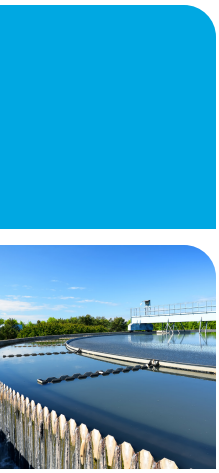
City of Rollingwood | Texas

Proposal for

Wastewater Rate Study



WILLDAN

1. Introduction

November 19, 2019

Ms. Ashley Wayman
City Secretary
City of Rollingwood
403 Nixon Drive
Rollingwood, TX 78746

Re: Proposal to Prepare a Wastewater Rate Study for the City of Rollingwood

Dear Ms. Wayman:

Thank you for the opportunity to present this Proposal ("RFP") for a Wastewater Rate Study for the City of Rollingwood ("The City"). Willdan Financial Services ("Willdan") is one of the largest public sector financial consulting firms in the United States. Our company has helped over 90 cities in Texas and over 1,200 public agencies across the USA successfully address a broad range of financial challenges, including financing the costs of growth and generating revenues for utilities to fund desired services.

Our firm specializes in municipal and public sector utilities and our principal clients are national, state and local governments. Each of our clients is served directly by senior level professionals with decades of experience in utility consulting and economic/financial management. We are proud of our history of building long term relationships with clients based on affordability, professionalism and performance.

We have a proven track record of completing projects on time and staying within the quoted budget. Our client references will confirm that we do not miss deadlines or exceed our budget in our engagements. We encourage you to contact the references provided for feedback on our performance, commitment to our clients and adherence to project milestones.

Willdan's interactive approach results from our highly regarded revenue requirement and rate model that creates a focused and tailored analysis of the City's current rates, revenues, capital project and operational expenditures, debt commitments, reserve funding, and other financial data. The culmination of our analysis will be a comprehensive utility revenue requirement financial plan that develops projected system operating results for the next five fiscal years and will also allow for alternative rate designs. We will employ our proven interactive approach, supported with advanced financial modeling techniques, to develop our sophisticated and flexible revenue requirement/rate model for use by the City. **Our internationally-recognized model will help us guide the City through operating and financial scenarios, while evaluating the impact of policy assumptions, and performing sensitivity analysis on important fiscal indicators like utility fund balances and debt coverage requirements.**

Our ability to focus on the financial aspects of operating publicly-owned utility systems is coupled with recognized leadership in strategic planning and operations and enables us to bring unmatched value to our clients. Our team brings a set of nationally-recognized qualifications and experts that sets us apart. These qualifications include:

Live and Work in Texas — We will conduct the analysis for this study both at the City and in our Plano, Texas office. We present a team of professionals with decades of experience providing economic and financial consulting services to the utility industry. Our team includes professionals who are all based in Plano, who have nationwide reputations and experience in the industry and possess impeccable academic credentials. Plus, we have an in-depth knowledge of the local market, given our residence here in Texas and our experience completing similar rate studies for 90 Texas cities.

Unparalleled Expertise in Financial and Rate Modeling — The project team's efforts will result in a focused and tailored analysis of the City's current utility rates and revenues, development of a comprehensive financial management plan, cost of service analysis based on guiding industry practices, and innovative rate design solutions.

Effectively Communicate Study Results — Sound technical analysis is only one element of this process. It will be equally important to effectively and transparently communicate results and implications of the proposed rate structure to City staff, Council members, key stakeholders and, ultimately, to those that will be subject to new rates. In other words, the objective of this study is not simply to write a report, deliver it to the client, and leave. We consider rate studies to be part of an overall process, the ultimate goal of which is to adopt a formal and final rate and financial plan. This involves far more than the completion of a report – the public involvement process is critical, and we will work tirelessly with staff to ensure that our recommended alternatives are successfully implemented. Most of our projects incorporate significant community and/or stakeholder involvement and education efforts, and our experienced consultants are able to communicate complicated technical analysis in a manner that is easy to follow and understand.

Significant Resources to Devote to Serving the City's Needs — Willdan combines the approach and attention of a boutique, North-Texas based consulting firm with the resources of a nationwide consulting organization. While our proposed team is based in our Plano office, if necessary we can draw from the vast resources and industry expertise of fellow Willdan employees in other regions of the United States. This gives us a significant advantage over sole proprietors or boutique consulting firms, who often have limited availability, resources and expertise that can hamper their ability to serve clients.

Appreciate the Sensitivity of Rate Proposals — Our team understands the fact that the political, social and economic impact of rate alternatives on ratepayers is of critical importance to those who are responsible for deciding whether to implement these plans. We recognize that it is never easy to ask ratepayers to pay more for utility service. Therefore, we will work with City staff to design rate alternatives that will recover the revenue the utility requires, while to the best extent possible minimizing the impact of any increases on ratepayers and their families.

Offer a Highly Innovative Approach — Our approach to the development of utility rates has been carefully honed over the years. We will work collaboratively with City staff to carefully assess and understand the City's unique Wastewater utility system concerns and issues and develop a tailored approach that will best serve your needs. We do not use a "cookie-cutter" approach, but rather bring a combination of planning and financial expertise providing a thorough understanding of all aspects of utility operations and management. This allows us to work collaboratively to provide comprehensive business solutions. Our objective is to educate and inform throughout the process, not just at the completion of the project.

In summary, we are very excited about the opportunity to provide such a valuable service to the City. For that reason, we will devote our firm's resources to ensure that each of the City's objectives are achieved with the highest level of quality and satisfaction. Please feel free to contact me if you have any questions or require any further clarification. I can be reached directly at (972) 378-6588, or via email at djackson@willdan.com.

Thank you once again for this opportunity. We look forward to hearing from you.

