. Operationally, orientation and interim review meetings will most likely be conducted via video conference unless the City requires onsite events.

Revenue Requirement Analysis

The revenue requirement analysis examines each utility's operating and capital costs to determine the total revenue requirement and the adequacy of existing rates.

The determination and establishment of a utility's revenue requirement is the basis for setting the overall level of the utility's rates, while providing the utility with adequate and sustainable funding levels for both operating and capital costs. The revenue requirement provides the utility with an understanding of the size and timing of needed rate adjustments to existing levels and perhaps rate structure.¹

¹ Principles of Water Rates, Fees, and Charges – AWWA Manual M1, Sixth Edition

PROJECT APPROACH

TASK 1. STUDY INITIATION

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will facilitate a meeting with City staff to initiate the project. The purpose of this meeting is to generate common understanding of objectives, known issues that must be addressed by study end, participant roles, schedule, key milestones, and data collection and development procedures.

EVENT: Meeting with City project team

TASK 2. DATA COLLECTION AND VALIDATION

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will provide a data request list identifying financial, operational, and customer data pertinent to the study. Consultants will review, analyze, and validate information as necessary for use in formulating the technical analyses.

EVENTS: Meeting(s) with City staff as necessary regarding specific data and information

TASK 3. REVENUE REQUIREMENTS FORECAST

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will develop a five- to ten-year revenue requirement forecast model to determine rate revenue needed to fund the capital program, operating and maintenance costs, and fiscal policy achievement within the following subtasks:

➔ **CRITICAL ASSUMPTIONS** | Consultants will develop critical inputs and assumptions for forecasting revenues and expenditures to include: customer growth, cost inflation, and debt financing terms.

➔ **FINANCIAL POLICIES** | Consultants will conduct a financial policy evaluation to assess existing practices which should be maintained and explore alternative practices that might further City goals in funding utility obligations. Policies will address:

- Cash reserves for working capital, capital contingencies, and emergencies
- Infrastructure replacement funding
- Debt coverage and debt to equity ratios

ClearSource will evaluate the need for each reserve or policy, the basis for any minimum reserve targets, and the financial impacts for establishing any new or revised policies.

➔ **CAPITAL FUNDING STRATEGY** | Consultants will review annual capital projects and associated costs and escalate those costs to year of anticipated construction. Consultants will design a capital funding strategy intended to feasibly execute the capital program with relatively level rate impacts. Consultants will evaluate an appropriate combination of resources from cash reserves, capital-related fees, capital contributions from rates, debt, and potential outside sources. Consultants will structure the capital funding analysis to allow for alternative priority and scheduling of projects to evaluate rate changes under different scenarios.

➔ **OPERATING FORECAST** | Consultants will forecast operating and maintenance costs over the study period. Historical expenditures and the current budget will form the baseline for this forecast. Consultants will incorporate any additional operating

PROJECT APPROACH

and maintenance expenses for known or anticipated changes in operational requirements such as additional staffing, deferred maintenance, and impacts of future regulations and standards. Economic factors will be applied for cost escalation and customer growth and demand assumptions.

- **RATE ADJUSTMENT STRATEGY** | Consultants will integrate selected financial policies, existing debt service, capital funding impacts, and the operating forecast to develop an operating cash flow over the study period. Compare projected requirements against projected revenue under existing rates to determine annual adjustments needed for financial sustainability. Rate strategies will be developed that provide level rate impacts over the study period to the degree practical. Sensitivity analyses will be performed to assess the impact of alternative capital funding strategies and other input parameters.

DELIVERABLE: Microsoft Excel-based financial revenue requirement model, editable by changing marked inputs

TASK 4. RATE COMPARISON

CLEARSOURCE PLANNED ACTIVITIES: Examination and comparison of water and wastewater rates imposed by Wheatland to those imposed by neighboring or similar jurisdictions is often a critical component to the successful completion of a rate study. Although rates imposed by other jurisdictions have no link to the City of Wheatland's costs of providing services, frequently, a City's department representatives and elected officials will use the rates imposed by other agencies to assist in setting their own targeted rate levels.

DELIVERABLE: Comparison of typical residential water and sewer bills from five neighboring or similar agencies

Cost of Service Analysis

The cost of service analysis is used to functionalize, allocate, and equitably distribute the revenue requirements to the various customer classes of service (e.g., residential, commercial) served by the utility. Additionally, the cost of service analysis determines what cost differences, if any, exist between serving the various customer classes of service.²

TASK 1. ALLOCATE REVENUE REQUIREMENT TO COST COMPONENTS

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will allocate utility costs of service in as much detail as possible to major operating functions within the utilities, such as:

- Treatment
- Storage
- Pumping
- Distribution
- Collection

² Ibid.

