



MISSION SPRINGS WATER DISTRICT

Technical Proposal for:

Long-Range Financial Plan

September 22, 2022

Name of Business/Company: NBS Government Finance Group, DBA: NBS

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Federal Tax ID Number: 33-0712512

Type of Business (Sole Proprietorship; Partnership; Corporation; or Other (Explain):

CA S-Corporation, 100% Employee-Owned ESOP

Number of Years in Business: 26 years

Name, title, telephone number and if different, address of person(s) authorized to represent

business entity: Greg Clumpner, Director, 530.297.5856, Same address as above

Name, title, telephone number and if different, address of person(s) authorized to sign contracts

for the business entity: Michael Rentner, President, 800.676.7516, Same address as above

Signed by Authorized Officer:

Michael Rentner, President



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nbsgov.com

September 22, 2022

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

RE: Proposal for Long-Range Financial Plan

Dear Mr. Ceja,

Thank you for the opportunity to submit our proposal to prepare a long-range financial plan (LRFP) for the District. We realize this is an important and significant undertaking for the District and that you would like a comprehensive review of the historical and projected trends affecting the future financial plans for the District. We also understand that the District intends to use the LRFP model developed in this study to respond to changes in the future operating environment.

Our team is led by two senior practitioners: Greg Clumpner (project manager) and Allan Highstreet (senior reviewer), both with over 40 years of experience in the water industry and who are fully committed to the successful completion of this study. Their recognized expertise includes financial planning, infrastructure and capital improvement planning, and asset management. Together they have completed over 600 similar studies. Also supporting the financial planning portion of the project is NBS' registered Municipal Advisor representative, Sara Mares. She has worked on a multitude of bond financing feasibility, issuance, and disclosure efforts over her 22-year career.

We have attempted to incorporate the District's goals and objectives in our proposal, but we realize that there may be refinements that can be made and we would be more than happy to accommodate those changes prior to finalizing your selection process.

Please contact me at 530.297.5856 or via email at gclumpner@nbsgov.com if you have any questions or would like to discuss our professional qualifications further. We would genuinely like to work with you to help the District successfully complete this project.

Sincerely,

A handwritten signature in blue ink that reads "Greg Clumpner".

Greg Clumpner
Director

A handwritten signature in black ink that reads "Michael Rentner".

Michael Rentner, Authorized Officer
President

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“The professional team from NBS was nothing short of extraordinary. Especially Mr. Clumpner – his wealth of knowledge and expertise coupling with his ability to spring into action helped us navigate seamlessly through the entire process of the utility rate study.”



Tai Chau
assistant public
works director

1 | STATEMENT OF EXPERIENCE



AT-A-GLANCE: HELPING COMMUNITIES FUND TOMORROW

26
YEARS

In
Business

100%
ESOP

NBS is a 100%
employee-owned
S-Corporation



NBS HEADQUARTERS
32605 Temecula Pkwy | Suite 100
Temecula, CA 92592

SAN FRANCISCO REGIONAL OFFICE
870 Market Street | Suite 1223
San Francisco, CA 94102



CONTACT
Greg Clumpner | 530.297.5856
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LEGAL NAME
NBS Government
Finance Group

DBA
NBS

55
EMPLOYEES



INDIVIDUAL AUTHORIZED TO NEGOTIATE
AGREEMENT
Michael Rentner, President

Since 1996, NBS has supported California municipalities with the implementation and ongoing administration of local funding tools.

While the firm originally focused on Special Financing Districts (SFDs), specifically the formation and administration of special assessments and taxes, we have evolved with our clients' needs and now provide a full range of revenue consulting services. We focus on sustainable water and wastewater utility rate programs, cost allocation plans, cost recovery, and legally justified fee design. Across all practice areas, we have worked with more than **500 public agencies** to date, including cities, counties, school districts, utilities, and special districts.



Utility Rate Group

The NBS Utility Rate Group ensures your utility rates, system capacity fees, and financial plans provide an appropriate level of funding and are also justifiable in a fluid legal and regulatory environment.

500
STUDIES
PERFORMED

We act as strong advocates for our many utility clients to ensure that rates and fees address the multitude of challenges facing each community. Just ask the municipalities where we have performed more than 500 studies!

**PROP
218**
COMPLIANT

Once study results are in, we support you through the Proposition 218 approval process. Working within legal and industry standards, we partner with you to implement solutions for the most challenging financial issues.



Throughout the process, we strive to educate the public, manage community expectations, and work within the often-confusing legal framework to develop the best solutions for your utility. Our analytical support and expert consultants help agency staff and legal counsel navigate the practical and legal challenges.

NBS Similar Experience / Demonstrated Track Record

Below is a sample of projects for California municipal agencies that our proposed team has completed (or is now completing) which are similar to the District's needs. ***Our Utility Rate team has a demonstrated track record as highlighted by these projects:***

- Azusa Light and Water, *Water Rate Study*
- Alameda County Water Agency (Zone 7), *Connection Fee Update Study*
- Bellflower Mutual Water Company, *Water Rate Study*
- Calaveras County WD, *Water and Sewer Rate Study*
- Citrus Heights Water District, *Water Rate Study*
- City of Colton, *Water Rate and Connection Fee Study*
- City of Santa Ana, *Public Utilities Internal Overhead Cost-Allocation Analysis (Internal White Paper)*
- City of Davis, *Sewer Rate and Capacity Fee Study*
- City of Fort Bragg, *Water, Sewer and Drainage Rates*
- City of Fresno, *Public Sanitation Fee Study*
- City of Redding, *Water, Sewer and Solid Waste Rate and Development Impact Fee Studies*
- Cucamonga Valley Water District, *Water and Recycled Water Connection Fee Study*
- City of Eureka, *Water and Sewer Rate Study*
- City of Morgan Hill, *Water and Sewer Rate Study*
- City of Redding, *Water, Sewer and Solid Waste Rate Study and Connection Fee Analysis*
- City of Sacramento, *Water, Sewer, Combined Sewer, and Stormwater Development Impact Fee Studies and Community Sanitation Fee Study*
- City of Santa Paula, *Water and Sewer Rate Study*
- County of Sonoma, *Water and Sewer Rate Study*
- City of San Francisco, Public Utility Commission, *Solid Waste and Electric Utility Rate Studies**
- City of Sausalito, *Sewer Rate Study*
- City of Sunnyvale, *Water Rate Study*
- City of Victorville, *Sewer Rate Study, Industrial Pretreatment Program Fee Study, and Storm Drain Rate Study*
- Desert Water Agency, *Water, Sewer & Recycled Water Rate Study, and Tribal Water Rates Analysis*
- Hidden Valley Lakes Community Services District, *Water and Sewer Rate Study*
- Humboldt CSD, *Water and Sewer Rate study*
- Mountain House CSD, *Water and Sewer Rate Study*
- Napa Sanitation District, *Sewer Rate Study*
- San Benito County, *Developer Storm Drainage Impact Fee Reimbursement Analysis*
- Town of Mill Valley, *Sewer Rates and Capacity Fees*
- Pajaro Sunny Mesa CSD, *Water Rate Study*
- San Lorenzo Valley Water District, *Water and Sewer Rate Study and Fire Damage Surcharge Study*
- Santa Clara Valley Water Agency, *Water Supply and Flood Control Development Impact Fee Study*
- Suisun-Solano Water Authority, *Water Rate Study*



Strength and Stability of Firm

NBS is in a strong financial position with little to no debt and is not involved in any bankruptcy proceedings, pending litigation, planned office closures, impending merger or any other situation that would impede our ability to perform the Long-Range Financial Plan for the District.

Staffing Capability and Workload

NBS employs a staff of 55 professionals with extensive experience in the fields of finance, management, engineering, and local governance who combine their knowledge to produce a synergy that results in maximum success and minimum risk. We work with our clients as partners by developing an intricate knowledge of their needs and responding with strategic and timely solutions. While our team members are engaged in a variety of ongoing projects, we are able to provide the services requested within the required timeline. In order to preserve our on-going commitment to excellent client service, we do not propose or contract for more work than we can reasonably accomplish or complete.

Why NBS?

In response to the District's request for why NBS would be the best choice for providing these services to MSWD, put simply it is our Senior Project Management Team. NBS' project manager and technical reviewer are two senior consultants, Greg Clumpner and Allan Highstreet, who previously worked together for 13 years with an engineering-consulting firm and represent two of the most experienced rate consultants in the industry today. Together they have completed over 600 similar studies for public utility clients as well as a wide-range of water and sewer-related financial, operational, and planning studies. NBS is a registered Municipal Advisor with a team of registered Municipal Advisor Representatives led by Director Sara Mares, who focus on structuring revenue for purposes of bond issuance, assist with the disclosures needed during the bond issuance process, and additional staff that addresses the ongoing disclosure requirements over the life of the debt.

Subconsultants

The proposed NBS team has all the expertise and staff necessary for resolving complex project issues; we have no need for subconsultants for this engagement.

2 | REFERENCES

Below is a sampling of projects and references similar in scope and magnitude to the District’s needs.

DESERT WATER AGENCY, CA
WATER, RECLAIMED WATER, WASTEWATER RATES AND CAPACITY FEES
Years as client: Seven (7) years/Last project completed July 2022



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Since 2016, NBS has provided rate consulting service to DWA including water and sewer rates, capacity fees, and special assignments such as advice regarding operational disputes with Indian tribal water rights. Work products have included detailed financial plans, evaluation of rate design alternatives, funding scenarios to optimize cash vs. debt funding, analysis of water consumption trends related to conservation and more recently Covid-19 impacts, and related Prop 218 industry concerns.

NBS Project Team:
 Greg Clumpner, Alice Bou

Project dates for studies:
 2016 Water Reclaimed Water & Wastewater Rate Study
 2018/2020 Capacity Fee Study and Special Consulting Services
 2022 Rate Study Update

LOS ANGELES DEPARTMENT OF WATER & POWER
WATER RATE REVIEW AND SPECIAL CONSULTING SERVICES
Projected Project Completion: 2019



Contact Information
 Kristina Stanford
 Guidehouse Principal Consultant
 (Kristina now works for Apple)
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NBS served as a sub-consultant to Guidehouse/Navigant on this major review of LADWP’s water rates. NBS was brought in to provide specialized rate design and water rate methodology expertise, including improvements in demand forecasting, how temperature zone data is reflected in budget-based rates by temperature zone, and changes in historical water consumption trends. These were highly technical analyses that were considered in revising LADWP’s rate modeling procedures.

