



870 Market Street, Suite 1223  
San Francisco, CA 94102  
Toll free: 800.434.8349

[www.nbsgov.com](http://www.nbsgov.com)

October 22, 2025

Tim Kizer  
City Manager  
City of Grass Valley  
125 East Main Street  
Grass Valley, CA 95945

**RE: Proposal for Water Rate Review and Rate Study**

Dear Tim:

Thank you for the opportunity to address the City's needs for a Water Rate Review and Rate Study. I have provided the scopes and fees for both projects, recognizing that the Water Rate Study will only progress if warranted based on the results of the Water Rate Review.

Please feel free to reach out to me at any time with questions about our proposal or to move forward with a professional services agreement. I can be reached at 800.434.8349 or via email at [smares@nbsgov.com](mailto:smares@nbsgov.com). We would genuinely like to work on this project and help the City move forward successfully.

Sincerely,

A handwritten signature in blue ink that reads "Sara Mares".

Sara Mares  
Chief Operating Officer

## SCOPE OF SERVICES

---

The following describes the proposed Work Plan for completion of this Scope of Services, noting that Phase 2 will only move forward if warranted based on the results of Phase 1:

### Phase 1: Water Rate Review

#### TASK 1. REVIEW FINANCIAL PLAN

NBS will review the detailed financial plan for the water utility from the prior rate study, including revenue, expenditures, reserves, debt coverage ratios, capital improvement costs, repair and replacement costs and net revenue requirements. The prior rate study financial plan will be compared to the current financial plan that reflects updated costs and fund balances to determine potential discrepancies.

#### TASK 2. ANALYZE CURRENT CUSTOMER DATA

NBS will review the current customer data including quantity within each customer class as well as consumption and revenue generated to compare with the data used in the prior rate study.

#### TASK 3. FINDINGS MEMORANDUM AND PRESENTATION

NBS will summarize the findings of the above analysis in a memorandum and will present the results to City staff via virtual meeting. In person meeting attendance is available for an additional fee.

### Phase 2: Water Rate Study

NBS will work cooperatively with City staff, management, and the City Council to develop a financial plan and rate recommendations that are well suited to the City's needs, are practical and implementable, and can be confidently defended from both a technical and legal perspective.

The scope of services NBS offers for completing the study is presented in this section. We will also be prepared to make adjustments during the course of the study to reflect the direction of City staff and stakeholders as the study progresses. NBS will provide the leadership necessary to guide you through the various options, key concerns, and explaining the issues involved. These tasks serve as the basis for the proposed budget for this study.

#### TASK 1. KICKOFF MEETING AND DATA COLLECTION

NBS will hold a kick-off meeting with City staff at the beginning of the study. The kick-off meeting will be used to review and discuss the data from the billing/accounting system and data requirements in general and review study objectives, tasks, and schedule. A preliminary plan for public presentations will be discussed with the City during this meeting. The data the City will need to provide includes customer account information, such as:

- Customer billing information that includes: meter sizes, customer class and monthly water consumption for each customer (Excel file preferred).
- Financial data typically reported in financial statements.
- Capital Improvement and/or Master Plans (CIP projects by name, cost, and timing).

## TASK 2. FINANCIAL PLAN

NBS will prepare a detailed financial plan for the water utility that includes revenue, expenditures, reserves, debt coverage ratios, capital improvement costs, repair and replacement costs and net revenue requirements. Task deliverables will include:

- Financial projection model that will serve as a financial “roadmap” for the water utility.
- Summary of current and projected net revenue requirements.
- Update reserve fund policies and targets potentially including reserves for operations, rate stabilization, repair and replacement, debt service and capital projects.
- Projected year-end reserve fund levels.
- Calculated debt service coverage ratios.
- Three alternatives (i.e., annual rate increases) that meet projected net revenue requirements.
- Funding sources (cash vs. debt) for capital improvements.

This financial plan will lay the groundwork for the cost-of-service and rate design analyses addressed in Tasks 3 and 4. The following are subtasks to the Financial Plan:

**2.1 Projected Revenues and Expenditures** – Using a cash-basis reflecting the City’s system of accounts, NBS will prepare a projection of revenues, expenses, and increases in rate revenue needed to meet all obligations. This will provide the City with a financial planning tool to plan for rate adjustments to address operating and maintenance costs, infrastructure improvements, asset replacement and maintaining appropriate reserve fund levels. The City’s projected customer growth rates from master plan documents and planned cost inflation factors will be incorporated in this analysis.

**2.2 Evaluate Reserve Fund Sufficiency** – NBS will evaluate the sufficiency of existing reserve funds, target reserves, reserve fund policies, and related issues such as meeting debt service coverage ratios and other rate covenants. We will provide recommendations for reserve fund targets that are tailored to the City’s specific needs such as operating, capital rehabilitation/replacement, rate stabilization and catastrophes, etc. We will develop a phased-in approach to funding reserves to minimize the impact on ratepayers.

