



July 9, 2025

Mr. Arturo Ceja, MBA
Director of Finance
Mission Springs Water District
66575 Second Street
Desert Hot Springs, CA 92240

Re: Water and Wastewater Connection Fee and Standby Fee Proposal

Mr. Ceja,

Thank you for this opportunity to submit this proposal to complete the following services for the Mission Springs Water District (District):

- Water and wastewater connection fee studies
- Water and wastewater standby charges

The services described in this proposal are offered in addition to the water and wastewater long-range financial planning and cost-of-service studies that Raftelis is currently under contract to complete for the District.

Appendix A details our proposed scope of services for the connection fee and standby fee studies. Appendix B details our proposed not-to-exceed consulting fees for both studies. Our proposed not-to-exceed consulting fee for the water and wastewater connection fee study is \$27,320. Our proposed not-to-exceed consulting fee for the water and wastewater standby fee study is \$17,140.

The proposed project schedule for the completion of both studies assumes that updated fees will be implemented on January 1, 2026. This corresponds to the target schedule for completing the long-range financial planning and cost-of-service studies, which anticipate updated water and wastewater rates will be effective on January 1, 2026.

If you have any questions regarding this proposal, please contact me at 951-395-1674 (office), 303-909-5575 (mobile), or jwright@raftelis.com.

Sincerely,

A handwritten signature in blue ink that reads 'John Wright'.

John Wright
Senior Manager

Appendix A

PROPOSED SCOPE OF SERVICES WATER AND WASTEWATER CONNECTION FEE STUDY

TASK 1: KICKOFF MEETING

To initiate the water and wastewater connection fee studies, we will conduct virtual kickoff meeting with District staff to understand your concerns regarding the District's current connection fees. Prior to the kickoff meeting we will review all relevant documentation, including the water and wastewater engineering master plans, the District's Urban Water Management Plan, and the District's rules and regulations for connection fees.

A key discussion point in the connection fee calculation process is the determination of the appropriate methodology to use. There are three industry-standard methods for the calculation of connection fees:

- ***Buy-In Approach:*** Appropriate for utilities with existing available infrastructure capacity to meet projected demand.
- ***Incremental Approach:*** Appropriate for utilities who, due to infrastructure capacity constraints, must immediately construct significant new infrastructure to meet projected demand.
- ***Hybrid Approach:*** Appropriate for utilities with some available existing infrastructure capacity but also a need to construct new infrastructure to meet projected demand.

Legal and Regulatory Concerns

The connection fees developed by Raftelis will be based on industry practices and in full compliance with California legal standards as contained in California Government Code Sections 6600 - 66025. This will include compliance with the requirements of California's Mitigation Fee Act and general legal principles related to connection fees. Under California law, "fees," as opposed to "taxes," can be adopted without the two-thirds vote of the public as required by Proposition 13. The State of California Mitigation Fee Act, also known as AB 1600 and codified in Sections 66000-66025 of the California Government Code, establishes a requirement for "nexus" in the establishment of a connection fee. The nexus requirements are that: 1) a connection fee is directly related to the impacts of the development and 2) the fee is roughly proportional to the impacts of the project.

TASK 2: WATER CONNECTION FEE STUDY

Task 2a: Determination of the Calculation Methodology

Raftelis will provide information to the District on the industry standard connection fee calculation methodologies (mentioned above) and work with District staff to choose the appropriate methodology to be used in the water connection fee study.

Task 2b: Valuation of Water Infrastructure

Informed by the chosen calculation methodology, Raftelis will develop a water connection fee model that reflects either, or both, of the following:

- **Existing Infrastructure:** Each major functional component of existing water utility infrastructure will be valued. The valuation will be based on “replacement cost less depreciation” (RCLD). The replacement cost will be developed using the construction cost inflation factors published in the Engineering News-Record (ENR CCI). If the District’s fixed asset subsidiary ledger does not contain an adequate level of information to develop replacement cost estimates, an alternative valuation method will be selected in consultation with District staff.
- **Planned Infrastructure Expansion:** Planned growth-related infrastructure assets will also be valued. The present value of these assets, expressed in 2024 dollars, will be determined based on District’s current capital improvement plans.

As part of the infrastructure valuation process, outstanding debt principal used to finance existing system water infrastructure will be subtracted from the RCLD valuation. Accumulated cash reserves will be added to the RCLD valuation.

Task 2c: Determination of Customer Demand

For the Buy-In Method, Raftelis will estimate the number of equivalent 3/4” meters currently served by the District’s existing water system. For the Incremental and Hybrid Methods, Raftelis will project the number of future equivalent 3/4” connections that can be served by planned growth-related infrastructure additions. This estimate will be based on residential customer household density and gallons per capita per day (GPCD) water usage. As part of this process, Raftelis will analyze billing data for existing customers, consult your current Urban Water Management Plan, and the most recent engineering master plan.

Task 2d: Calculation of the Water Connection Fee

Based on the work completed for the calculation methodology and customer demand analysis, Raftelis will calculate the following:

- The baseline water connection fee expressed based on dollars per 3/4” connection.
- A water connection fee assessment schedule for each water meter size served by the District’s water system.