PROJECT APPROACH

- Meter reading, billing, and collection

TASK 2. ALLOCATE COSTS TO CUSTOMER CLASSES

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will work with the City to establish various customer classes based on criteria such as:

- Service Characteristics
- Demand Patterns

Rate Design

The rate-design analysis uses the results from the revenue requirement and cost of service analysis to establish cost-based rates that meet the overall rate-design goals and objectives of the utility. This analysis determines how to recover the appropriate level of costs from each customer class of service.³

TASK 1. EVALUATE RATE STRUCTURE ALTERNATIVES

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will work with the City to examine varying rate-structure alternatives. The goal of examining rate structure alternatives will be to select a rate structure that:

- Complies with all applicable laws
- Yields necessary revenue in a stable and predictable manner
- Minimizes unexpected changes to customer bills
- Discourages wasteful or inefficient uses
- Promotes fairness and equity
- Maintains simplicity, convenience, and feasibility

TASK 2. PREPARE SCHEDULE OF PROPOSED RATES

CLEARSOURCE DELIVERABLES: Once a proposed rate structure is selected, ClearSource will prepare an updated schedule of proposed water and sewer rates. The City may use the proposed rate schedule as part of the implementation information required to adopt rates that comply with Proposition 218 requirements.

Report Preparation and Presentation

To ensure a collaborative study process that involves knowledge transfer and clear communication of findings, ClearSource will prepare reports, lead presentations, and conduct on-site training for City staff charged with maintaining the financial models developed as part of this study.

TASK 1. REPORTS AND DELIVERABLES TOOLS

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will provide the formal documentation of the work and outcomes of the study, as well as delivery of the tools developed throughout the study for the City's ownership and future use. Consultants will issue a draft report to City staff summarizing assumptions, findings, and initial recommendations (electronic copies in Microsoft Word

³ Ibid.

PROJECT APPROACH

and PDF format). Consultants will incorporate any changes from City direction and comments and prepare the final report (electronic copy in PDF format and any necessary paper copies). Upon issuance of the final report, consultants will deliver the final model in Microsoft Excel format.

DELIVERABLE: Draft and final reports in digital format and any necessary bound, hard copies; final model in editable digital format

TASK 2. REVIEW AND ENGAGEMENT

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will present the study report and findings, as desired by the City. Potential meetings may include:

- Meetings with City staff to discuss study findings and options
- City Council training session
- Public meeting for any interested stakeholders
- Regularly scheduled City Council meeting
- Training for selected staff responsible for the maintenance and future update of the reports and models developed as part of this study

EVENTS: Meetings with City staff, leadership, and City Council as necessary during the study and to formally complete delivery of its conclusions

Prop 218 Process

TASK 1. RATE ADJUSTMENT NOTICE PREPARATION

DELIVERABLE: ClearSource will prepare a Notice of Public Hearing for Proposed Rate Adjustments for Water and Sewer Services. In accordance with Article XIII D Section 6 of the California Constitution the notice will include the:

- Amount of the fee (rate)
- Basis upon which fees (rates) are calculated
- Reason for the fee (rates)
- Date, time, and location of a public hearing on the charge

The notice will be delivered to the City. City staff will separately coordinate delivery of notice to affected property owners/utility customers.

TASK 2. PUBLIC HEARING PARTICIPATION - ENGAGEMENT

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will attend and facilitate a presentation at the Public Hearing to consider rate adjustments and tabulation of protests received, if any

PROJECT APPROACH

Sewer Rate Feasibility / Comparison Analysis

TASK 1. STUDY INITIATION

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will facilitate a meeting with City staff to initiate the study element. The purpose of this meeting is to generate common understanding of objectives, known issues that must be addressed by study end, participant roles, schedule, key milestones, and data collection and development procedures.

EVENT: Meeting with City project team (concurrent with other project elements described earlier)

TASK 2. DATA COLLECTION & VALIDATION

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will provide a data request list identifying financial, operational, and customer data pertinent to the study. Consultants will review, analyze, and validate information as necessary for use in formulating the technical analyses.

EVENTS: Meeting(s) with City staff as necessary regarding specific data and information (concurrent with other project elements described earlier)

TASK 3. REVENUE REQUIREMENTS FORECAST

CLEARSOURCE PLANNED ACTIVITIES: (The following tasks describe consultant work with the foundational analytical model, which will then be used to finalize the alternative scenarios needed by the City to consider its decision-making regarding regional treatment participation.)