Respectfully Submitted,

WILLDAN FINANCIAL SERVICES

Dan V. Jackson
Vice President

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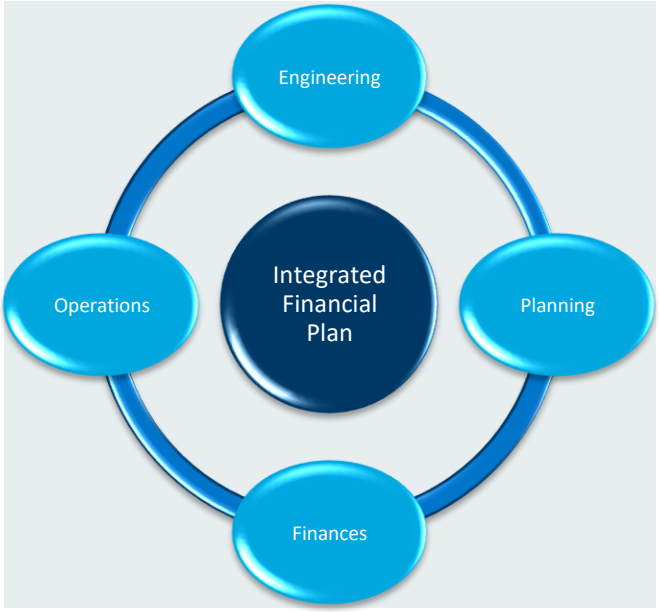
2. Scope of Work and Schedule

Project Understanding



Willdan understands that the City of Rollingwood ("City") seeks a comprehensive Wastewater rate study and long-term financial plan for the current year, and a 10-year forecast period. The overall objective is to establish user rates and charges that are sufficient to meet future system revenue requirements including debt service coverage, capital improvement needs and operating and emergency/shortfall reserves. The project team will also work with the City to establish rates around a broader set of goals or objectives, including but not limited to financial/rate stability, conservation, and minimizing customer impacts.

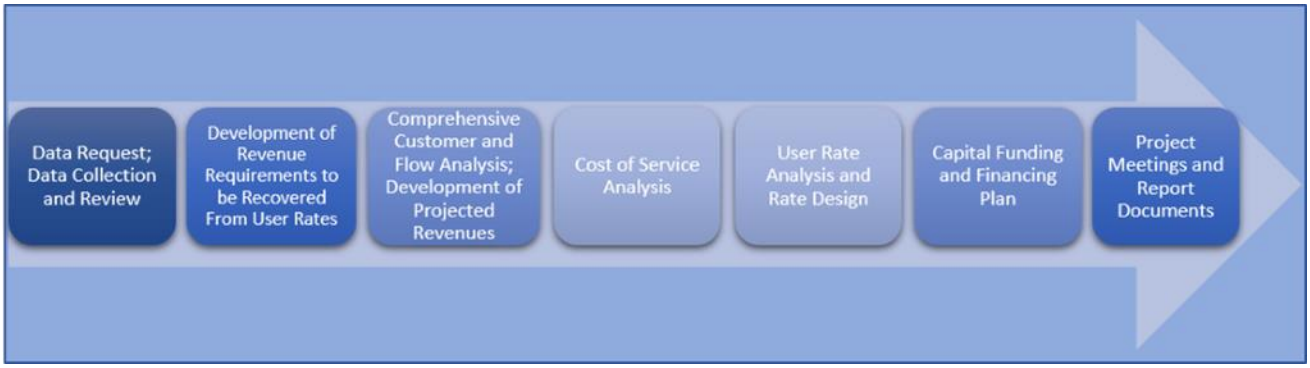
To accomplish these overall goals and objectives, our team's approach will utilize the "generally accepted" cash basis rate setting methodology as delineated in AWWA's Manual M-1. Our team uses the M-1 manual as the basis for all of our studies, and *our project team members have served on the AWWA's Rates and Charges Committee which develops, reviews and revises this manual on a periodic basis*. We will tailor our application of the cash basis methodology to the specific circumstances of the City.

The project team will employ such standard inputs as account growth projections, historic and forecast adjusted water consumption, City's CIP, account/usage/revenue data from the City's billing system, and current budget information to develop its forecast of future costs.

Upon finalization of the inputs outlined above, the project team will develop a comprehensive 5-year forecast (with the option of an increase up to a 10-year forecast period) model that will present alternative long-term Wastewater rate plans sufficient to fund operating expenditures, debt service and the forecast CIP. The model will functionalize costs between treatment, distribution/collection, administration and customer billing, and will allocate costs between customer classes. Historic peaking factors will be used to classify water costs between base and extra capacity. The functionalization, classification and allocation of costs will be done in accordance with the AWWA M-1 cash basis guidelines.

Another benefit of a five-year financial plan is that it will enable the City to better evaluate the potential economic and financial impact of the previously-discussed capital improvements and future inevitable increases in the cost of service. *This includes addressing such questions as whether future system and revenue growth will finance some of these improvements and lessen the need for rate increases and/or debt funding needs*. It also will allow the City to determine whether it may be appropriate to implement rate adjustments over a period of several years.

To summarize, the information developed during the course of this rate study will allow the City to choose a financial and capital plan that will minimize the impact on all classes of ratepayers, while still allowing it to meet increased expense demands and environmental standards. In our opinion, the **cost of service, while important, will not be the sole factor in setting the rate design for each customer class.** Rate design is more than just a series of mathematical calculations; the proposed rate structure must balance the sometimes-conflicting issues of utility funding requirements, the cost of service to customer classes, and users' ability to pay. We agree with these sentiments and, based on our experience throughout the United States, we believe they are socially and politically acceptable.



Willdan's Unique Project Approach

Willdan proposes to develop a spreadsheet-based utility financial planning model that will allow the City to test a variety of "what-if" futures, whereby the City can change assumptions related to growth, the capital improvement program, operational programs, and a variety of other planning, engineering, and financial variables and predict the financial outcome of that scenario and its effect on utility rates. This is especially useful in testing the affordability of the capital improvement program, allowing the user to turn new projects "on or off" in the model, change the costing with updated information, delay their funding, or look at cash vs. debt vs. fee-funding alternatives and their impact on affordability.

Working with the professionals on our team and City staff, we will use advanced modeling techniques to test the City's capital improvement program for prioritization, timing and affordability of projects. In doing so, the City will be able to identify the resources available for implementing programs identified in the capital planning process. In the end, the process will allow the City to determine the optimum rate path for balancing the financial health of the system against political and other considerations.

We cannot emphasize strongly enough the need for, and benefit of, a properly constructed public involvement process to introduce the recommended rate plan to the public. The general public and elected officials are naturally going to be inclined to oppose rate plans that involve higher rates and fees; after all, no one wants to pay more for anything at any time for any reason. Therefore, the burden is on the City and its consulting team to present any proposed rate plan to the public in a manner that is both easily understandable and emphasizes the benefits of implementation (i.e. a better quality of service). **Consulting teams and rate plans that do not recognize both the need to present information in an understandable manner and take into account the sensitivity of ratepayers and elected bodies to cost increases are doomed to fail**.

With this in mind we would note the following about our services and the deliverables we will prepare for the City.