**2.3 Review Capital Improvement Program Funding** – NBS will incorporate City plans for new facilities, infrastructure improvements, and asset replacement plans into the financial plan. We will evaluate the timing, costs, and available reserves used to fund various projects. We will work with City staff to develop a well-conceived approach to funding these capital needs, which may include an appropriate balance between debt-funded and cash-funded projects. The recommended solution will provide an appropriate balance between funding from rates, system development fees and, if necessary, the use of outside financing. Up to three levels of capital improvement program funding will be developed in the study for comparison purposes.

## TASK 3. COST OF SERVICE ANALYSIS

Using the net revenue requirements developed in Task 2, NBS will equitably allocate costs to individual customer classes based on cost-of-service principles that comply with Prop 218. NBS will review and incorporate the historical consumption characteristics by customer class, and determine how to best project future water consumption.

NBS will evaluate cost allocations of various cost components to each customer class. The main components of the water cost-of-service analysis are as follows:

**Evaluate Trends in Water Consumption** – NBS has seen changes in consumption patterns over time in many agencies. These impacts should be considered when projecting water sales going forward. Although consumption patterns will have the greatest impact on proposed volumetric charges, total water sales and consumption considered in wastewater volumetric charges will also impact the financial plan projections of rate revenue. We will review these changes and, more importantly, how consumption should be projected going forward as proposed water rates are developed.

**Analysis of Consumption Patterns** – NBS will evaluate the *number* of customers at various levels of consumption and the *total water use* by customer class. The City's most recent water consumption data will be used for this analysis. This type of data analysis ensures an accurate projection of the revenue that will be collected within each customer class and ensures that revenue is recovered accurately from each customer class.

**Functionalization/Classification of Expenses** – This task arranges water expenses into basic categories, such as commodity (*source of supply*), capacity (*treatment, transmission, and distribution*), and customer (*administrative and overhead*) costs.

**Allocation of Costs to Customer Classes** – These costs are then allocated to individual customer classes based on allocation factors specific to each cost classification. For example, commodity/variable costs are allocated based on percentages of total annual consumption; capacity-related costs are allocated based on the percentage of peak demand; and customer-related costs are allocated based on the number of accounts. This process produces the fixed and variable revenue requirements for each customer class, which is the basis for the actual rate calculations.

#### **TASK 4. RATE DESIGN ANALYSIS**

NBS will work with City staff to review the current rate structure and evaluate whether there are alternatives that better meet the City's broader rate design goals and objectives. NBS will provide up to three water rate structure alternatives for the City's consideration, which will include the City's existing rate structures and two alternatives. An evaluation of the pros and cons of each rate structure alternative will be included in this analysis. The following are subtasks to the Rate Design Analysis:

**4.1 Develop Rate Design Recommendations** – Water rates will be developed based on the cost-of-service analyses, and we will include a discussion of the relative pros and cons of the current rate structure and the new alternatives. Evaluating the City's desired rate complexity and resulting customer bills will be essential components of this process.

**4.2 Criteria for Improving the Rate Design** – When evaluating rate design, revenue sufficiency and financial resiliency are critical considerations. NBS' general approach is to avoid significant **under-collection** of rate revenue, which is the worst-case scenario from a financial perspective. Other criteria for evaluating rate structures include:

- Ease of understanding the rate structure by customers
- How costs allocated to fixed and volumetric rates affect revenue stability

- How water conservation is reflected in the analysis
- How summer peaking patterns are reflected in water rate design
- How meter sizes are used in calculating fixed charges
- The amount of revenue that should be collected within each tier
- Impacts on customer monthly bills
- How treatment plant costs are allocated to customers
- Differences, if any, in collection system and general overhead and administrative costs and how they are allocated to various customers
- Changes due to drought, conservation efforts, and Covid-19 over the last several years that may affect rates on a going-forward basis
- The amount of revenue collected from fixed and variable charges (which can significantly impact customer bills)

The rate structure alternatives selected will ultimately provide the basis for comparing monthly customer bills under both the current and new rate structures. However, all rate structures will be “revenue neutral” because they will all collect the same amount of revenue, both in total and within each customer class.

**4.3 Calculate Fixed and Volumetric Charges** – Ideally, fixed charges should be used to cover fixed costs; however, due to the emphasis on using pricing signals to encourage conservation, this is rarely the case. As a result, many agencies have struggled with revenue stability during times of uncertain demands. Fixed charges will reflect the number of accounts, equivalent meters, and size of meters. In contrast, volumetric rates should cover variable costs and should be allocated in proportion to consumption. Determining the best combination of fixed and variable charges is also influenced by other factors, such as revenue stability, conservation, ease of understanding, and ease of administration. NBS will strive for an appropriate balance between fixed and variable charges.