NBS Project Team:
 Greg Clumpner, Alice Bou

Project dates for studies:
 2019 - Various Technical Memos Re: Temperature Zones and Demand Forecasting Procedures

CITY OF SANTA MONICA

WATER AND WASTEWATER RATE AND CAPITAL FACILITY FEE STUDIES

Project Dates: September 2018 to May 2020, 2022 Additional Capacity Fee Analysis for New Development (Ongoing)



Contact Information

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NBS Project Team:

Allan Highstreet, Jordan Taylor

In 2020, NBS completed a comprehensive Water and Wastewater Rate and Capacity Fee Study for the City of Santa Monica. Key objectives addressed in the study included developing long-term financial plans that ensure the City's operating and capital needs are met, along with maintaining adequate reserve funds. The City has adopted Water Self Sufficiency goals, and key capital projects that are needed to meet these goals. We worked with City staff throughout the study to identify funding and develop options to fund the Sustainable Water Infrastructure project that is estimated to cost over \$200 million. The project will be funded with a combination of outside debt financing, interfund loans, use of existing reserve fund balances, and rate increases.

The City also had several rate structure objectives that were addressed in the study such as providing greater revenue stability for the utilities by collecting a greater percentage of revenue from fixed water meter charges and incorporating a modest fixed charge in the wastewater rate structure. Additionally, the tiered volumetric water rates were updated to apply to all customer classes and were designed to reflect the City's various sources of water supply. NBS also conducted a thorough analysis of water usage patterns and updated the wastewater discharge factors to reflect low water usage periods (and estimated wastewater flow).

All study recommendations were reviewed in several meetings with the Task Force on the Environment, which was made up of 10-12 residents of the City. In these meetings, we presented study data, outcomes, and recommendations and worked with the Task Force to develop final recommendations to City Council that were agreeable for all parties. Other services provided in the study included preparing the Proposition 218 Notice that was mailed to all property owners and utility customers as notification of potential rate adjustments and updating the City's capital facility fees to reflect infrastructure costs needed to serve new development.

CITY OF VICTORVILLE, CA

WATER, SEWER AND SOLID WASTE RATE STUDIES, SEWER CAPACITY FEE STUDY, AND STORM DRAINAGE FEE FEASIBILITY STUDY

Project Timing: 2016 – Present



Contact Information

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NBS Project Team:

Greg Clumpner, Allan
Highstreet, Alice Bou

NBS last updated the Water Rate Study for the Victorville Water District in 2016, and subsequently the Sewer and Solid Waste Rate Studies for the City of Victorville in 2018. We recently updated the water, recycled water, and sewer rates and sewer capacity fees.

Key assignments included: (1) Developing sewer rates and Industrial Pretreatment Program Fees for four significant industrial users that utilize the City's Industrial Wastewater Treatment Plant (IWWTP) and collection system, and (2) Developing rates for all residential and commercial customers that utilize a combination of City-owned and operated collection system, the IWWTP, and a regional wastewater treatment provider.

The Water Rate Study addressed key issues, such as developing a capital funding plan that would fund over \$55 million in rehabilitation and replacement projects, updating the water rate structure to one based on industry standards, and developing drought surcharges that can be implemented in drought stages.

A key part of all three rate studies was working with a challenging City Council to develop rate alternatives that all Council members could agree on and support in the public approval process.

Project dates for studies:

2016 Water and Sewer Rate Studies

2018 Solid Waste Rate Study

2021 Water Rate Study Update and Rate Design

2021 Sewer Capacity Fee Study

2022 Sewer Rate Study Update

2022/23 Solid Waste Rate Study Update

Other Recent Southern California Projects

Coachella Valley Water District – Special Consulting Services, 2022

Rosamond Community Service District – Water & Sewer Capacity Charge & Connection Fee Study, 2022

City of Santa Monica – Water and Sewer Capital Facilities Fee Services for New Zone, 2022

Big Horn Desert View Water Agency – Water Rate and Capacity Fee Study, 2021

Rowland Water District – Water Rate study, 2021

City of Colton – Water and Sewer Rate and Capacity Fee Study, 2019

Montecito Water District – Water and Sewer Rate and Capacity Fee Study, 2019

Indio Water Authority – Water Rate Study, 2018

City of Pasadena – Water Rate Study, 2018

Other Recent Projects (Central California)

CITY OF MADERA

WATER, SEWER, STORM DRAINAGE AND REFUSE RATE STUDY

Project Timing: September 2020 - July 2022



Contact Information

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NBS Project Team:

Allan Highstreet, Greg Clumpner,
Jordan Taylor, Alice Bou

This comprehensive rate study for the City's utilities covered full cost-of-service analyses, financial plans, and rate design alternatives. The City had not updated rates in many years and was relying on NBS to ensure rates comply with Prop 218, meet revenue requirements, and provide a fresh approach to revenue collection. The City was aware of numerous rate structure deficiencies that they wanted fully addressed and relied on NBS to provide the necessary leadership in this effort. Key tasks included a comprehensive review of rate designs, customer classes, and cost-of-service analyses. The study also addressed new funding sources for street sweeping and SB 1383 organics programs. Final reports for water, sewer and solid waste have been completed and the proposed rates have been approved by the City Council.

Project dates for studies:

Water, Sewer, Storm Drainage and Refuse Rate Studies

(Separate Reports): Final Study Reports issued in July 2022

CITY OF SANTA PAULA, CA

WATER AND SEWER RATE STUDIES

Project Timing: Six (8) years / Last Project Completed: 2021



Contact Information

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NBS Project Team:

Greg Clumpner, Alice Bou

In 2021, NBS completed an update of the cost-of-service study of water and sewer rates that NBS originally prepared in 2014. Funding for significant capital improvement projects and converting sewer rates to fixed charges plus volumetric rates based on average winter consumption were key elements. Water rate design continued to address Covid-19 related consumption trends, Prop 218 legal concerns, and customer bill impacts. Several public workshops and council meetings were critical to securing a 5-0 approval by the City Council.

Other consulting services included evaluation of policies related to ADUs, customer leaks, low-income assistance, and financial projections.

Project dates for studies:

2014 Water and Sewer Rate Study Report

2016 Review of ADU's, Rate Alternatives

2019 Update of Water and Sewer Rate Study

2021 Update of Water and Sewer Rate Study

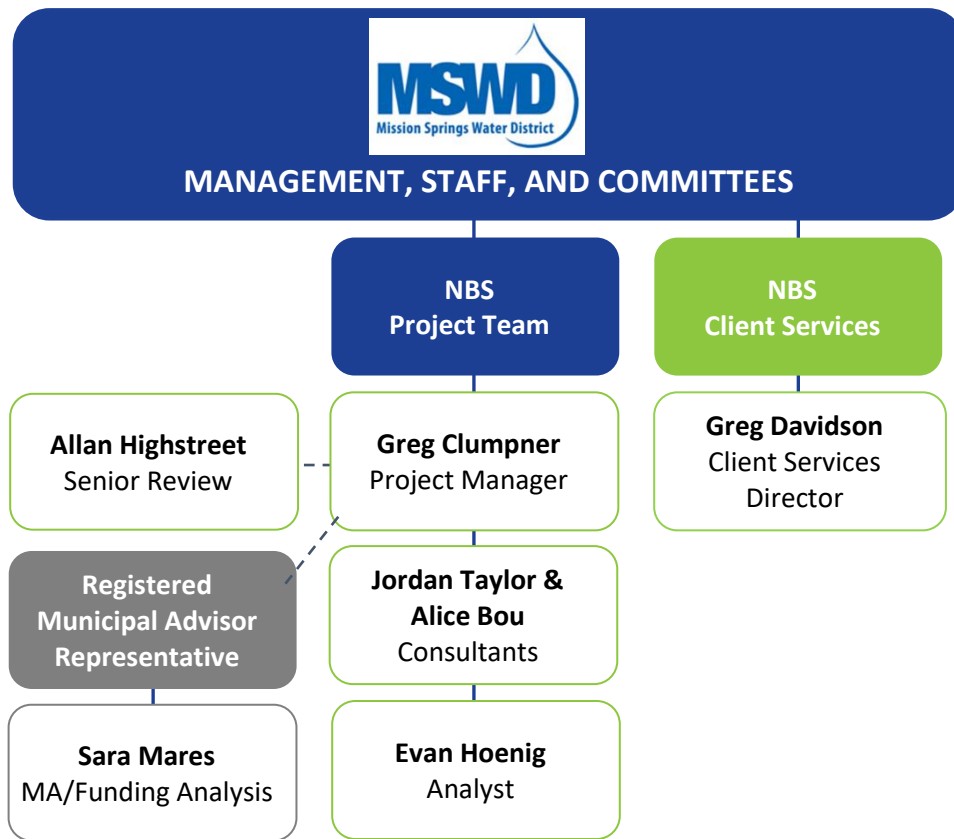
2022 Assistance with Budget Projections & SRF Loan Funding

3 | PROPOSED STAFFING AND PROJECT ORGANIZATION

Key Personnel

The staff selected for Mission Springs Water District’s Long-Range Financial Plan are those most qualified based on their experience and backgrounds. The following is a brief overview of NBS’ proposed consulting team. Our team members work together seamlessly allowing your staff to focus on other priorities.

NBS Project Team Organization



All work will be performed in-house by the above employee-owners of NBS. Full resumes are included in Appendix A.

GREG CLUMPNER, PROJECT MANAGER

Role and Responsibilities: As project manager, Greg Clumpner will provide the day-to-day management of the technical and administrative aspects of the project and will work closely with the District’s project manager and staff to discuss and review the overall approach, technical alternatives, and creative solutions to consider that will best fit the District’s unique characteristics and issues. Greg will be the primary point of contact for the District and will be responsible for delivering work products, attending meetings and public presentations for this engagement.