- We take pride in the quality of our written reports. The intent is to make our reports readable and easily understandable to those who are not ratemaking or financial professionals. We are frequently complimented by clients who tell us that they understood both the major points of our analysis and the benefits of our proposed rate plans. We pledge to produce both a final report and presentations to the City that will result in a similar reaction.
- Many regard the process of rate studies as simply writing a report, dropping it off to the client, and leaving. Rate studies should be considered overall processes, the goal of which is to ultimately adopt a formal rate and financial plan. This involves far more than the completion of a report – the public involvement process is critical, and we will work tirelessly with staff to ensure that our recommended alternatives are successfully implemented.
- We also believe that our public presentations are of a superior quality, both in terms of overall presentation and understandability. Mr. Jackson has provided over 300 public presentations in his career, to such diverse clients as border communities, large cities and suburbs, and Pacific island nations. He understands how to make presentations to non-financial audiences.

We take pride in the frequent compliments received from clients about the ease and understandability of our presentations, and the fact that they present critical information required to make decisions in a straightforward and easy to follow manner.

In conclusion, our project team offers the benefits of not only a first-rate analysis and model development, and a well written and easily understandable report, but also a public involvement process that is designed to successfully implement the results of the analysis.

Deliverables

Based on the objectives as listed above, the project team will provide the following project deliverables:

1. A formal, documented and detailed schedule outlining the analysis, report development and public involvement process associated with this study.
2. Bound copies and an electronic copy of a final rate study report that documents the results of the project, the recommendations presented in accordance with the objectives stated above, and detailed support for all conclusions. The report will describe the process used to:
   - Determine revenue requirements in the test year and at least a 5-year forecast period, with the option of an increase up to a 10-year forecast period. Revenue requirements include the wastewater utility's *operations and maintenance costs, capital needs/outlays funded by rates, debt service for capital needs funded by rates, reserve requirements for emergency/shortfalls and rate stabilization,* non-rate revenues, and other pertinent utility costs.
   - Allocate costs between customer classes and functional areas. The revenue requirements will first be allocated to functional areas, including treatment collection, customer service, administration and billing. *These costs will then be allocated to the customer classes based on their system historical billing units.* The calculation of these costs for the test year will be a crucial stepping-stone in the forecast of these costs over the next five years.
   - *Present alternative rate structures* based as stated above on revenue requirements, cost of service, current standards and customers' ability to pay. We anticipate that the final rate plan will be developed as a result of consensus between staff, governing bodies and the project team at the close of the public hearings.
   - PowerPoint presentations will be used in each of our presentations. We are prepared to conduct the following formal meetings with the City:
     - An initial staff meeting to review project goals and data requirements (with additional meetings with staff as necessary during the analysis course of this project);
     - A formal staff meeting to review preliminary findings and recommendations, and to make adjustments as necessary based on staff input;
     - A workshop with the City Council to review initial findings and recommendations;
     - A final council meeting/public hearing to explain to the public the rationale behind and benefits of the proposed rate plan and at which the Council will adopt the rate plan.
3. *A fully functional and debugged automated rate model to calculate and project Wastewater rates both for the present ('test") year and ten years into the future.* The model will be designed in Microsoft Excel.

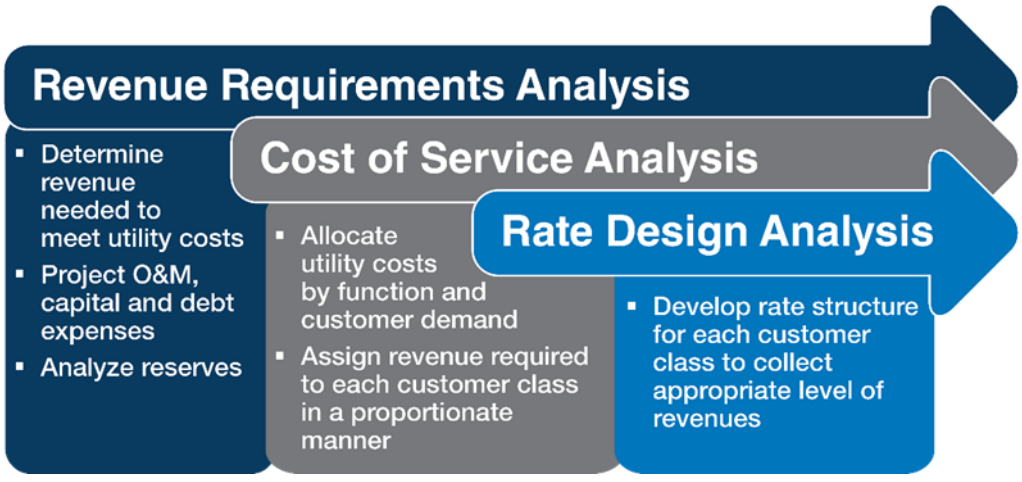
Method of Approach

Revenue Requirement and Rate Study Objectives

Willdan's overarching objectives in successfully accomplishing the City's rate study are outlined below.

Rate Setting Process

The graphic on the following page summarizes the standard approach commonly employed by Willdan to develop utility rates. Willdan's rate-setting process and model has been developed through the completion of many successful studies over the past twenty years and continues to be the basis for developing proven, well-balanced financial plans that are supported by equitable rate structures. Willdan's combination of consulting experience and technical expertise helps distill complex decisions into a clear and easy-to-understand process. As there are often competing objectives, for a successful rate study it is necessary to understand not only the technical details and corresponding rates, but also the social and political corollaries that can often jeopardize the implementation of a technically sound rate structure. Our rate experience goes beyond simply "running the numbers" by creating numerous scenarios and considering stakeholder considerations, such as customer impact (ability to pay) to ensure a complete and unimpeded rate analysis.



Each step of the three-step approach is typically performed in tandem. Although presented sequentially, the overall analysis is circular – as variables in one analysis may influence another. Thus, it is imperative to constantly review assumptions to determine if variables are fixed (i.e. debt service) or flexible (i.e. staffing needs) and monitor how changes in certain variables affect the overall analysis.