ClearSource will develop a five- to ten-year revenue requirement forecast model to determine rate revenue needed to fund the capital program, operating and maintenance costs, and fiscal policy achievement within the following subtasks:

➤ **CRITICAL ASSUMPTIONS** | Consultants will develop critical inputs and assumptions for forecasting revenues and expenditures to include: customer growth, cost inflation, and debt financing terms.

➤ **FINANCIAL POLICIES** | Consultants will conduct a financial policy evaluation to assess existing practices which should be maintained and explore alternative practices that might further City goals in funding utility obligations. Policies will address:

- Cash reserves for working capital, capital contingencies, and emergencies
- Infrastructure replacement funding
- Debt coverage and debt to equity ratios

ClearSource will evaluate the need for each reserve or policy, the basis for any minimum reserve targets, and the financial impacts for establishing any new or revised policies.

➤ **CAPITAL FUNDING STRATEGY** | Consultants will review annual capital projects and associated costs and escalate those costs to year of anticipated construction. Consultants will design a capital funding strategy intended to feasibly execute the capital program with relatively level rate impacts. Consultants will evaluate an

PROJECT APPROACH

appropriate combination of resources from cash reserves, capital-related fees, capital contributions from rates, debt, and potential outside sources. Consultants will structure the capital funding analysis to allow for alternative priority and scheduling of projects to evaluate rate changes under different scenarios.

- ➔ **OPERATING FORECAST** | Consultants will forecast operating and maintenance costs over the study period. Historical expenditures and the current budget will form the baseline for this forecast. Consultants will incorporate any additional operating and maintenance expenses for known or anticipated changes in operational requirements such as additional staffing, deferred maintenance, and impacts of future regulations and standards. Economic factors will be applied for cost escalation and customer growth and demand assumptions.
- ➔ **RATE ADJUSTMENT STRATEGY** | Consultants will integrate selected financial policies, existing debt service, capital funding impacts, and the operating forecast to develop an operating cash flow over the study period. Compare projected requirements against projected revenue under existing rates to determine annual adjustments needed for financial sustainability. Rate strategies will be developed that provide level rate impacts over the study period to the degree practical. Sensitivity analyses will be performed to assess the impact of alternative capital funding strategies and other input parameters.

DELIVERABLE: Microsoft Excel-based financial revenue requirement model, editable by changing marked inputs and separate from previous project elements

TASK 4. SCENARIO DEVELOPMENT

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will develop a revenue requirement model based on the agreement Wheatland anticipates entering into with Olivehurst Public Utility District (OPUD), developing a rate management strategy based on the anticipated financial impacts to the sewer utility enterprise. Critical assumptions within the dynamic model are expected to include anticipated capital requirements and operating and maintenance expenditures, customer base impacts, and expected management or policy conditions.

DELIVERABLE: Recommended rate strategy reflecting Wheatland/OPUD agreement

TASK 5. REPORTS AND DELIVERABLE TOOLS

CLEARSOURCE PLANNED ACTIVITIES: ClearSource will provide the formal documentation of the work and outcomes of the study, as well as delivery of the tools developed throughout the study for the City's ownership and future use. Consultants will issue a draft report to City staff summarizing assumptions, findings, and initial recommendations (electronic copies in Microsoft Word and PDF format). Consultants will incorporate any changes from City direction and comments and prepare the final report (electronic copy in PDF format and any necessary paper copies). Upon issuance of the final report, consultants will deliver the final model in Microsoft Excel format.

DELIVERABLE: Draft and final reports in digital format and any necessary bound, hard copies; final model in editable digital format

PROJECT APPROACH

TASK 6. REVIEW AND ENGAGEMENT

**CLEARSOURCE
PLANNED
ACTIVITIES:** To facilitate active engagement and collaboration with City participants, ClearSource proposes the following interaction:

- ➡ Provide for interim review by the City's project team during the study and prior to issuance of formal reporting
- ➡ Provide for presentation and/or study session with the City Council as needed

ClearSource does not impose a limit on the number of meetings needed to finish the scope of services to the City's satisfaction.