Work Experience: As a director in NBS' Utility Rate Study Practice, Greg Clumpner's 40-year professional career has focused on cost-of-service rate studies for municipal water, sewer, recycled water and solid waste agencies. He regularly makes technical presentations at client workshops, presented many technical papers at industry conferences, and published numerous articles in the Journal of the American Water Works Association (JAWWA). Greg's practice has included management-consulting assignments for utility operations, capital improvement planning, and asset management studies. He also created and managed Foresight Consulting where, for six years, his practice focused on water and sewer rate analyses. He has completed 400+ similar studies during his career.

Additionally, Greg works with Prop 218 legal counsel on an on-going basis and understands the general legal constraints as well as when to solicit critical legal input to ensure alternatives will meet specific legal requirements.

ALLAN HIGHSTREET, SENIOR REVIEW

Role and Responsibilities: Allan Highstreet will provide additional experience in water and sewer rate making and provide senior technical review on this project. He will be available as needed throughout the project to assist the project team with the analysis and technical issues as they arise.

Work Experience: Allan Highstreet has 41 years of experience in the water industry working as a water resources planner for Jacobs Engineering (previously CH2M Hill). Most recently he was senior vice president at Jacobs managing water resource planning and development projects. Allan's four decades of experience includes preparing water and sewer rate and capacity fee studies, and he provides invaluable experience to the NBS project team for this engagement. His academic background includes a BS in Agricultural Business and a MS in Agricultural Economics.

SARA MARES, MUNICIPAL ADVISOR ASSISTANCE

Role and Responsibilities: Sara Mares is a Director with NBS and will be the Registered Municipal Advisor Representative for this project.

Work Experience: Sara Mares has more than 22 years of experience with NBS and is a Registered Municipal Advisor Representative. She has extensive experience with modeling and structuring revenue mechanisms that support debt issuance. Sara forms Special Financing Districts (SFDs), including Community Facilities Districts and 1913 Act Assessment Districts, which provide land secured financing for limited obligation bonds. She has also provided bond issuance disclosure related to revenue bonds, both stand-alone that are secured by utility rate revenue or as part of a pool bond structure. Sara also has more than 20 years of experience preparing and disseminating continuing disclosure annual reporting and listed event filings.

JORDAN TAYLOR, UTILITY RATE CONSULTANT

Role and Responsibilities: Jordan Taylor has more than a decade of project experience. She will support the project team in performing various aspects of the long range financial plan analysis and funding alternatives.

Work Experience: Jordan Taylor has a Bachelor of Science degree in Chemistry and a master's degree in Business Administration with an emphasis in Finance. She offers more than 10 years of accounting experience, including five years at NBS, and extensive knowledge of financial analysis and budget planning. Jordan has completed more than 40 similar studies across California.

ALICE BOU, UTILITY RATE CONSULTANT

Role and Responsibilities: Alice Bou brings more than two decades of financial and budget planning project experience. She will support the project team in performing data analysis and validation, data input, and will also help develop the long range financial plan alternatives.

Work Experience: Alice Bou has a Bachelor of Arts degree and has worked for more than two decades performing accounting and financial management data analysis, variance analysis, budgeting and forecasting, financial modeling, and managerial reporting. Alice has been with the NBS team for four years.

EVAN HOENIG, PROJECT ANALYST

Role and Responsibilities: Under direction of the Project Manager, Evan Hoenig will perform large-scale data analysis and validation as needed on this project. He will provide support with data collection assistance as needed to the rate consultants assigned to this project.

Work Experience: Evan Hoenig is a Project Analyst with NBS. He brings more than a decade of compliance management experience to our project team, as well as public budget development and administration, research, project management and financial analysis experience. He has extensive skills in analytical software, databases, and spreadsheets. Evan has a Bachelor of Science, Business Administration – Management from California State University, San Marcos.

GREG DAVIDSON, CLIENT SERVICES DIRECTOR

Role and Responsibilities: As Client Services Director, Greg Davidson will ensure that the District's fundamental objectives are being met at all times and that the project is proceeding on a timely basis. He is included on the team as an active representative of our company's commitment to the highest level of service.

Work Experience: Greg has more than two decades of experience working with Special Financing Districts (SFDs) and serving as a project manager on various consulting projects. His depth of experience spans actively managing ongoing administration and annual levy calculations for 1913/1915 Act Assessment Districts, Landscape Maintenance Districts, Mello-Roos Community Facilities Districts, and PBIDs. He also has multiple years of experience training staff, speaking at different engagements, preparing and disseminating Continuing Disclosures and providing Prop 218 consulting. Greg is a Registered Municipal Advisor.

4 | PROJECT UNDERSTANDING

Introduction and Background

The District's infrastructure system is more complex than most municipal utilities, and consists of water, sewer, and a non-potable water systems, including three separate and distinct water supply and distribution systems. District owned and operated wells provide 100 percent of the District's water supply.

The District's last financial master plan was prepared in 2012 when the local and California economies were just emerging from "the great recession" and the District had a high level of vacant properties along with an uncomfortably high level of unused system capacity. Since then, conditions have changed: inflation rates are now at a 40-year high, State-wide drought and Covid-19 mandates have continued to impact water consumption patterns and the economy in general, and the District is undertaking significant capital improvement projects, most notably the new Regional Water Reclamation Facility.

Additionally, the District's last rate study was completed in 2015, just before the San Juan Capistrano decision was issued. Among the more stringent requirements this decision mandated was the need to "demonstrate the cost basis" of new rates to ensure fairness and equity among all customer classes. This caused significant concerns throughout the State around tiered rates and, not surprisingly, the number of legal challenges to rates have increased since then. In short, the environment within which the District is preparing its new LRFP has become more complex and requires a fresh look at those components with the greatest potential to impact the District's financial future and the LRFP. Only then can the most effective strategies be developed and incorporated into the LRFP.

The LRFP will also need to be tailored to the District's unique characteristics and this study needs to provide the tools necessary to assess current trends and the many changes in financial conditions. It will be particularly important to build flexibility into the LRFP, which means the capability to make adjustments as necessary when conditions change along the way. NBS will work with District staff to ensure that the District's new LRFP reflects these complexities and is tailored to meet the District's needs.

Preparing a Long Range Financial Plan

The District has requested a description of the objectives and anticipated deliverables that should be included in the scope of work for the new LRFP. These are outlined below.

LRFP Study Objectives – Most water utilities are managed under a set of policies that have been developed over many years, and sometimes staff and board members are unsure how or why current policies were created and question why they continue to follow the same practices. As the District undertakes the task of preparing a new LRFP, this is an excellent time to re-examine these policies and practices and update them to ensure they are responding to current trends. We agree with the District that some of the key study objectives that should be addressed in the LRFP include:

- **Examining Trends and Historical Patterns** – As noted above, there have been many changes since the District last prepared a financial master plan/LRFP and it is important to understand not only what the data says, but the underlying conditions and forces behind the data. For example, both the drought and Covid-19 mandates have impacted water consumption patterns, typically resulting in reduced commercial water use and increased residential

consumption. While some of these patterns may continue, projecting their future impacts will be important. To what extent might these trends continue? Will there be future impact due to Covid-19 related mandates? How long and to what extent will future drought conditions continue? Answering these and similar key questions will be vitally important in preparing effective strategies to guide MSWD's financial future.

Many water utilities have been re-examining their rate structures in an effort to improve revenue stability and to implement mechanisms that allow rate adjustments when necessary. These include automatic CPI-adjustments, pass-through provisions, and revenue stabilization rates.¹ While this LRFP will not directly address rate design issues, it should lay the groundwork in terms of policies and practices that will provide clear direction for future rate studies and rate structure decisions.

- **Examining LRFP Financial Policies** – Working with District staff, the existing policies will be reviewed, summarized, clarified, and if necessary, new policies created. As noted in various places in the District's RFP, re-examining and understanding the underlying policies and making changes where necessary is critical to developing an LRFP that will provide a successful financial roadmap for the future of the District.

Supporting Analyses and Evaluation Tools – While the District's RFP has outlined the basic deliverables that the consultant will prepare, we believe that other supporting analyses will be helpful in providing the necessary context and appropriate understanding prior to finalizing some key LRFP issues, including the following.

Preparing Policy-Related White Papers – We have often found that preparing white papers (which can be in the form of confidential discussions) that address the pros and cons of various policies can help staff and board members better understand the details involved in a specific policy. For example, what are the pros and cons of adopting revenue stabilization rates, of offering a low-income assistance program, of choosing the right combination rate revenue collected from fixed vs. variable rates? What should be the procedure for weighing the consequences of issuing more debt vs. a pay-as-you-go approach for capital improvements? We expect these types of concerns will surface as the LRFP gets underway and we believe that NBS can provide insightful advice based on our similar work on hundreds of comparable studies in the past.

Preparing Sensitivity Analyses – Another analytic tool that would be useful in preparing the LRFP is to conduct sensitivity analysis on the assumptions and/or the policy issues going into the LRFP. Too often policy decisions are made without a full understanding of their fiscal impacts, and sensitivity analysis can help quantify those impacts. For example, in examining the potential consequences of a rate design that may collect more (or less) rate revenue from fixed charges, what would be the range of fiscal impacts associated with changes in annual water sales? Evaluating how total annual revenue changes in relation to total consumption (or as another example water supply costs) might cover a range of water consumption such as 20 percent higher to 20 percent lower than the base case projection.

Typically, sensitivity analysis encompasses the foreseeable range over which any variable could reasonably be expected to change (such as the plus or minus 20 percent consumption example). By examining a set of assumptions (or variables) that are built into a LRFP, a key outcome of sensitivity analysis is understanding the potential risk associated with each assumption. This allows a reasonable

¹ These are rates that automatically respond to decreases in volumetric rate revenue, whether due to weather conditions, drought, or emergencies such as wildfires or infrastructure failures. NBS has implemented these types of rates for a growing number of our clients.

assessment of, for example, whether inflation-related assumptions present a greater risk to LRFP projections than changes in consumption levels. At a minimum it provides a quantitative assessment of the impacts of selected variables and leads to a better understanding of the basis for the LRFP.