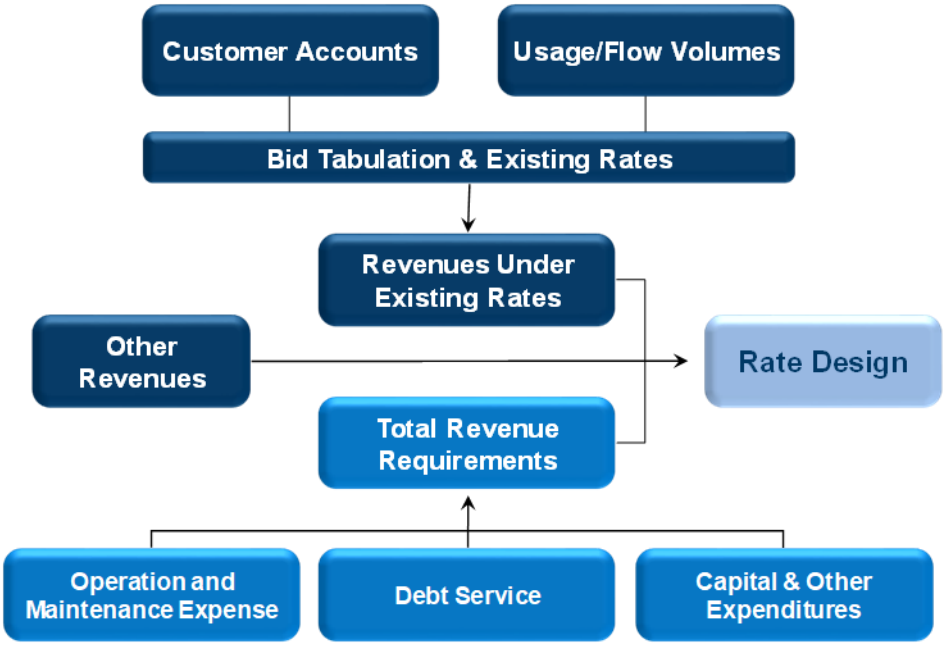
Scope of Work

The remainder of this section presents our approach to performing the major tasks required to successfully conduct a Wastewater Rate Study and long-term financial plan engagement, in accordance with the City's RFP.

Task I: Project Kick-off, Data Acquisition and Assessment

The project team will meet with City staff at the outset of this project. The purpose of this meeting will be to discuss study goals and objectives, review requirements for completing each task, establish responsibilities and lines of communication, and refine the work plan and schedule. We have found in our prior studies that these meetings are extraordinarily beneficial in terms of gathering required data, finalizing study objectives, and ensuring that the goals of both the project team and the City are synonymous.

During this meeting we will discuss the rate study process and describe the steps Willdan will take to produce a realistic rate plan and financial forecast. The chart below provides an overview of Willdan's approach to developing the City's wastewater rate plan.



The project kick-off meeting will be followed by a detailed review of data available to support the cost-of-service rate study. We will provide a preliminary data request list to initiate data collection and organization. This will be a comprehensive data request (i.e. a "wish list") and we realize that not all elements may be readily available. Therefore, if City staff finds that the level of effort required to fulfill this data request is excessive, we will discuss with staff alternative methods of obtaining the same or similar data with less effort. Our goal is to obtain the required data while minimizing the required staff effort, as we recognize that City staff have many other duties and responsibilities.

During this initial site visit the project team will tour City facilities and meet with the appropriate City staff. The project team will be available to meet with other City representatives as deemed appropriate by City staff.

Task II: Demographic Analysis

The project team will prepare a comprehensive demographic analysis of ratepayers as a pretext to the development of Wastewater rate plans. This is a standard feature of our rate studies, as it provides information that is critical in establishing a framework for determining the appropriateness of potential rate adjustments.

The project team will develop current data on:

- Number of households;
- Median household income;
- Average Wastewater monthly bill, both total and as a percentage of household income; and
- Monthly Wastewater charges for other representative utilities in the Austin area and throughout the state of Texas

The data developed in this section will help City staff and other decision-makers gauge the relative burden of Wastewater monthly charges in the City as compared to similar Texas utilities. This will help determine the sensitivity and reasonableness of alternative rate adjustment proposals. It will also be useful information to present at any public hearings.

Task III: Determine Revenue Requirements

In this task, the project team will determine overall revenue requirements for the current year and for a ten-year forecast period. Requirements will reflect the City's current policies and practices regarding appropriate levels of fund balance, interfund transfers, and capital financing (including debt service coverage levels and debt-to-equity ratios). Accordingly, revenue requirements that will meet financial performance measures will be determined.

The first step in this analysis is to gain historical perspective on the City's system. This includes analyzing the data provided in response to the data request (Task I) such as current and historical volumetric data, customer and account data, budgets, financial statements, capital expenditures, customers, debt service, historical Wastewater rates, current rates, rate setting procedures, and historic collection efficiency.

Total revenue requirements for the Wastewater utilities will be calculated after analyzing the data outlined above. The revenue requirements consist of the total cost to provide this service, including operation and maintenance (O&M) costs, transfers to the General Fund, debt service requirements (including coverage requirements) on existing and any proposed new debt, direct capital outlays financed by rates, and other financial needs.

O&M costs will be projected by detailed expenditure categories and, if necessary, by component system. These projections will be based on past trends, expected inflation levels, new facilities that may affect operating costs, changes in the customer base, and other factors. We will also consider the levels of cash reserve funding required for the Wastewater system operations in our determination of the revenue requirements.

The development of a reasonable set of assumptions concerning future capital spending for repairs and replacements and system expansion is one of the most critical elements of the revenue requirement. The project team will discuss all components of this category with City staff, including the expected amount of CIP, funding alternatives (i.e. pay-as-you-go vs. long term (tax vs. revenue) bonds), expected reserve requirements, and coverage requirements. It is essential that all parties agree on the reasonableness of these assumptions, since they will have the greatest impact on the recommended rate alternatives. As noted earlier, this involves balancing what needs to be spent from an operations/engineering perspective with the willingness and ability of ratepayers to pay. Finally, the project team will discuss with City staff the types of additional capital improvement projects that may be required and the timing and source of funding for each.

Once the total costs of providing Wastewater service have been calculated, these costs will be compared to the actual billing and collection for the past several fiscal years. This will have the effect of determining both the adequacy of the billing and collection procedures in effect, and the degree to which customers are currently paying the costs of providing this service.

Task IV: Determine User Characteristics and Customer Classes (Incl. Sales Forecast Review and Revenue Test)

A fundamental principle of cost-of-service ratemaking for Wastewater utilities is for costs to be allocated to user groups based on the demands each group places on the system. For wastewater service, demands usually are measured in terms of customer flows and sewage strength characteristics that determine sewer treatment plant influent loadings. These demands are collectively referred to as "user characteristics."