TASK 3: WASTEWATER CONNECTION FEE STUDY

The process used to calculate the wastewater connection fees will align with the approach used for the water connection fee. At present, Raftelis assumes the District will wish to continue the use of equivalent residential units (ERUs) as the basis for calculating residential wastewater connection fees and water meter size as the basis for calculating non-residential wastewater connection fees.

Task 3a: Determination of the Calculation Methodology

Raftelis will work with District staff to determine the appropriate methodology for the calculation of wastewater connection fees (i.e., Buy-In, Incremental, Hybrid).

Task 3b: Valuation of Wastewater Infrastructure

Wastewater utility infrastructure will be calculated using the following key inputs:

- The RCLD of existing wastewater infrastructure.
- The present value of planned growth-related capital improvement projects.

As part of the infrastructure valuation process, outstanding debt principal used to finance existing system wastewater infrastructure will be subtracted from the RCLD valuation. Accumulated cash reserves will be added to the RCLD valuation.

Task 3c: Determination of Customer Demand

Pending discussions with District staff, ERUs will be calculated based on the District's customer water billing information.

Task 3d: Calculation of the Wastewater Connection Fee

Based on the work completed in in the above sub-tasks, Raftelis will calculate the following:

- Residential wastewater connection fee expressed on a \$/ERU basis.
- Non-residential wastewater connection fees will be calculated based on water meter size.

TASK 4: CONNECTION FEE REPORTS

Raftelis will complete comprehensive draft and final connection fee reports for the review and approval of District staff, District legal counsel, and the District Board.

TASK 5: BOARD PRESENTATION

Our proposed consulting fee includes one (1) onsite water and wastewater connection fee presentation to the District Board.

PROPOSED SCOPE OF SERVICES

WATER AND WASTEWATER STANDBY CHARGES

TASK 1: ESTABLISH A DISTRICT FACILITIES AND IMPROVEMENT MATRIX

Raftelis will develop an overall matrix of the facilities and services provided by the District and the activities for which properties may be assessed (special benefit nexus). This is the first step in establishing a defensible special benefit nexus and stand-by charge assessment methodology. This task will also include development of an enhanced District database for budget modelling. This database will utilize the existing electronic parcel and assessment database currently used by the District.

TASK 2: PREPARE A DRAFT ENGINEER'S REPORT

Raftelis will prepare an Engineer's Report for Fiscal Year 2026-27. The Engineer's Report will provide appropriate discussion and identification of general benefit and special benefit, consistent with the California Constitution and current case law. The Engineer's Report will contain the following information:

- A statement that the report of a qualified engineer is on file with the District
- A description of the charges and the method by which they will be imposed.
- A compilation of the amount proposed for each parcel subject to the charges.
- A statement of the methodology and rationale followed in determining the degree of benefit conferred by the services/facilities for which the charge is made.
- A list of assessor parcels upon which the charge is to be imposed.
- The amount of the charge for each of the assessor parcels.

TASK 3: PREPARE A FINAL ENGINEER'S REPORT

Raftelis will incorporate any comments from District staff into the draft Engineer's Report. District staff will be provided executed copies of the final Engineer's Report and the Parcel database under separate cover.

TASK 4: BOARD PRESENTATION

Our proposed consulting fee includes one (1) onsite water and wastewater standby charge presentation to the District Board.

Appendix B Proposed Consulting Fee Water and Wastewater Connection Fees

Tasks	Web Meetings	In-person Meetings	Hours					Total Fees & Expenses
			SP	JW	ER	Admin	Total	
Task 1: Kickoff Meeting			1	2	2	1	6	\$1,760
Task 2: Water Connection Fee Study	1			6	16		22	\$6,420
Task 3: Wastewater Connection Fee Study	1			6	16		22	\$6,420
Task 4: Connection Fee Reports	1			6	24		30	\$8,580
Task 5: Board Presentation		1		8	2		10	\$4,140
Total Meetings / Hours	3	1	1	28	60	1	90	
Hourly Billing Rate			\$400	\$340	\$260	\$100		
Total Professional Fees			\$400	\$9,520	\$15,600	\$100	\$25,620	
SD = Sudhir Pardiwala, P.E., Project Director			Total Fees					\$25,620
JW = John Wright, Project Manager			Total Expenses					\$1,700
ER = Ellyse Ritchie, Lead Consultant			Total Fees & Expenses					\$27,320

Appendix B Proposed Consulting Fee Water and Wastewater Standby Fees

Tasks	Web Meetings	In-person Meetings	Hours					Total Fees & Expenses
			SP	JW	ER	Admin	Total	
Task 1: Establish a District Facilities and Improvement Matrix	1		2	4	2	1	9	\$2,870
Task 2: Prepare a Draft Engineer's Report	1		3	12	2		17	\$5,970
Task 3: Prepare a Final Engineer's Report	1		2	8	2		12	\$4,160
Task 4: Board Presentation		1		8	2		10	\$4,140
Total Meetings / Hours	3	1	7	32	8	1	48	
Hourly Billing Rate			\$400	\$340	\$260	\$100		
Total Professional Fees			\$2,800	\$10,880	\$2,080	\$100	\$15,860	
SD = Sudhir Pardiwala, P.E., Project Director			Total Fees					\$15,860
JW = John Wright, Project Manager			Total Expenses					\$1,280
ER = Ellyse Ritchie, Lead Consultant			Total Fees & Expenses					\$17,140