Preparing Scenario Analyses – Scenario analysis differs from sensitivity analysis in that scenarios are variations of an option. For example, various combinations of cash vs. debt funding of CIP projects would be a scenario analysis whereas sensitivity would look at the impact that inflation or interest rates may have on a specific cash/debt scenario. In other words, impacts on revenue requirements from a 50/50 cash/debt scenario compared to a 60/40 or 70/30 scenario would be evaluated in the scenario analysis.

Anticipated LRFP Deliverables – While we would plan to discuss what specific approaches should be used with District staff, we think the study should incorporate the following study components:

- **Discussion of Trends and Opportunities** – While a more general discussion of the trends and opportunities would outline the background against which the LRFP is prepared, we would want to ensure that specific concerns of District staff and Board members are addressed. We would also identify other potential issues of concerns based on our experience with other water districts.
- **Policy Papers** – The white papers outlined above can be prepared for selected policies that require more than a brief discussion. Many times, board members want a better understanding of the underpinnings of a specific policy (e.g., the pros and cons of choosing a fixed vs. variable rate design and maybe how that differs between water and sewer rates). We would plan to prepare a limited number of focused white papers as requested by District staff. If appropriate, these papers could be prepared on a confidential basis intended only for use by staff and/or Board members (e.g., if they discuss impacts on customer bills, residential vs. commercial impacts, low-income programs, etc., that may not be appropriate for public disclosure).
- **Sensitivity Analyses** – After discussions with District staff, NBS would conduct a sensitivity analysis covering a reasonable range over which specific variables and assumptions might be expected to fluctuate. Outcome periods would likely cover five- or 10-year periods, since we would expect the District to be updating the LRFP on an annual basis.
- **Scenario Analyses** – As noted in the District’s RFP, scenario (or what-if) analysis will be built into the LRFP and liquidity models (i.e., hard-coded in tables for specific scenarios) along with an initial analysis of selected key variables.
- **10-Year Financial Forecast** – As part of the LRFP, a 10-year forecast of the financial plan would be prepared that projects sources and uses of funds, net revenue requirements, debt coverage ratios, and identifies annual rate revenue increases needed to maintain appropriate reserve fund levels and meet coverage requirements. Appropriate graphs and charts of the results would also be included.
- **Liquidity Model** – Covering a 30-year timeframe, the liquidity model would evaluate cash-on-hand and fund levels that incorporate the various assumptions and scenarios noted above. Cash-funded CIP projects, debt service payments, and target reserve fund levels will be the main drivers and inputs in this model. Results include reserve fund ending balances, days of cash on hand, and appropriate graphs and charts that allow for easier comprehension of the results.
- **Training Manual** – The Excel-based LRFP model will be discussed in summary form in the LRFP document but accompanied by the training manual that includes screenshots of various worksheets, input tables, and a discussion of each component of the LRFP model. We are aware of the difficulties that “black-box” models can present to District staff; our intent is to keep

formulas as simple as possible so that the LRFP model can be used and understood by the largest number of District staff.

- **LRFP Document** – NBS would prepare a LRFP document that summarizes the specific items identified on pages five and six of the District’s RFP, along with the various other components of the LRFP. Key sections may include the following:
 - **Summary of Existing Plans and Reports** – The various documents that were reviewed and/or provided information used in the LRFP will be summarized along with their level of importance in the LRFP.
 - **Baseline Assumptions** – As a result of the overall LRFP work, a set of baseline assumptions will be identified that will be cooperatively developed with District staff.
 - **Summary of Financial Policies** – During the course of preparing the LRFP, existing policies will be examined and as needed, new policies created. A formal summary of these policies will be provided as documentation of this work with key observations noted.
 - **Impacts of Conservation** – The results of the scenario analyses that focuses on conservation impacts will be outlined and the assumptions that play a key role in selecting a baseline consumption level will be discussed.
 - **Summary of 10-year Financial Forecast** – The results of the LRFP analysis with regard to the 10-year forecast will be explained, including the key rationale for various assumptions and outcomes.
 - **Summary of Liquidity Model** – Similar to the description of the 10-year financial forecast, the liquidity model will be explained and the purposes and intended uses of this model discussed.
 - **Key Strategies Developed** – Over the course of preparing the LRFP, we believe certain key strategies will rise to the surface and should receive special emphasis in the LRFP document.

Why NBS is Qualified and Should be Selected

While our qualifications, experience, and client references are summarized elsewhere in this proposal, the following are the distinguishing characteristics that make the selection of NBS to prepare the District’s LRFP a logical choice for the District:

Depth of Experience – The NBS project team includes two senior practitioners with over 40 years of experience. Both Greg Clumpner and Allan Highstreet have a broad background in the water utilities industry and have prepared literally hundreds of similar studies. Their experience includes asset management, infrastructure development and capital improvement planning and financing, debt issuance in the form of bond feasibility studies (or consulting engineer’s reports), as well as financial plans for each of the hundreds of rate studies they have prepared.

Sara Mares also provides extensive experience as a Municipal Advisor in revenue bond funding matters, financial advisory services, and continuing disclosure services. She will be available throughout the project to ensure a well-round approach to the LRFP is followed.

Additionally, Greg Clumpner has published a number of relevant papers in water industry periodicals such as the California Municipal Finance Officer Association (CSMFO) and Journal of the American Water Works Association (JAWWA):

- “Setting the Stage for Water Rates: Policy Direction Should Be A Priority” – CSMFO Magazine, November, 2016
- “Avoiding Billing Debacles Around New Water or Sewer Rates” – Journal of AWWA, March 2019, Vol. 111, Issue No. 3
- “Tiered Water Rates – Understanding Their Equity and Impact on Customer Bills” – Journal of AWWA, September 2019, Volume 111, Issue No. 9
- “Changing Perspectives on Outside Surcharges: Understanding New Criteria” – Journal of AWWA, January 2019, Vol. 111, Issue No. 1
- “Social Justice and Water Rates: Impacts of Rate Design on Low-Income Customers” – Journal of AWWA, July 2018, Vol. 110, Issue No. 7

Expertise in the Water Industry – Having worked with many water agencies through the State of California, the NBS team brings a wide array of experience and expertise that directly translates to problem solving skills. Our team has been called on as expert witness on a number of occasions to help water districts defend their existing practices while at the same time, we have never had the rates we prepared successfully challenged. We believe NBS is unique in this claim. We are currently working on several legal challenges in the Palm Desert area for confidential clients and are familiar with some of the unique challenges of the surface supply and groundwater resources in the area.

Commitment of the NBS Project Team – Our project manager, Greg Clumpner, will make a personal commitment to oversee this project until it is completed. The rest of our team are also committed and will be available as needed throughout the project. We will not use subconsultants or switch out staff at a later date.

Client References – We believe one of the strongest qualifications a consultant can offer are the client references for similar recent projects. We encourage you to contact our references to confirm their satisfaction with our performance on their projects.

5 | SCOPE OF WORK

This scope of work is intended to incorporate items No. 1 through 8 in the District RFP’s “Scope of Consultant Work” (RFP pages 3 through 5). Rather than repeat each specific item, the tasks outlined below present broader context within which these items are provided. Also, a more robust explanation of these tasks was provided in Section 4, and those descriptions are incorporated here by reference. Finally, our estimated hours to complete each task are included in our cost proposal and summarized at the end of this Section.

TASK 1. DIAGNOSE CRITICAL ISSUES

1.1 Kickoff Meeting and Data Collection – NBS will provide the District with a data request and hold an in-person kickoff meeting to review and discuss the data requirements for the study, scope of work, study timeline, and ensure there is a clear understanding of how the study objectives will be met. The data required to conduct the study includes information, such as:

- Financial data typically reported in financial statements beginning in FY 2020/21 through projected FY 2023/24 (if available).
- Operating and maintenance budgets for each utility including water supply costs, sewer treatment, personnel costs, and infrastructure replacement costs.
- Historical water sales for the last four years (beginning in FY 2017/18).
- District financial policies and practices to the extent that they are documented.
- FY 2021/22 year-end cash balances reserve funds for each of the utilities.
- Capital Improvement and/or Master Plans.
- Total annual rate revenue for residential and commercial customers for the past two years.

Deliverables: Data request, in-person meeting.

1.2 Review Existing Policies and Procedures – NBS will review the available policies and procedures, including the Asset Management Tool and Financial Policies, along with other information provided that are related to the LRFP. Once we have reviewed these documents, we will discuss these documents along with other concerns of key stakeholders identified by the District. NBS will rely on guidance from District staff to prioritize this document review.

Deliverables: Prioritization of District policies; review of findings summarized along with opinions of key stakeholders and their level of importance; an action plan for additional policy analysis developed.

TASK 2. REVENUE AND EXPENSE ASSUMPTIONS

Baseline assumptions are foundational to the overall LRFP, and this task begins by examining the District’s current assumptions. As discussed in more detail in Section 4, two means of evaluating baseline assumptions are sensitivity analysis and scenario analysis. While these are similar, they are not the same:

- Sensitivity analysis would evaluate how the results for a particular scenario (or base case) would change if a variable, such as the total water sales, was modeled over a range of “worst to best” conditions.
- Scenario analysis, in contrast, would set the level of water sales in the form of individual scenarios where the worst case scenario might be 20-percent below the baseline water sales projection, the middle scenario at the baseline level, and the best case scenario at 20-percent above projected water sales.

2.1 Evaluate Baseline Assumptions – After examining the District’s current assumptions, we expect that there will be changes based on discussions with District staff. Through a series of analyses, these

assumptions will be examined in more detail and the implications of the results considered in setting financial policies.

Deliverables: Summary of our evaluation of baseline assumptions.

2.2 Sensitivity Analyses – Based on discussions with District staff, selected key assumptions would be evaluated using sensitivity analysis covering a reasonable range over which they might be expected to vary. For example, how would total rate revenue change in response to fluctuations in total water sales (or water supply costs)? This would help quantify the potential impacts on revenue stability.

The following is a list of variables that might be considered for sensitivity analysis:

- Total Annual Consumption (Water Sales – including various levels of conservation)
- Cost of Water Supply
- Inflation Rates (Particularly Construction Cost Indices)
- Interest rates (Applicable to Debt-Fund CIP)
- Customer Growth Rates
- Energy Costs (for Pumping Activities)
- Mandated Conservation Measures (Drought Related)

We would plan to develop simple charts/graphs illustrating the results of the various sensitivity analyses so that the District can easily grasp the significance of the results. This exercise is intended to quantify the relative or potential impacts that key variables may have on the LRFP.