This task involves determining the appropriate groupings of customers so that customers with similar user characteristics populate the same customer class. For cost-allocation purposes, customers are grouped into different classes based on differences in their user characteristics. The development of information for grouping customers and allocating costs to specific customer groups is an essential step in the ratemaking process, to ensure that costs will be recovered in direct proportion to their use of the system. As with all our studies, the AWWA Manual M-1 will provide the framework for our allocation methodology.

The determination of customer user characteristics as noted above will include a careful review of the City's sales volume histories and forecasts. The volume data must be considered as a whole and separately for each defined customer class. Methodologies for projecting Wastewater revenues will be assessed to confirm appropriate accounting for expected growth, inflow and infiltration, and normal weather conditions. Historical sewer flow and loadings data will be used to determine flows and loadings for the system and individual customer classes.

The project team will finalize ten-year projections of sales/demand volumes that will then be used to calculate projected revenues under current rates for the rate forecast period. This step is often referred to as a revenue test.

Task V: Cost Functionalization, Classification and Allocation

In this task, the project team will calculate the cost of sewer collection and treatment, based on the information gathered in previous tasks. As discussed in Task III, these costs include such categories as O&M (personnel, chemicals, engineering, administrative, equipment maintenance, vehicles, materials, etc.), reserves, debt service, and capital outlays funded by rates (assuming that the cash basis is utilized). These costs will then be assigned to individual customer classes through a three-step apportionment process.

These steps are referred to as "functionalization," "classification" and "allocation." **Functionalization** involves the categorization of utility costs according to the utility functions these costs are incurred to perform. Typical sewer functions include treatment, collection, disposal, and customer billing. **Classification** is the apportionment of functionalized utility costs according to the types (or classes) of demands served by the utility. Water Environment Federation (WEF) and U.S. Environmental Protection Agency (EPA) methods classify wastewater costs according to flow, biochemical oxygen demand (BOD) loadings, and total suspended solids (TSS) loadings. **Allocation** is the assignment of classified utility costs to individual customer classes. *Costs are allocated proportionately to customer classes based on their contributions to total utility system demands.*

Under typical circumstances, *standard industry ratemaking principles and practices as outlined in AWWA and WEF ratemaking manuals serve as the foundation for cost allocations to customer classes.* These industry manuals are not prescriptive and recognize the need to afford utility decision makers the flexibility to reflect local circumstances.

Task VI: Alternative Rate Designs for Current Year and 5-year Forecast

After allocating costs to customer classes, a plan will be developed for evaluating rate design options that *will recover allocated costs, including O&M, debt service, general fund transfers and reserve requirements.* The project team proposes that for ease of evaluation the rate design process be segregated into a two-step process. During this task, the current year and forecast rate design alternatives will be presented separately. This will enable City staff to evaluate both its immediate short-term needs and its longer-term needs under each alternative.

In addition, Willdan will develop and establish the current and forecast system averages for charges and fees. This will provide the City with a general guideline for customer charges needed to recover Wastewater rate revenue requirement.

We intend to consult closely with City officials to develop a consensus on the appropriate rate designs for each alternative. In this task, we also intend to accomplish the following objectives:

- Determine whether any rate classes are subsidizing the others, and the degree to which any subsidy is equitable;
- Provide a detailed delineation of the advantages and disadvantages of each alternative;
- Calculate the impact of any proposed "transition period" into the new rates;
- Compare the recommended rates to the City's historical rate structure; and
- Prepare the cost of Wastewater service per household based on the new rate design (*also known as a "bill impact analysis" which is commonly performed in our rate studies*).

In instances where cost-of-service-based changes in revenue responsibility will result in significant rate increases for any one customer class, the merits of implementing rate changes over a multi-year period will be discussed with City staff. If appropriate, multi-year rate transition plans will be developed that meet, to the extent possible, expressed criteria for rate change acceptance.

The project team will meet with City officials prior to unveiling any recommendations to Council or the public in order to go over the initial alternatives and to make any revisions as deemed appropriate by City staff and management.

Another key to this analysis will be to determine the extent to which the rate designs under each alternative will cover the cost of the City's capital improvement plan. The forecast alternatives will provide a roadmap to the types of future rate changes that may be necessary to meet these and other Wastewater financial obligations.

Task VII: Prepare and Present Draft and Final Reports, Conduct Training for City Staff

The project team will prepare concise draft and final rate study reports/memoranda. The report will include documentation of the analyses conducted for each study task as well as recommendations for implementation, administration, and future updating. The report will provide detailed information on the determination of revenue requirements, document allocations of revenue requirements to functional parameters and customer classes, and alternative rate recommendations for the water and sewer utilities. Information on the impact of recommended rate changes to customers' typical monthly bills will be provided. The steps in the rate calculations will be described clearly so that there is a full understanding of the technical steps and assumptions contained in the determination of the rates.

The project team will present and review the draft report with City staff. The report will then be revised to incorporate comments compiled by staff. A final report based on this review in a well written, easy-to-follow format will be submitted to the City. Ten bound copies will be presented to the City.

Task VIII: City Council Meetings

The results of the rate study will ideally be presented to the City Council during a Council work session as this gives members an opportunity to focus on this very important topic and ask questions freely. This presentation will be provided in order to offer the supporting rationale for the proposed rates and to address any questions and/or concerns raised by Council members and residents prior to action being taken on the proposed rates and charges. It is anticipated that the workshop would be followed by a presentation in a public Council meeting and a scheduled public hearing. PowerPoint presentations will be used in each of our presentations.

With the approval of staff, we are prepared to conduct the following formal meetings with the City:

- An initial staff meeting to review project goals and data requirements (with additional meetings with staff as necessary during the analysis segment of this project);
- A formal staff meeting to review preliminary findings and recommendations, and to make adjustments as necessary based on staff input;
- A workshop with the City Council to review initial findings and recommendations;
- A final meeting and public hearing with Council to approve the chosen rate plan.

Our project team is a strong advocate of the need for a comprehensive public involvement program to accompany any changes in the City's Wastewater rates. It is important that the ratepayers have a proper understanding of the reasons for any proposed rate changes, and the impact of these changes on their monthly bills. It is also important for City staff to reach out to the public, to solicit comment and input, to determine the preferences among ratepayers as to alternative rate structures, and to ensure that accurate information is disseminated among the community.

Task IX: Project Management and Quality Control

The cost-of-service rate study for the City will be effectively managed through a variety of project planning and monitoring tools, including the project budget and schedule and regular project progress reporting.