## **TASK 5. DROUGHT RATE ANALYSIS**

NBS will develop drought rates that will provide the City with the flexibility to respond to future drought conditions, should water conservation requirements increase in the future.

This task will develop a drought rate structure to ensure that during drought conditions the City can successfully accommodate reductions in water sales from a financial perspective. NBS will work with City staff to develop rate structures that consider and reflect specific conservation issues (supply costs, changes in the costs of energy, chemicals, etc.). Ideally, drought rates would coincide with an existing water shortage contingency or drought plan of the City that identifies conservation measures at various stages of drought.

## **TASK 6. REGIONAL BILL COMPARISON**

NBS will compare current and proposed water rates to five neighboring communities to see how the City’s rates compare to other nearby water Agencies. The results of this comparison will be presented in the rate study report and in public presentations. The comparisons will provide City staff and City Council with a basis to compare the cost of delivering water service to customers in the region.

## **TASK 7. PREPARE RATE STUDY REPORT**

NBS will prepare a draft study report that include proposed rates for the next five to ten years, depending on the City's preference for the timeframe. An executive summary and introduction will present the purpose of the report and results of the study. Tables, graphs, and charts will be used as appropriate, but the emphasis will be on providing a clear, concise and understandable report that will provide the City with a thorough administrative record. Key assumptions, methodologies, and factors affecting the development of proposed rates will be highlighted with charts and graphs when helpful. However, more technical aspects of the study, particularly the tables documenting the calculations and sources of data, will be separately provided in technical appendices.

NBS will provide an electronic file in Microsoft Word format of the draft report for the City's review and comment. Once we have received the City's comments<sup>1</sup>, we will incorporate those comments into a final report.

## **TASK 8. MEETINGS AND PRESENTATIONS**

NBS plans to provide support to the City in public meetings to support the new rate adoption process. We will also plan to meet with City staff to review study results and recommendations throughout the project. The following meetings and presentations are anticipated for this study:

**8.1 Meetings with City Staff** – NBS proposes to hold progress meetings with City staff via conference call or web meeting format. These meetings will be used to review initial work products and gain input from Staff on the direction of the study. Prior to the public meetings, we also expect to have regular phone conversations with City staff to discuss how the study is proceeding, solicit input from Staff, and to review and discuss the study's initial results and work products. In addition, NBS will work with City Staff to discuss and understand talking points while continuously providing guidance on how to manage questions for community members to ensure a clear and transparent message.

**8.2 Other Public Workshops/Presentations** – NBS rate study staff will provide up to three (3) public workshops<sup>2</sup> including with a City Committee and City Council. The rate team will prepare a PowerPoint presentation for these meetings, which will include visual aids, graphics, charts and additional worksheets or handouts. In these presentations, NBS will present study results, recommendations, receive input and guidance on the direction of the study and answer questions. Our team will work with City Staff to create an agenda and develop presentations that allow for clear and insightful presentations.

## **TASK 9. NOTICE OF PUBLIC HEARING MAILING**

NBS will create a mailing list using the most recent County Assessor secured roll data available, combining that with the City's customer database. Duplicates will be removed to create a comprehensive mailing list. NBS will also draft the Notice to property owners subject to the proposed Fee. Final form of the Notice will be reviewed and approved by legal counsel and City staff.

---

<sup>1</sup> We assume City staff's comments will be in an electronic Microsoft Word file using track-changes mode.

<sup>2</sup> The number of meetings/presentations that NBS provides can be adjusted as necessary by City staff. We plan to discuss the number of meetings and plans for presentation at the kick-off meeting and adjust throughout the process as needed.

NBS will work with City staff to answer any questions that come up and guide you through the adoption process. The key technical tasks will be to prepare a draft and final Prop 218 Notice and provide the proposed rate tables included in the notices. NBS will work with City staff to review the draft and final notice prior to public release. The City should have legal counsel review all notices for legal compliance with the provisions of Prop 218, such as wording related to pass-throughs.

## Engagement Services | Optional

As communication is paramount, the NBS team developed the **CivicMic** platform, which focuses on providing collaborative governance services including outreach, public engagement, and adaptive management, bringing citizen voices into the governance process. Through our customized approach, we engage residents of diverse backgrounds for unique perspectives using social media and other collaborative activities. Optional engagement services for this project include:



### COMMUNICATION TOOLKIT

NBS will develop a comprehensive toolkit, including talking points, multilingual FAQs, content releases, timelines for posting on the City's website, and guidelines for various communication activities. This toolkit will aid staff and elected officials in communicating a cohesive message to the community and stakeholders.