Deliverables: Summary of the sensitivity analysis, including LRFP model components and graphic results.

2.3 Scenario Analyses – As noted in the District’s RFP, scenario (or what-if) analysis will be built into the LRFP and liquidity models along with an initial analysis of appropriate key variables. For example, NBS typically prepares scenario analyses for financial plans in our rate studies that create various sets of scenarios to examine things such as:

- *Total Dollars of CIP Projects to be Funded* – Scenarios would address the amount (in percentages) of the total costs funded over the planning period and could individually evaluate the percentages of CIP costs for (1) sewer collection, (2) water distribution, (3) reclamation plant, or (4) water treatment.
- *Water/Sewer Rate Increases* – These scenarios may include a range of annual rate increases (e.g., 4%, 6%, 8%, and 10%). Various rate-increase strategies could also be evaluated, such as gradual increases vs. larger upfront increases. The results could focus on the annual net revenue requirements under each scenario, or the total CIP funding made available in each scenario (e.g., does a scenario provide \$15M, \$30M, or \$45M in total capital funding?).
- **Figure 1** is a screenshot of a scenario analysis table from a current NBS sewer rate study:

Figure 1 – Example of Scenario Analysis

2	<-- Select Financial Plan Scenario Here	Coll. System % CIP Included in Yrs. 2-5	WPCP CIP % Included in Yrs. 2-5	Annual Rate Increases by Rate Alternative				
				Make Rate Changes in These Cells				
Financial Plan Scenario				FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
1	Opt. 1A - 50% Coll. CIP/50% Vol. Grad.	50.00%	100.00%	30.00%	25.00%	25.00%	10.00%	10.00%
2	Opt. 1B - 50% Coll. CIP/50% Vol.	50.00%	100.00%	30.00%	30.00%	25.00%	10.00%	10.00%
3	Opt. 1C - 50% Coll. CIP/50% Vol. Grad.	50.00%	100.00%	22.50%	27.50%	30.00%	20.00%	10.00%

Deliverables: Summary of the scenario analysis, including LRFP model components and graphic results.

2.4 Develop Graphical Outputs – Working with District staff, we will develop a sense of the priorities for which types of graphical results are most helpful. Basic graphs such as days cash-on-hand, supply costs (in \$/AF), year-end fund reserves, etc., can be built into the 10-year forecast, the liquidity model, and the LRFP. Graphical results for the sensitivity analyses might be presented as a separate, side-bar analysis for the purpose of documenting how and why certain assumptions were set at the baseline levels.

Deliverables: Graphical results to be included in LRFP document.

2.5 Prepare 10-Year Financial Forecast – This 10-year forecast would reflect the baseline assumption resulting from Tasks 2.1 – 2.3 and summarize the sources and uses of funds, net revenue requirements, debt coverage ratios, and identifies annual rate revenue increases needed to maintain reserve fund levels and meet coverage requirements. **Figure 2** is an example of a financial plan summary table.

Figure 2 – Example of 10-Year Financial Forecast

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budgeted	5-Year Rate Adoption Period					Years 6-10
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Sources of Sewer Funds							
Rate Revenue Under Current Rates	\$ 11,850,520	\$ 11,992,726	\$ 12,136,639	\$ 12,282,279	\$ 12,429,666	\$ 12,578,822	
Non-Rate Revenues	345,800	359,240	373,218	387,754	402,872	418,595	
Total Sources of Funds	\$ 12,196,320	\$ 12,351,966	\$ 12,509,857	\$ 12,670,033	\$ 12,832,538	\$ 12,997,417	
Uses of Sewer Funds							
Operating Expenses	\$ 8,824,281	\$ 9,926,052	\$ 10,323,094	\$ 10,736,018	\$ 11,165,459	\$ 11,612,077	
Existing Debt Service	5,294,679	5,297,054	5,295,179	5,293,929	5,293,054	5,297,179	
Rate Funded Capital Expenses	-	-	3,294,067	6,378,872	4,902,793	13,144,893	
Total Use of Funds	\$ 14,118,961	\$ 15,223,107	\$ 18,912,341	\$ 22,408,820	\$ 21,361,307	\$ 30,054,150	
Surplus (Deficiency) before Rate Increase	\$ (1,922,641)	\$ (2,871,141)	\$ (6,402,484)	\$ (9,738,787)	\$ (8,528,768)	\$ (17,056,733)	
Additional Revenue from Rate Increases ¹	-	6,000,808	12,145,635	12,291,382	12,438,879	12,588,145	
Surplus (Deficiency) after Rate Increase	\$ (1,922,641)	\$ 3,129,667	\$ 5,743,150	\$ 2,552,596	\$ 3,910,111	\$ (4,468,587)	
Increase in Rate Revenue	0.00%	100.07%	0.00%	0.00%	0.00%	0.00%	
<i>Cumulative Increases</i>	<i>0.00%</i>	<i>100.07%</i>	<i>100.07%</i>	<i>100.07%</i>	<i>100.07%</i>	<i>100.07%</i>	
Net Revenue Requirement²	\$ 13,773,161	\$ 14,863,867	\$ 18,539,123	\$ 22,021,065	\$ 20,958,434	\$ 29,635,554	

This summary table would be a rollup of a more detailed financial forecast that exactly matches the District’s chart of accounts. Appropriate graphs and charts of the results would also be included. Analysis related to debt coverage ratios would be completed by NBS’ registered Municipal Advisor, Sara Mares.

Deliverables: 10-Year financial forecast, including LRFP model tables and graphs of results.

TASK 3. REVIEW EXISTING PLANS AND REPORTS

3.1 Review of Trends and Opportunities – This is a key part of this study, as it provides the foundation for the LRFP and will be considered in financial forecasting and other projections. Because of its importance to the overall LRFP, we believe this will be a rather extensive task that will provide the details for a more general trends and opportunities discussion and outlines the background against which the LRFP is prepared. We will ensure that the specific concerns of District staff and Board members are addressed. We would add to this other potential issues and concerns based on our experience with other water districts. (See Section 4 for additional details related to this task.)

Deliverables: Summary of trends and opportunities as a draft section in the LRFP document.

3.2 Prepare Policy Papers – The concept of “white papers” (also previously discussed in Section 4) can be prepared as requested by District staff for the specific policies that require more in-depth discussion. This would likely apply to policies that board members want a better understanding of the underpinnings of a specific policy (e.g., the pros and cons of choosing a fixed vs. variable rate design and how that differs between water and sewer rates). If appropriate, some papers may be on a confidential basis and intended only for use by staff and/or Board members.

Deliverables: White papers prepared at the direction of District staff. Summary of key finding and recommendations.

TASK 4. DEVELOP INPUT PAGES

NBS will create the initial input pages that we plan to locate in the first few worksheets of the LRFP and Liquidity Excel models. Inputs will address the specific items listed in the RFP (i.e., items a. through k.). In general, these will be identified as separate tables that may be highlighted using a specific font color. This

will be a consistent practice throughout the models so that it will be clear what areas of the model are input areas vs. the rest of the working model components. We will also provide cell-notes as appropriate describing what each input is used for and what tables it shows up in.

Deliverables: Input pages and tables in the LRFP model.

TASK 5. DEVELOP LIQUIDITY MODEL

Covering a 30-year timeframe, the liquidity model would evaluate cash-on-hand and fund levels that incorporate the various assumptions and scenarios evaluated. Cash-funded CIP projects, debt service payments, and target reserve fund levels will be the main drivers and inputs in this model.

5.1 Building the Liquidity Model – We will work with District staff to ensure the format and construction of this model is what they expected, flows in a logical manner, and is conceptually easy to follow. As noted previously, we will emphasize simplicity in creating formulas so that the most basic (vs. most complex) formulas are used which will allow the greatest number of District staff to use and understand the model vs. one or two people who are the “expert” Excel users.

The liquidity model will be turned over to District staff, and NBS will train District staff in use of the model and provide documentation in the form of a training manual outlining the model’s structure and user guides to facilitate independent use by District staff.

Task deliverables will include:

- A 30-year financial projection model that will serve as a “roadmap” for the cashflow related to capital improvement projects, repair and replacement projects, and other expenditures.
- Summary of current and projected year-end reserve fund balances.
- Calculated debt service coverage ratios.
- Projected Days Cash on Hand.
- Formatted to produce reports and graphics as agreed to with District staff.

Deliverables – Results include reserve fund ending balances, days of cash-on-hand, and appropriate graphs and charts that allow for easier comprehension of the results.

5.2 Develop Graphical Dashboard – Working with District staff, we will develop graphical results that summarize key results of the liquidity model and LRFP, which will be used to update and track performance annually and accommodate custom alternatives and scenarios. The exact design of dashboard for the liquidity model will be determined based on the results and preferences of District staff.

Please note that this model will come with the following understanding:

- This model is for the District’s internal use only and will not be distributed to any third parties, including outside consultants or customers. Though the model will be in an editable format, certain restrictions will apply to prevent redistribution of the model and its contents.
- This model will be complete at the time of the Final LRFP document and the District assumes responsibility for subsequent edits and decisions made by District staff. Because of this, NBS does not guarantee that the District will be able to manipulate and update the model “error free” since these future versions were not performed by NBS.

Figure 3 is an example of a dashboard created for another water district that included five financial options, customizable inputs showing water rate and reserve target impacts. **Figure 4** is snapshot of a dashboard created for a water utility that included five financial scenarios with alternative rate increases that also examined the impacts from water consumption patterns and how they could affect the financial plan.

Deliverables – Training session on the model, review of model throughout the study.

Figure 3. Financial Plan Dashboard

GENERAL ASSUMPTIONS AND COMMENTS ON HOW TO USE THIS MODEL:

Please read and understand these general directions when making adjustments to the model.

1. This model is intended to make all *financial plan-related* changes, but **not** update the cost-of-service analysis or rate design (i.e., it keeps the same rate structure).
2. In the grey buttons below please click the each button to toggle that option.
3. Orange colored numbers in rows 22 & 27 can be updated to observe impact on recommended rates.
4. Blue colored numbers in rows 51 - 58 can be updated to observe impact on recommend rates.