Our project team consists of experienced senior-level professionals who have conducted dozens of cost-of-service and financial studies for clients over the past two decades. This is not a team composed of one senior person and little-experienced staff; all team members are seasoned professionals who know how to complete a study on time and on budget.

Willdan's perspective on technical and logistical issues is based on and consistent with common quality assurance and quality control (QA/QC) business standards. Although the QA/QC concept has historically been applied to manufacturing and engineering standards, the concept can also be applied to utility services such as those proposed herein. For service-oriented businesses, quality control (QC) is any procedure or set of procedures intended to ensure that a performed service meets the requirements of the client or customer. Similarly, but not identical, quality assurance (QA) is defined as a procedure or set of procedures intended to ensure that a service under development (before work is complete, as opposed to afterwards) meets specified requirements. An effective quality assurance system will increase customer confidence, enhance a company's credibility, improve work processes and efficiency, and enable a company to better compete with others. For Willdan, the QA/QC concept is based on overall "Company Quality." This concept includes a focus on the client, the company personnel and the final product. Willdan has realized that success is only possible if the project manager leads the quality process by example. As such, the company-wide quality approach places an emphasis on three aspects:

1. **Communication –** This is actually a reoccurring theme behind each Willdan procedure and activity. We believe that frequent and open communication, both with the client and our own personnel, is the true key to completing a successful project engagement. Specific communication measures utilized by Willdan during the course of the project include active discussions and e-mail correspondences during the data acquisition stage of the project, periodic status reports, meetings to review assumptions and projections, conference calls as necessary to ensure that those involved in the process are "on the same page," and delivery of study output in portions as completed, to allow for an effective review by staff.

2. **Relationships –** Although this proposal document places specific attention on the project as defined in the RFP, one of our primary goals with any new project is to develop a positive relationship with the client. While the key to the success of a project is communication, the key to the success of Willdan is the client relationship. Of course, there is direct correlation between items 1 and 2 because communication and a successful project are the foundation for a long-term relationship.

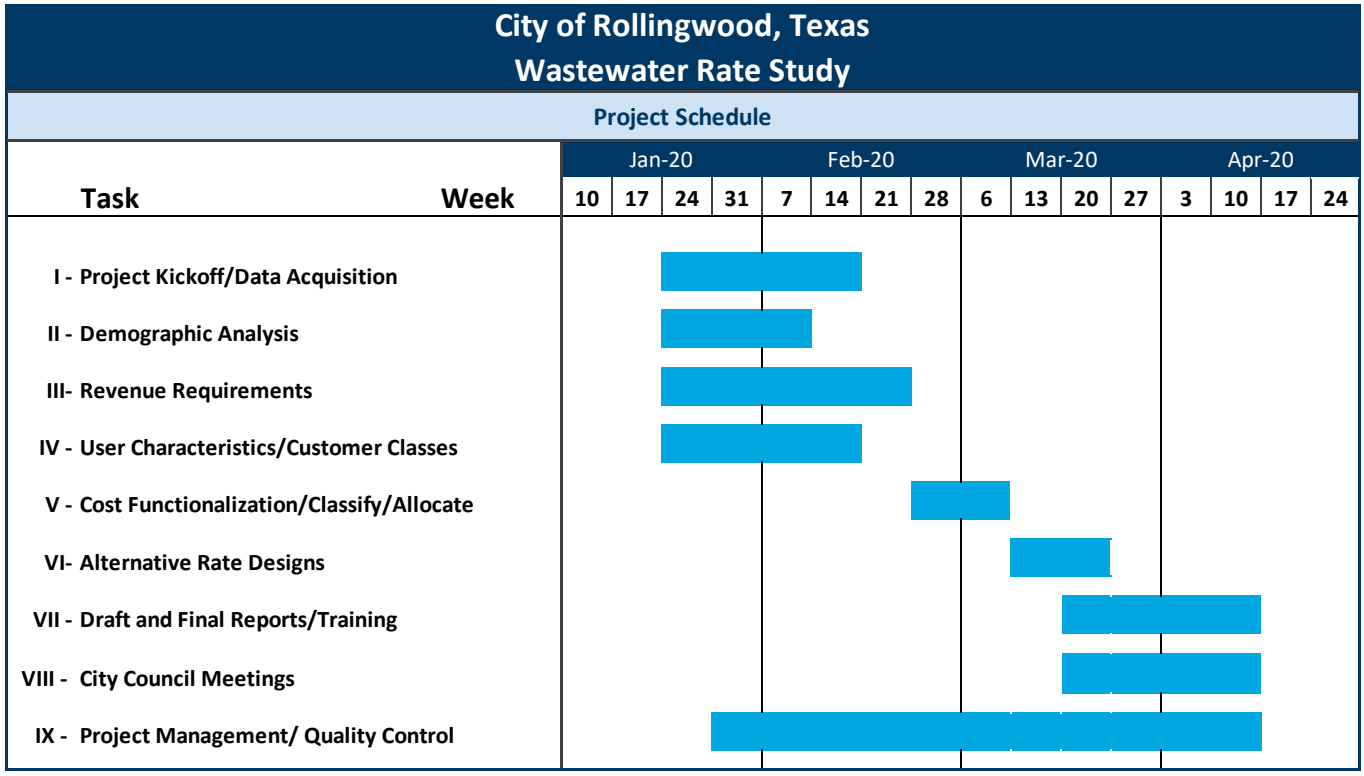
3. **Product –** For a rate study project, the final deliverable is generally considered to be the rate study report, provided upon project completion. However, there are many other elements that lead to the development and generation of the final report. Of these other elements, the rate model (and applicable software) represents the primary component in the development of the utility rate analysis. As such, the development of the rate model is where much of the QA/QC efforts are focused. Specific measures utilized by Willdan during the course of the project to ensure that the data provided and final rate model is accurate and complete include performing internal peer reviews for calculation accuracy, reviewing data input information with City staff (e.g. historical customer data, budgets, financial reports, capital improvement program, etc.), walking staff members through the model for understanding and auditing, and actively seeking reviews and revisions from each participating project team member. As a result of such upfront due diligence, the possibility of significant inaccuracies is mitigated.

Proposed Schedule

Willdan prides itself on being responsive to customer needs. In line with this core belief, we will work within the timeline identified within the City's RFP.

It is important to note that completion of the tasks within this expedited timeframe will depend to a great extent upon the availability of required data from the City, and the ability to schedule meetings in a timely manner with City staff and Council. In order to assist with the process, we will prepare an initial request for information for the City and submit it in advance of the project kick-off workshop, to aid the City in compiling the data needed. We generally can deliver preliminary recommendations within 60 days of receipt of all data.