### RATE CALCULATOR

NBS will create a rate calculator for ratepayers to view the updated rates. This calculator can be hosted on the City's website or CivicMic.com.

### 218 NOTICE SUPPLEMENT

NBS will also develop and design a detailed fact sheet to be mailed to community members. The fact sheet will include historical information that will help educate the community on the current project needs. The fact sheet will be translated into up to two languages based on community census data.

### PROFESSIONAL FEES

---

Our professional fees are based on our understanding of the City's needs and the effort we believe is necessary to complete the scope of services described in our proposal. Work will be performed at a fee of \$14,625 for the Water Rate Review and \$41,050 for the Water Rate Study.

PROJECT BUDGET: CITY OF GRASS VALLEY					
Study Tasks	Consultant Labor (Hours)			Grand Totals	
	Senior Review <sup>1</sup> (Highstreet Mares)	Director (Kissam)	NBS Consultant	Consultant Labor (Hrs.)	Consultant Costs (\$)
Hourly Rate	\$275	\$250	\$175		
<b>Phase 1: Water Rate Review</b>					
Task 1 – Review Financial Plan	20.0	-	12.0	32.0	\$ 7,600
Task 2 – Analyze Current Customer Data	10.0	-	10.0	20.0	4,500
Task 3 – Finding Memorandum and Presentation	6.0	-	5.0	11.0	2,525
<b>GRAND TOTAL</b>	<b>36.0</b>	<b>-</b>	<b>27.0</b>	<b>63.0</b>	<b>\$ 14,625</b>
<b>Phase 2: Water Rate Study</b>					
Task 1 – Kick-off Meeting & Data Collection	2.0	8.0	4.0	14.0	\$ 3,250
Task 2 – Financial Plan	8.0	8.0	8.0	24.0	5,600
Task 3 – Cost-of-Service Analysis (COSA)	4.0	4.0	3.0	11.0	2,625
Task 4 – Rate Design Analysis	4.0	4.0	3.0	11.0	2,625
Task 5 – Drought Rate Analysis	2.0	4.0	-	6.0	1,550
Task 6 – Regional Bill Comparison	2.0	4.0	8.0	14.0	2,950
Task 7 – Prepare Rate Study Report	8.0	8.0	10.0	26.0	5,950
Task 8 – Meetings and Presentations	20.0	10.0	-	30.0	8,000
Task 9 – Notice of Public Hearing Mailing <sup>2</sup>	4.0	6.0	8.0	18.0	4,000
Travel Costs for (3) In-Person Meetings (not to exceed) <sup>3</sup>					4,500
<b>GRAND TOTAL</b>	<b>54.0</b>	<b>56.0</b>	<b>44.0</b>	<b>154.0</b>	<b>\$ 41,050</b>
<b>Additional Optional In Person Visits</b>					
Additional Costs for Optional Site Visits and Presentations					
Labor Cost Per Visit/Presentation (NBS PM)					\$ 2,200
Travel Expenses per Meeting (not to exceed)					1,500
<b>Grand Total Optional Services Not to Exceed</b>					<b>\$ 3,700</b>
<b>Public Engagement Optional Services</b>					
Communication Toolkit					\$ 9,500
Rate Calculator					4,750
218 Notice Supplement					4,000
<b>Grand Total Public Engagement Optional Services</b>					<b>\$ 18,250</b>

1. If time is required for municipal advisor services (Sara Mares), senior review hours would be utilized.

2. Mailing expenses excluded. NBS passes through mailing expense at cost without markup. Cost will depend on design choices and length of notice.

3. Travel-related cost and direct reimbursable expenses; all other expenses are included in labor rates. This will be zero if all meetings are attended virtually.

**Additional services requested**, such as additional public meetings or additional rate or fee alternatives, can be provided based on the hourly labor rates included in the table above. All tasks would be mutually agreed upon by NBS and the City prior to proceeding.

## HOURLY RATES

We applied the following hourly rates to derive the overall pricing for the requested scope of services. Our hourly rates are inclusive of all costs associated with professional time, such as travel, document production, and incidentals. The following rates will apply for the duration of our contract:



Title	Hourly Rate
Senior Review	\$275
Director	\$250
Associate Director / Engineer	\$225
Senior Consultant	\$200
Consultant	\$175
Senior Project Analyst	\$165
Project Analyst	\$150
Project Resource Analyst	\$130
Clerical / Support	\$110

## TERMS

Services will be invoiced monthly. Expenses will be itemized and included in the next regular invoice. If the project is prematurely terminated by either party, NBS shall receive payment for work completed. Payment shall be made within 30 days of submittal of an invoice. If payment is not received within 90 days, simple interest will begin to accrue at the rate of 1.5% per month. Either party can cancel consulting contract with 30 days' written notice.