Is the City selling their system? City is selling

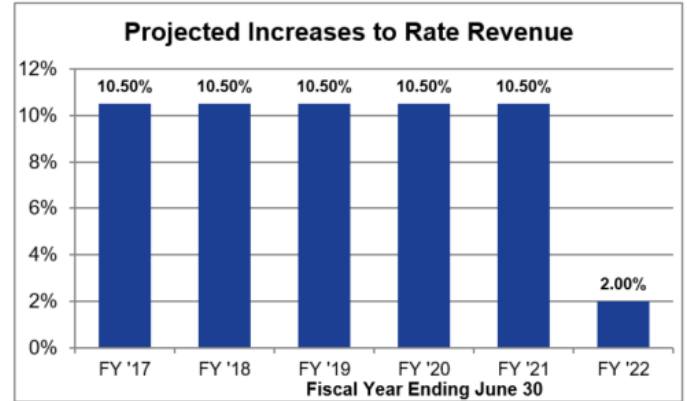
Is BMWC maintainaing the \$346 an AF contract? No longer a source of supply

Is BMWC maintainaing the \$132 an AF contract? Still a source of supply

Financing Well? Yes

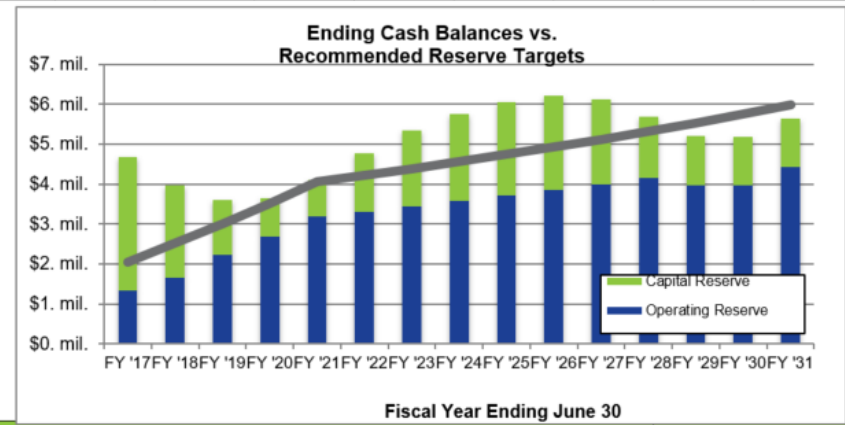
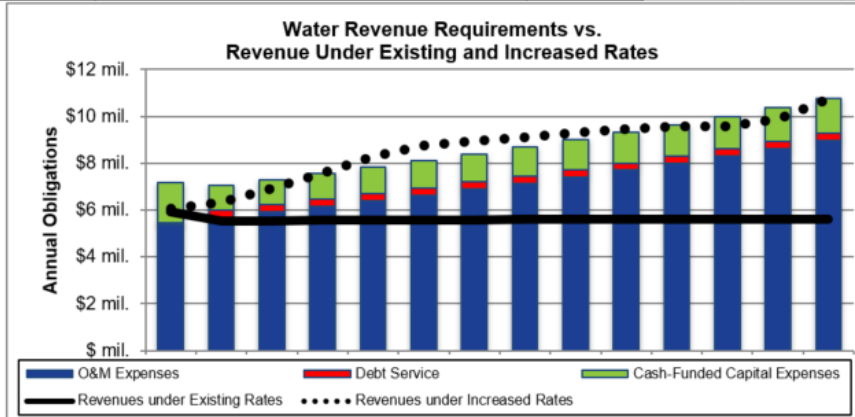
10 Year or 15 Year Well Loan? 15 Year

Number of Years to Spread Increase (2 or 3)



FORECASTING ASSUMPTIONS:

Target Annual CIP Expenditures (present day dollars)	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Total Expenditures	--	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000



TASK 6. CREATE LONG-RANGE FINANCIAL PLAN DOCUMENT

6.1 Prepare Draft and Final LRFP Documents – NBS would prepare an LRFP document that summarizes the specific items identified on pages five and six of the District’s RFP, along with the various components of the LRFP. Draft and final documents will be submitted for review by District staff.

Sufficient information will be provided in the report for District staff, Board, and the public to review and understand the study and its results. 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 District with a thorough administrative record that addresses:

- Findings and recommendations.
- Overall study methodology.
- Key figures and tables that best summarize key aspects and results of the study.

Specific sections in the LRFP document may include the following:

- **Executive Summary** – This would provide an overview of the study and the key conclusions and recommendations, including trends, alternative funding strategies, rate increases, and the variability of revenues and expenses.
- **Summary of Existing Plans and Reports** – The various documents that were reviewed and/or provided information used in the LRFP will be summarized along with their level of importance in the LRFP.
- **Summary of Financial Policies** – During the course of preparing the LRFP, existing policies will be examined and as needed, new policies created. A formal summary of these policies will be provided as documentation of this work with key observations noted.
- **Baseline Assumptions** – As a result of the overall LRFP work, a set of baseline assumptions will be identified that will be cooperatively developed with District staff.
 - *Water Sales Projections* – Since this is a critical factor in the LRFP, we will highlight the baseline water sales projects, along with comments on the key factors considered in developing this projection.
 - *Impacts of Conservation* – The results of the scenario analyses that focuses on conservation impacts will be outlined and the key assumptions in the baseline consumption projections will be discussed.
- **Summary of 10-year Financial Forecast** – The results of the LRFP analysis with regard to the 10-year forecast will be explained, including the key rationale for various assumptions and outcomes.
- **Summary of Liquidity Model** – Similar to the description of the 10-year financial forecast, the liquidity model will be explained and the purposes and intended uses of this model discussed.
- **Capital Financing Plan** – Based on the LRFP analysis, including scenario and sensitivity analyses, a recommended capital financing plan will be presented and discussed. Various debt scenarios will be prepared and presented by NBS’ registered Municipal Advisor Representative.
- **Summary of Strategies Developed** – As a result of the LRFP analysis, NBS and District staff will develop a sense of the key strategies that should be recommended. The rationale for these strategies will be summarized in this section.
- **Conclusions and Recommendations** – This section outlines the conclusions and recommendations of the LRFP study and provides a specific action plan to follow and recommendations for future updates.
- **Appendices** – While the body of the LRFP document will provide an overview of the study and results, the appendices will be used to document the detailed analyses and results that would bog down the main body of the report.

We will provide a draft report for the District’s review and comment. Once we have received the District’s comments², we will incorporate those comments into a final report.

Deliverables: Draft and final LRFP documents (electronic file in Microsoft Word format).

6.2 Meetings and Monthly Reporting – Our proposal includes the following meetings and reporting:

- The suggested three in-person meetings with District staff (kick-off, milestone review, final report review).
- Two meetings with MSWD’s Board members.
- Monthly progress reports (submitted with monthly invoices) that cover accomplishments in the billing period, schedule update, planned accomplishments in the next billing period, and concerns and/or potential issue that could affect the scope, schedule, or budget.

Deliverables: Meetings and reporting as noted above.

ADDITIONAL HOURS OF SENIOR MANAGER

NBS has included the additional hours for the senior manager for miscellaneous other assignments, which will equal five percent (5%) of the total project costs. These additional hours are included in the cost proposal.

PROJECT HOURS BY TASK

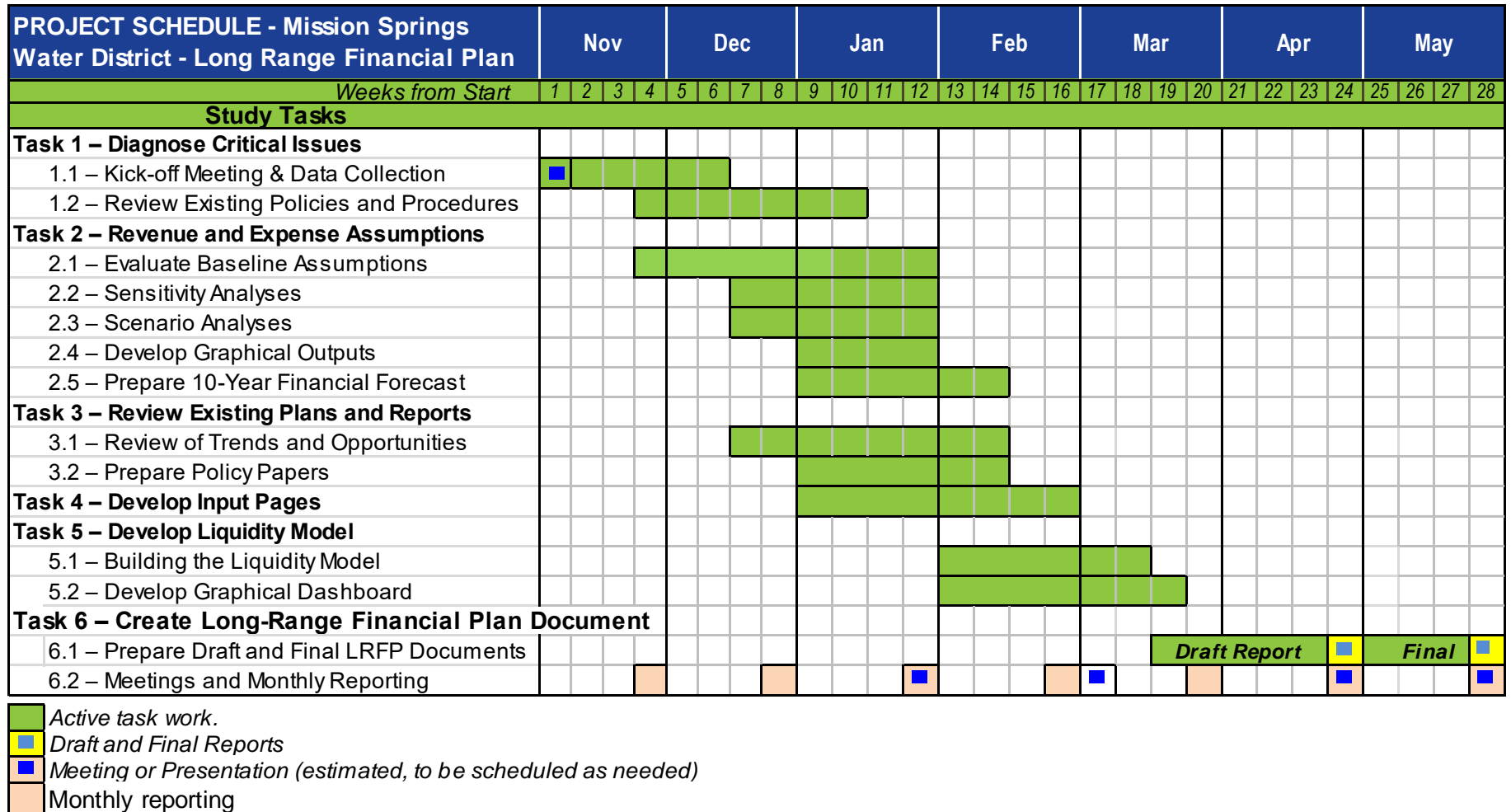
The following are the estimated hours by team member for individual tasks.