Based on these factors and our current understanding of the solicitation, Willdan has developed the following preliminary project schedule as shown on the chart below, with final deliverables provided on September 27, 2019. It should be noted that this schedule is dependent on the timely receipt of information from the City. Any delays in receiving requested data may lead to delays in completion of the project.



Cost Proposal

Per the instructions outlined, Willdan is submitting the following cost proposal. The table below outlines the proposed project hours, professional fees and expenses for this engagement. Based on the scope of work described with Willdan's technical proposal, we are proposing professional fees and expenses for the wastewater rate study ***not-to-exceed $19,920.*** The price is fully inclusive of all expenses and professional fees. The price is firm for a period of 90 days from the proposal closing date of November 21, 2019.

City of Rollingwood, TX
Water and Wastewater Rate Study

Proposed Project Team Hours and Professional Fees

	D. Jackson Project Manager $210	D. Lanning Senior Project Analyst $175	Total Hours
Scope of Services			
Task I: Project Kick-off, Data Acquisition & Assessment	4.0	-	**4.0**
Task II: Demographic Analysis	-	4.0	**4.0**
Task III: Determine Revenue Requirements	4.0	18.0	**22.0**
Task IV: Determine User Characteristics & Customer Classes	4.0	8.0	**12.0**
Task V: Cost Functionalization, Classification & Allocation	4.0	8.0	**12.0**
Task VI: Alternative Rate Designs	8.0	8.0	**16.0**
Task VII: Prepare & Present Draft & Final Reports	4.0	8.0	**12.0**
Task VIII: City Council Meetings	8.0	4.0	**12.0**
Task IX: Project Management & Quality Control	8.0	-	**8.0**
Subtotal Hours	**44.0**	**58.0**	**102.0**
Task I: Project Kick-off, Data Acquisition & Assessment	840	-	**840**
Task II: Demographic Analysis	-	700	**700**
Task III: Determine Revenue Requirements	840	3,150	**3,990**
Task IV: Determine User Characteristics & Customer Classes	840	1,400	**2,240**
Task V: Cost Functionalization, Classification & Allocation	840	1,400	**2,240**
Task VI: Alternative Rate Designs	1,680	1,400	**3,080**
Task VII: Prepare & Present Draft & Final Reports	840	1,400	**2,240**
Task VIII: City Council Meetings	1,680	700	**2,380**
Task IX: Project Management & Quality Control	1,680	-	**1,680**
Subtotal Professional Fees	**9,240**	**10,150**	**$ 19,390**
Travel and Production Expenses			$ 2,500
Total Cost			**$ 21,890**
Professional Fee Discount		9%	1,970
Official Bid – Not to Exceed			**$ 19,920**

We believe that we have properly considered all aspects of this engagement and have developed a fair and reasonable proposed price that reflects the total effort and ensures the production of a top-quality product. Pricing for additional services, presentations, and public hearings would be discussed with City staff in advance and billed at an hourly rate as shown in the table below.

Willdan Financial Services	
Position	**Hourly Rate**
Dan V. Jackson	$210
Dan Lanning	$175
Dennis Goral	$125

3. Qualifications

Firm History

Willdan Financial Services is an operating division within Willdan Group, Inc. (WGI), which was founded in 1964 as an engineering firm working with local governments. Today, WGI is a publicly-traded company (ticker: WLDN). WGI, through its subsidiaries, provides professional technical and consulting services that ensure the quality, value and security of our nation's infrastructure, systems, facilities, and environment. The firm has pursued two primary service objectives since its inception—ensuring the success of its clients and enhancing its surrounding communities.

In doing so, Willdan has gained a notable reputation for technical excellence, cost-effectiveness, and client responsiveness in providing superior consulting services. The company's service offerings span a broad set of complementary disciplines that include engineering and planning, energy efficiency and sustainability, and financial and economic consulting. Willdan has crafted this set of integrated services so that, in the face of an evolving environment—whether economic, natural, or built—Willdan can continue to extend the reach and resources of its clients.

Currently, WGI has over 1,300 employees operating from offices in ***Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Florida, Illinois, Kansas, Kentucky, Maryland, Nevada, New Jersey, New York, Ohio, Oregon, Utah, Texas, and Washington.***

Willdan Financial Services

Established on June 24, 1988, Willdan Financial Services, a California Corporation, is a national firm, and is one of the largest public sector financial consulting firms in the United States. Since that time, we have helped over 1,200 public agencies successfully address a broad range of financial challenges, such as financing the costs of growth and generating revenues to fund desired services. Willdan assists local public agencies by providing the following services:

- User fee studies;
- Cost allocation studies;
- Real estate economic analysis;
- Economic development plans and strategies;
- Housing development and implementation strategies;
- Real estate acquisition;
- Feasibility studies;
- Financial consulting;
- Development impact fee establishment and analysis;
- Utility rate and cost of service studies;
- Debt issuance support Tax increment finance district formation and amendment;
- Long-term financial plans and cash flow modeling; and
- Property tax audits.

Our staff of 80 full-time employees supports our clients by conducting year-round workshops and on-site training to assist them in keeping current with the latest developments in our areas of expertise.

On April 6, 2015, the Plano, Texas office of Economists.com joined Willdan. Economists.com provided economic analysis and innovative financial solutions since 1997 to a wide range of municipal and public sector utilities and other critical infrastructure organizations.