EVENTS: Meetings with City staff, leadership, and City Council as necessary during the study and to formally complete delivery of its conclusions

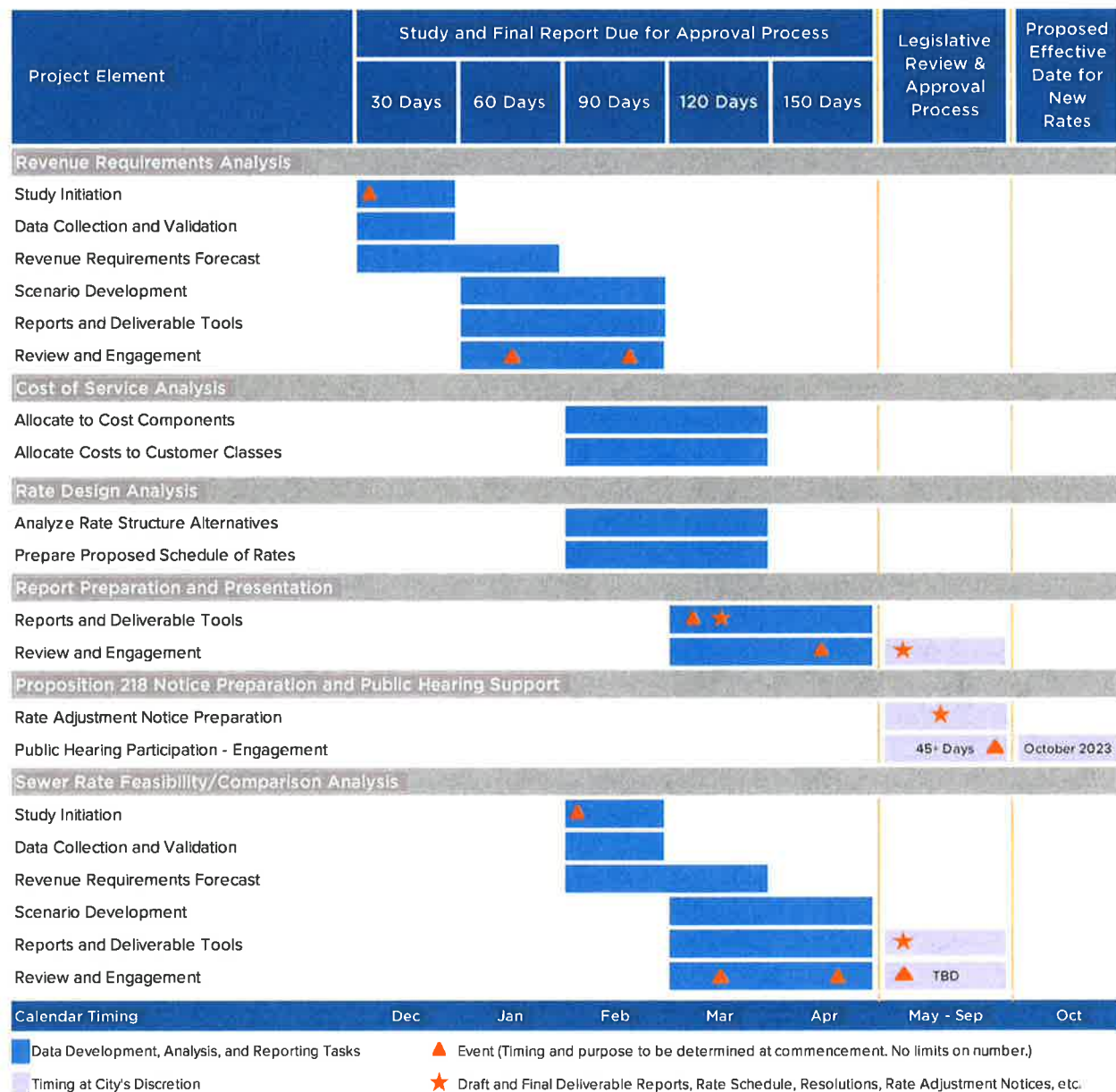
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PROJECT APPROACH

SCHEDULE

ClearSource presents the following timeline for completion of the Water and Sewer Rate Study. **Exhibit 3** illustrates timeline for consulting task completion, delivery of reports, and any public review/approval procedures. **ClearSource estimates a study period of 150 days from commencement to final report issuance. Subsequent to issuance of the final report, ClearSource will support the City if it determines to move forward with consideration of rate adjustments.**

EXHIBIT 3 | STUDY TIMELINE BY CLEARSOURCE WORK PLAN TASK



PROPOSED COSTS

PROJECT BUDGET

Maximum Price

TOTAL COST | In response to the City's direct request for this proposal, ClearSource has developed the work plan and schedule described in the previous section to deliver a successful Water and Sewer Rate Study to the City of Wheatland. To complete that project, **ClearSource proposes a total maximum cost for this contract at \$45,900.**

NOT-TO-EXCEED FEE | ClearSource commits to finish the project as described in our Work Plan without change orders. This is our standard practice. **We do not request contract amendments for additional meetings, extra analytical scenarios, or any extended work to aid City staff or Council consideration.** These are *normal* occurrences in these types of studies and part of the standard effort required to usher study findings to successful conclusion. Our proposed price is set to accomplish the work thoroughly without upward risk to the City.