Estimated Hours by Task						
Long Range Financial Plan Study Tasks	Consultant Labor (Hours)					
	Project Manager (Clumpner)	Senior Reviewer (Highstreet)	MA Rep (Mares)	Consultants (Bou & Taylor)	Analyst (Hoening)	Consultant Labor (Hrs.)
Task 1 – Diagnose Critical Issues						
1.1 – Kick-off Meeting ¹ & Data Collection	12.0	1.0	1.0	16.0	12.0	42.0
1.2 – Review Existing Policies and Procedures	20.0	1.0	1.0	16.0	2.0	40.0
Task 2 – Revenue and Expense Assumptions						
2.1 – Evaluate Baseline Assumptions	16.0	2.0	n.a.	16.0	4.0	38.0
2.2 – Sensitivity Analyses	12.0	2.0	n.a.	24.0	2.0	40.0
2.3 – Scenario Analyses	12.0	2.0	n.a.	24.0	2.0	40.0
2.4 – Develop Graphical Outputs	8.0	1.0	n.a.	12.0	4.0	25.0
2.5 – Prepare 10-Year Financial Forecast	12.0	2.0	4.0	20.0	-	38.0
Task 3 – Review Existing Plans and Reports						
3.1 – Review of Trends and Opportunities	24.0	4.0	2.0	24.0	-	54.0
3.2 – Prepare Policy Papers	36.0	10.0	10.0	24.0	-	80.0
Task 4 – Develop Input Pages	4.0	2.0	n.a.	16.0	-	22.0
Task 5 – Develop Liquidity Model						
5.1 – Building the Liquidity Model	16.0	1.0	6.0	30.0	-	53.0
5.2 – Develop Graphical Dashboard	12.0	2.0	1.0	24.0	-	39.0
Task 6 – Create Long-Range Financial Plan Document						
6.1 – Prepare Draft and Final LRFP Documents	36.0	6.0	4.0	24.0	-	70.0
6.2 – Meetings ¹ and Monthly Reporting	40.0	2.0	4.0	20.0	-	66.0
Task 7 – Project Schedule for MSWD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Task 8 – Additional Hours for Senior Manager	29.0	n.a.	n.a.	n.a.	n.a.	29.0
LRFP Study Task Totals	289.0	38.0	33.0	290.0	26.0	676.0

² We assume District staff’s comments will be in an electronic Microsoft Word file using track-changes mode.

PROJECT SCHEDULE FOR MISSION SPRINGS WATER DISTRICT

The following is an overview of our proposed project schedule. We will discuss a detailed schedule at the kick-off meeting, along with the expected timing for individual tasks.



6 | COST SHEET / FEE

As requested in the RFP, the Cost Sheet has been included under a separate cover.

APPENDICES

The appendices contain:

- Appendix A: Full resumes for our proposed project team
- Appendix B: Additions or Exceptions
- Appendix C: Municipal Advisor Disclosure

APPENDIX A | PROJECT TEAM RESUMES

EDUCATION

- Master of Science, Agricultural/Managerial Economics, U.C. Davis
- Bachelor of Science, Environmental Planning, U.C. Davis

AFFILIATIONS

- Former Vice-Chair, City of Davis Utility Rate Advisory Committee
- Former Chairman, City of Davis Planning Commission

SPEAKING / MEDIA

- “Tiered Water Rates – Understanding Their Equity and Impact on Customer Bills” – Journal of AWWA, September 2019, Volume 111, Number 9
- “Avoiding Billing Debacles Around New Water or Sewer Rates” – Journal of AWWA, March 2019, Vol. 111, No. 3
- “Changing Perspectives on Outside Surcharges: Understanding New Criteria” – Journal of AWWA, January 2019, Vol. 111, No. 1
- “Social Justice and Water Rates: Impacts of Rate Design on Low-Income Customers” – Journal of AWWA, July 2018, Vol. 110, No 7
- “Setting the Stage for Water Rates: Policy Direction Should Be A Priority”, CSMFO Magazine, November 2016
- “Rates, Fees and Charges in the Post-Proposition 13, 218 and 26 ERA in California” – NBS Publication, Contributing Author, 2014
- “Fiscal Health vs. Pricing for Conservation” – ACWA Fall Conf., Indian Wells, CA, December 2015

HIGHLIGHTS

Greg Clumpner has 40 years of experience in financial, economic, and cost-of-service rate analyses for municipal water, sewer and solid waste agencies, including broader management consulting:

- **Utility Cost-of-Service Rate Studies:** 400+ cost-of-service analyses and rate design studies; conservation-oriented water rates, capital improvement funding strategies for water, sewer and solid waste utilities
- **Management Consulting and Strategic Planning:** Feasibility analyses of municipal vs. private system operations, system valuations and acquisitions, and bond feasibility studies.

RELEVANT PROJECT EXPERIENCE

- **City of Redding – Water, Sewer, and Solid Waste Rate and Impact Fee Studies:** Cost-of-service study of water, sewer, and solid waste rate and system capacity charges. Addressed policies, rate structure and worked with the City Council-appointed Citizens Advisory Group.
- **Desert Water Agency – Water, Sewer Rate and Capacity Fee Studies:** Rate consulting services to DWA included water and sewer rates, capacity fees, and special assignments such as advice regarding operational disputes with Indian tribal water rights. Work products have included detailed financial plans, rate design, cash vs. debt funding scenarios, analysis of water consumption trends related to conservation and Covid-19 impacts.
- **Pajaro Sunny Mesa CSD, Monterey – Water Rate Study:** The CSD has nine separate water systems, each with separate rates. This study developed a uniform and combined rate structure for the CSD that met CSD policy objectives and Prop 218 requirements for fairness and equity.
- **Los Angeles Department of Water & Power (LADWP) – Specialized Studies:** As a part of the 2018-19 interim rate review for LADWP under contract with Navigant Consultants (now Guidehouse), prepared evaluations of: (1) Analysis of how demand forecasting methodologies are used for financial planning and rate-setting purposes; (2) Review of temperature zones and water rate impacts to determine whether climate-change adjustments to temperature zone boundaries would change customer water budgets, and; (3) stormwater benefit cost analysis reviewed the feasibility of specific projects.
- **City of Santa Paula – Water and Sewer Rate Study:** This study included meeting future funding requirements, evaluating issues surrounding the City’s purchase of its wastewater treatment plant, drought impacts, and generally improving rate design to be fairer and more equitable. Residential sewer rates were restructured to create volumetric charges based on average winter water use on a customer-by-customer basis.

EDUCATION

- Master of Science, Agricultural Economics, UC Davis
- Bachelor of Science, Agricultural Business Management, California State University, San Luis Obispo

AFFILIATIONS

- Project Management Professional (2002, No. 52367)
- American Water Works Association (AWWA), Member

PROJECTS | CONT.

- **City of Tracy, Tracy, CA – Sewer Rate Studies:** Has prepared sewer rate updates for the City of Tracy since 1979. Originally done to satisfy SRF requirements, more recent updates focused on cost of service studies.
- **Senior Consultant, San Mateo Clean Water Program, San Mateo, CA.** Overseeing the preparation of the State Revolving Fund loan applications for the \$800M Clean Water Program. These efforts include developing a financial model to evaluate funding scenarios and preparing the application packages.
- **Project Economist, Wastewater Master Plan, Laguna County Sanitation District, Santa Barbara, CA.** Prepared a financial model that estimated user charges and demand fees for various capital improvement scenarios. The model's financial dashboard could vary in growth, timing of projects, escalation rates, financing terms, and rate structure alternatives to develop the appropriate master plan for the District.

HIGHLIGHTS

After retiring from Jacobs Engineering as a senior vice-president last fall, Allan Highstreet has since joined NBS as a technical consultant with the highest level of expertise in water-related financial analyses.

Allan is a senior economist with 41 years of experience in financial planning for water, wastewater, and stormwater utilities, including rate studies, project funding, and cost allocations. He has performed economic assessments, cost analyses, finance plans, and rate studies, including preparing loan applications and related documents for many municipal clients.

RELEVANT PROJECT EXPERIENCE

- **Rowland Water District – Water and Recycled Water Rate Study.** Update water and recycled water rates. Proposed a minor increase in order to fund maintenance of the water system. Update the cost-based rates and drought rates to coincide with the District's Water Shortage Contingency. Objectives for the recycled water system: develop a method for allocating costs in the District's budget to the potable and recycled water systems, establish a financial plan to have recycled water customers bear a greater percentage of their costs.
- **Project Economist, Groundwater Recovery Enhancement and Treatment Program, City of Oxnard, CA.** Prepared a Title 16 feasibility study to obtain a \$20 million grant from U.S. Bureau of Reclamation. This project comprised of a recycled water treatment, conveyance, and injection. Tasks included providing recycled water for groundwater injection and irrigation that would enable the City to build groundwater credits through injection and obtain groundwater allocations from agricultural users who would use recycled water in lieu of groundwater. Allocations and credits could then be used to make up the City's water supply deficit.
- **Project Economist, Finance Planning Framework, California Water Plan, California Department of Water Resources, CA.** Assisting in preparing the Finance Planning Framework for the 2013 and 2018 California Water Plan. The effort includes describing the current financial setting, developing approaches to prioritizing investments, and developing a menu of available financing strategies.
- **Merced Irrigation District, Merced, CA – Water Cost of Service Study:** Prepared a cost-of-service study that estimated user charges and fees for the water deliveries within the District. Also prepared the Proposition 218 material for the vote to enact the rates.
- **Byron Bethany Irrigation District, Byron, CA – Water Cost of Service Study:** Prepared a cost-of-service study that estimated user charges for the water deliveries within the District. Also prepared the Proposition 218 material for the vote to enact the rates.
- **Westlands Water District, CA – Evaluating Land Based Assessments:** Led an evaluation of possible land based assessments in the District, then prepared an Engineers Report to implement a benefit assessment for the District.
- **Oakdale Irrigation District, Oakdale, CA – Water Rate Study:** Prepared a cost-of-service study that estimated user charges for the water deliveries within the District. This study moved the District from a flat rate to tiered volumetric rates to comply with the Water Conservation Act of 2009 (SBx 7-7). Also prepared the Proposition 218 material for the vote to enact rates.

EDUCATION

- Master of Business Administration, Finance, University of Redlands
- Bachelor of Science, Chemistry, University of Utah, Salt Lake City

HIGHLIGHTS

- Extensive experience in large-scale data analysis
- Advanced Excel user with the essential skills for complex data analysis and alternative scenario analysis
- More than ten years of accounting experience for large and small businesses
- Experienced consultant with water, sewer and solid waste rate structures
- Experienced consultant with budget management, financial planning and reserve fund analysis



“Jordan has been great to work with on our Five-Year Water and Wastewater Rate Study. She is professional and very responsive to our requests from making last minute updates to the rate model to brainstorming alternative solutions with us.”

*Sunny Wang
Water Resources Manager
City of Santa Monica*



BIOGRAPHY

Jordan Taylor is a Consultant at NBS in our Utility Rate group. She brings more than ten years of experience in finance, accounting, budget planning and system auditing. Jordan graduated with high honors in her Master’s program and spent most of her studies focusing on large-scale financial analysis and data management.

Jordan provides analysis and support on water and sewer utility rate studies for cities and special districts in California. She performs various financial analyses, data management, and utility customer data analysis for utility rate and capacity fee studies. Jordan’s diverse knowledge of managerial accounting is essential to the work performed by NBS.

RELEVANT PROJECT EXPERIENCE

- **Costa Mesa Sanitary District – Solid Waste Rate Study:** This comprehensive rate study included development of a long-term financial plan that evaluated funding options to reduce the annual operating deficit over a five-year period. An evaluation of the District’s solid waste rates, and updated rates were calculated for the three cart sizes that are used by customers in the District and a five-year rate schedule was adopted.
- **Hidden Valley Lakes Community Services District – Water/Sewer Rates & Capacity Fee Study:** Completed an updated water and sewer cost of service study, based on a previous 2015 study conducted by NBS. A key part of this study was addressing significant capital improvement projects and drought-related changes in water consumption patterns. Major tasks included reviewing financial/rate setting policies, preparing financial plans, updating the cost of service analysis, and evaluating alternative rate designs.
- **Idyllwild Water District – Water and Sewer Rate Study:** Prepared water and sewer rate studies, which included developing long-term financial plans that allowed the District to begin funding capital improvement programs for both utilities, and maintain adequate reserves to meet established reserve fund policies. Updated the water rate structure to provide more revenue stability for the District, and implement a cost-based tiered volumetric rate.
- **City of Madera Water, Wastewater, Storm Drainage and Solid Waste Rate Studies:** Completed an updated water and sewer cost of service study, based on a previous 2015 study conducted by NBS. A key part of this study was addressing significant capital improvement projects and drought-related changes in water consumption patterns. Major tasks included reviewing financial/rate setting policies, preparing financial plans, updating the cost of service analysis, and evaluating alternative rate designs.

EDUCATION

- Bachelor of Arts, University of California San Diego, La Jolla

HIGHLIGHTS

- Two decades of financial, accounting and risk management experience
- Extensive experience in financial reporting, risk management analysis, budget management and development of accounting policies and procedures
- In-depth experience as a finance manager, consultant and controller in private industry
- Supports project teams completing public utility rate and fee studies in performing large-scale data analysis, financial modeling and rate analysis

BIOGRAPHY

Alice Bou is a Consultant in our Utility Rate and Fee group. She is an accomplished finance professional with proven success in the oversight of management accounting and business analysis. Alice has two decades of experience working in accounting and financial management, performing data analysis, variance analysis, budgeting and forecasting, financial modeling, and managerial reporting. She has also developed detailed procedures and systems documentation with a focus on productivity, data integrity and functionality to promote transparency of all finance and accounting functions across all departments of the entire organization. Alice’s diverse experience is essential to the work performed by NBS.

As a member of the NBS team, Alice assists in the preparation of financial plans, cost of service, rate, and fee design analysis for our public utility clients. She reviews financial statements, budgets, capital improvement plans, operational data, and customer billing information for use in public utility rate and fee studies. Alice adds value to our team with her exceptional strategic financial planning and analytical skills.

RELEVANT PROJECT EXPERIENCE

- **LADWP – Water Temperature Zone Analysis:** LADWP uses four-tiered water-budget based volumetric rates based on lot size and temperature zones. As part of LADWP’s Interim Rate Review, evaluated previous temperature zone assignments, evaluated customer bill impacts related to the existing temperature zones. Prepared an analysis of recent trends related to the number of customers, water use, and water bills by zone, tier, and lot size over the last five years. The primary focus of this study was to see if recent changes in temperature data as defined by LADWP’s current temperature zones warranted changing the customers assigned to each temperature zone, or the criteria used to define each zone.
- **Desert Water Agency – Water, Sewer Rate and Capacity Fee Studies:** Rate consulting services to DWA included water and sewer rates, capacity fees, and special assignments such as advice regarding operational disputes with Indian tribal water rights. Work products have included detailed financial plans, rate design, cash vs. debt funding scenarios, analysis of water consumption trends related to conservation and Covid-19 impacts.
- **City of Redding – Water and Sewer Rate Study:** Updated the City’s rates, including long-term financial plans to incorporate funding capital improvements estimated at \$97.2 million and reviewed alternative rate structures.

“Thanks Alice, we certainly appreciate your patience, persistence, thoroughness, and ability to adapt on the fly! I believe our final product and recommended actions turned out very well.”

*Doug Mathews
Director of Public Works & Water, City of Victorville*

EDUCATION

- Bachelor of Science, Business Administration - Management, California State University, San Marcos

HIGHLIGHTS

- Three years of public budget development and administration, professional-level research, project management, and financial analysis
- More than 12 years of compliance management

AFFILIATIONS / AWARDS

- California Parks and Recreation Society (CPRS) - District 12 "Parks Make Life Better Spotlight – Event" Award Recipient, 2022

BIOGRAPHY

Evan Hoenig is a Project Analyst at NBS where he assists in the formation and administration of various types of Special Financing Districts (SFDs). He performs large-scale data analysis and validation, and researches fee comparisons. Evan has more than a decade of compliance management experience, as well as public budget development and administration, research, project management and financial analysis experience. He has extensive skills in analytical software, databases, and spreadsheets.

RELEVANT PROJECT EXPERIENCE

Evan has consulted and served on many projects, including the following:

- **GEMT Supplemental Reimbursement Program – FY18-19, FY19-20, and FY 20-21:** Conducted detailed cost allocation, indirect cost rates, large database management, and time on task estimates. Submitted final cost reports to the State of California for review and approval.
- **Contra Costa County – Environmental Health Fee & Hazmat Comparison:** Completed a Fee Comparison for Environmental Health & Hazmat fees. Evan's role on this project included fee research, data collection, database management and analysis.
- **San Jacinto – Cost Estimation Tool:** Provided in-depth research and analysis on capital assets and improvements, interpreted and organized data, and assigned and evaluated costs.
- **City of Fairfield – Lighting, Landscape, and Maintenance Districts ("LLMD"):** Established databases of over 6,800 parcels within nine LLMDs using County Assessor data as well as other available resources. Conducted general and special benefit analyses, and utilized parcel data to calculate the resulting assessments.

APPENDIX B | ADDITIONS OR EXCEPTIONS

NBS accepts the terms, conditions and general form of the Mission Springs Water District Agreement for Professional Services.

APPENDIX C | MUNICIPAL ADVISOR DISCLOSURE

Disclosure of Conflicts of Interest and Legal or Disciplinary Events

Pursuant to the Municipal Securities Rulemaking Board (“MSRB”) Rule G-42 on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients and potential clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of NBS Government Finance Group (“NBS”) and its associated persons.

CONFLICTS OF INTEREST

Compensation

NBS represents that in connection with the issuance of municipal securities, NBS may receive compensation from an Issuer or Obligated Person for services rendered. Any such compensation may be contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, NBS hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding NBS’ ability to provide unbiased advice to enter into such transaction. This conflict of interest does not impair NBS’ ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

It should be noted that other forms of compensation (i.e., hourly or fixed-fee based) may also present a potential conflict of interest regarding NBS’ ability to provide advice regarding a municipal security transaction. These other potential conflicts of interest will not impair NBS’ ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

The fee paid to NBS increases the cost of investment to your agency. The increased cost occurs from compensating NBS for municipal advisory services provided.

Other Municipal Advisor Relationships

NBS serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another NBS client. For example, NBS serves as Municipal Advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to your agency. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, NBS could potentially face a conflict of interest arising from these competing client interests. NBS fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with your agency.

If NBS becomes aware of any additional potential or actual conflict of interest after this disclosure, NBS will disclose the detailed information in writing to the issuer or obligated person in a timely manner.

LEGAL OR DISCIPLINARY EVENTS

NBS does not have any legal events or disciplinary history on NBS’ Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations, and civil litigation. The Issuer may electronically access NBS’ most recent Form MA and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against NBS, NBS will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate NBS, its management and personnel.

Pursuant to Municipal Securities Rulemaking Board Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- NBS is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board.
- Within the MSRB website at www.msrb.org, the Municipal Advisory client brochure that is posted on the MSRB website may be obtained. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.