CONSULTANT FEE BY TASK | The maximum consulting fee presented here is based on the ClearSource team's previous work with the City of Wheatland, including existence of working models, and our experience with other similarly scoped and scaled California cities in past studies. Our proposal ensures that the City's objectives and needed outcomes can be explored without shortcuts or explanations for non-analysis and that the process is carried through to a proper conclusion.

Exhibit 4 at the end of this document illustrates the detail behind our presented maximum price for the Water and Sewer Rate Study. This includes our estimated consultant labor time paired with hourly billing rates by task described in the ClearSource Work Plan.

Consulting Fee Detail

PROFESSIONAL RATES | The proposed consulting fee presented is based on assumed time to complete the scope of services paired with hourly billing rates for ClearSource consultants. The schedule of hourly billing rates for all positions contemplated in this project is as follows, fixed through December 31, 2023:

- ➔ Project Manager: \$180 per hour
- ➔ Principal Consultant: \$180 per hour
- ➔ Senior Consultant: \$180 per hour

DIRECT EXPENSES | ClearSource does not bill clients for ordinary direct expenses, such as travel and document production. All costs incurred by ClearSource to complete the City's project as currently scoped are embedded in our professional rates. The City's project does not contemplate and include extraordinary expenses, such as mailing or polling, as part of the consultant's required deliverables; therefore, no cost above the billed time of our professionals is proposed in our consulting fee.

Rates for Additional Services

Should the City seek an amendment to the contract to add consulting services it did not contemplate in its original scope of services as of this submittal date, ClearSource will estimate an additional consulting fee using the professional rates listed above. As emphasized earlier, **ClearSource will not request contract amendments to compensation to handle normal fluctuations in the scope of services** already defined.

Manner of Payment

ClearSource will issue monthly progress reports to the City. Accompanying monthly invoices will be based on progress recorded to the project following the major tasks described in the Work Plan.

PROPOSED COSTS

EXHIBIT 4 | CONSULTANT TIME AND FEE BY STUDY TASK

Project Element and Major Task	ClearSource Labor			Total Project	
	Project Manager	Senior Consultant	Senior Consultant	Labor Hours	Consulting Fee
	Madsen	Hahn	Schroeder		
Professional Hourly Rates:		\$180	\$180	\$180	
Revenue Requirements Analysis					
1 Study Initiation	2	2	0	4	\$ 720
2 Data Collection and Validation	2	2	6	10	\$ 1,800
3 Revenue Requirements Forecast	6	28	6	40	\$ 7,200
4 Rate Comparison	2	2	8	12	\$ 2,160
5 Reports and Deliverable Tools	2	8	2	12	\$ 2,160
6 Review and Engagement	4	2	2	8	\$ 1,440
Subtotal Fee for Single Element	18	44	24	86	\$ 15,480
Cost of Service Analysis					
7 Allocate Revenue Requirements to Cost Components	2	12	0	14	\$ 2,520
8 Allocate Costs to Customer Classes	2	8	0	10	\$ 1,800
Subtotal Fee for Single Element	4	20	0	24	\$ 4,320
Rate Design Analysis					
9 Analyze Rate Structure Alternatives	2	4	4	10	\$ 1,800
10 Prepare Proposed Schedule of Rates	2	6	0	8	\$ 1,440
Subtotal Fee for Single Element	4	10	4	18	\$ 3,240
Report Preparation and Presentation					
11 Reports and Deliverable Tools	4	16	4	24	\$ 4,320
12 Review and Engagement	6	2	2	10	\$ 1,800
Subtotal Fee for Single Element	10	18	6	34	\$ 6,120
Proposition 218 Notice Preparation and Public Hearing Support					
13 Rate Adjustment Notice Preparation	4	10	2	16	\$ 2,880
14 Public Hearing Participation - Engagement	6	6	4	16	\$ 2,880
Subtotal Fee for Single Element	10	16	6	32	\$ 5,760
Sewer Rate Feasibility/Comparison Analysis					
1 Study Initiation	1	1	0	2	\$ 360
2 Data Collection and Validation	0	2	1	3	\$ 540
3 Revenue Requirements Forecast	4	20	4	28	\$ 5,040
4 Rate Comparison	2	2	8	12	\$ 2,160
5 Reports and Deliverable Tools	1	6	1	8	\$ 1,440
6 Review and Engagement	4	2	2	8	\$ 1,440
Subtotal Fee for Single Element	12	33	16	61	\$ 10,980
GRAND TOTAL NOT TO EXCEED	58	141	56	255	\$ 45,900