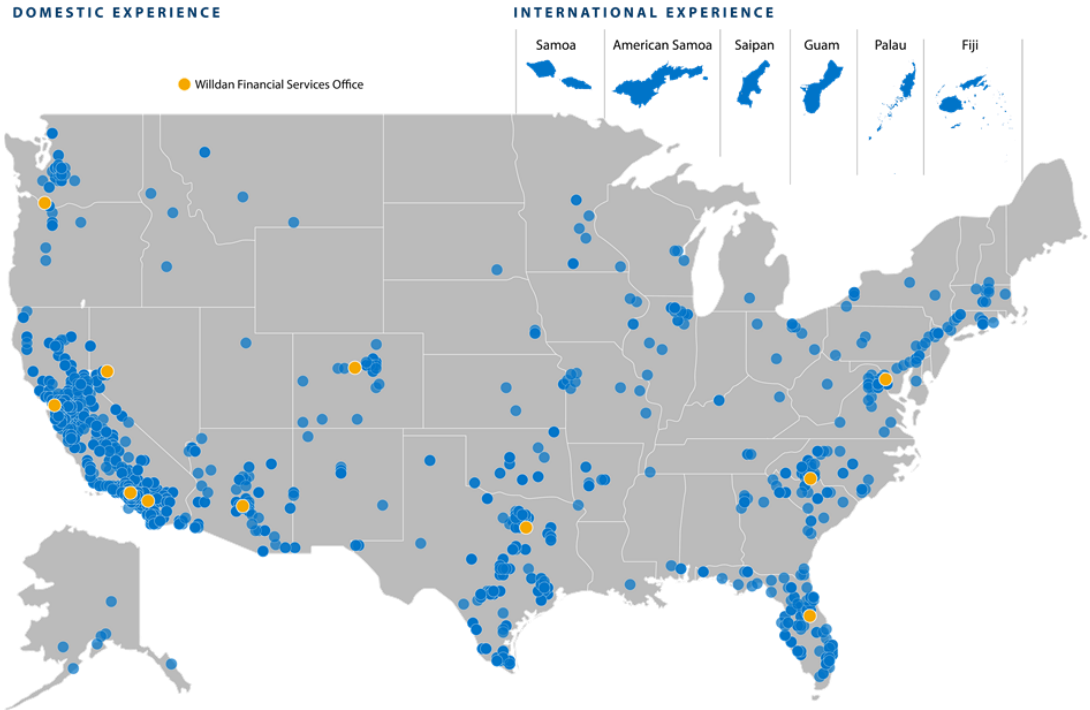
Utility Rate Analysis Experience

Willdan's professional staff has provided professional consulting services, including financial planning; wholesale/retail rate and cost-of-service studies; alternative and feasibility analyses; and operational and management studies for water, reclaimed water, wastewater, reclaimed water, solid waste, and stormwater utility clients across the United States. Additionally, Willdan's Plano office staff are involved with the development of the rate-setting methodologies set forth in the American Water Works Association (AWWA) M1 Manual "Principles of Water Rates, Fees and Charges," and the AWWA M29 Manual, "Water Utility Capital Financing." **Willdan is nationally recognized for its expertise with its staff frequently being called upon to speak or instruct on utility financial matters, as subject matter experts, in such forums as the AWWA Utility Management conference.**

Willdan staff is experienced in a broad range of utility planning services. This means that we understand the importance of an approach that integrates elements of utility planning, engineering, and finance. Willdan team members possess considerable experience in utility rate and cost-of-service studies and have performed these services for hundreds of utilities throughout the United States. Our team includes staff with public sector experience exceeding 30 years, some of which are on the forefront of utility rate-making and rate-modeling. In addition, team members have held positions as assistant finance director for a utility regulatory agency, as well as in the role of accountant and auditor, and therefore understand the financial, operational and political realities faced by governmental staff and management.

National & International Presence

For over 30 years, Willdan's professional staff has provided utility rate, financial, economic, management and capital planning consulting services to utilities and governmental entities across the country. Willdan staff are experienced in a broad range of utility planning services and therefore understand the importance of an approach that integrates elements of rates and capital planning with the political aspects of the utility. Willdan team members possess considerable experience in utility rate and cost-of-service studies and have performed these services for hundreds of utilities throughout the country and the Pacific region. A graphical representation of Willdan's geographical client presence is depicted below.



Plano Clients

Table 1 presents a comprehensive listing of the Plano office's clients. As the table shows, we have worked for almost 90 cities in Texas alone, as well as additional cities throughout the southwest and the United States in general. We have also completed rate studies for several international clients, including the nations of Fiji, Palau, Samoa and the multi-national Asian Development Bank.

This list does not include the hundreds of additional clients served by other Willdan offices. **We do not "pack" our proposals with representative engagements in which designated team members did not participate,** as it is our belief that a company's general experience not shared by proposed team members is not useful to, nor relevant to, the City's needs and requirements. We encourage all prospective clients to contact our references to assess the degree of satisfaction our past clients have with our work product and consulting services.

Table 1

Willdan Financial Services
Client List - Plano Office

	Texas				Arizona		United States
1	Alamo Heights	45	Little Elm	1	Arizona Dept. of Environmental Quality	1	Hot Springs, AR
2	Allen	46	Los Fresnos	2	Avondale	2	Hot Springs Village. AR
3	Amarillo	47	McKinney	3	Bisbee	3	North Little Rock Wastewater Utility. AR
4	Aqua Water Supply Corporation	48	Mercedes	4	Buckeye	4	Russelville, AR
5	Aubrey	49	Mesquite	5	Camp Verde	5	Ada, OK
6	Arlington	50	Midlothian	6	Casa Grande	6	Chickasha, OK
7	Balch Springs	51	New Summerfield	7	Chino Valley	7	Edmond, OK
8	Bellmead	52	North Fort Bend Water Authority	8	Clarkdale	8	Miami, OK
9	Beeville	53	Oak Point	9	Clifton	9	Pryor, OK
10	Brady	54	Parker	10	Cottonwood	10	North Chicago, IL
11	Brazos River Authority	55	Plano	11	Chloride Domestic Water Imp. District	11	South Adams County, CO
12	Castroville	56	Port of Houston Authority	12	Douglas	12	Sarpy County NE
13	Cedar Hill	57	Princeton	13	Eagar		
14	Celina	58	Prosper	14	Eloy		**Pacific Region**
15	Cinco Southwest MUD 1,2,3	59	Raymondville	15	Flowing Wells Irrigation District	1	Water Authority of Fiji
16	Cibolo Creek Municipal Authority	60	Richardson	16	Florence	2	Palau Public Utilities Corporation
17	Coppell	61	Robstown	17	Gila Bend	3	Electric Power Corporation -- Samoa
18	Crandall	62	Rockwall	18	Globe	4	American Samoa Power Authority
19	Denton	63	Rowlett	19	Goodyear	5	Commonwealth Utilities Corporation -- Saipan
20	Denton County FWSD #1A	64	Royse City	20	Holbrook	6	Guam Power Authority
21	Denton County FWSD #8C	65	San Benito	21	Marana	7	Asian Development Bank
22	DeSoto	66	San Marcos	22	Miami		
23	Donna	67	Schertz	23	Nogales		
24	Duncanville	68	Schertz Seguin LGC	24	Patagonia		
25	Eagle Pass	69	Seguin	25	Payson		
26	East Medina County SUD	70	Selma	26	Picacho Peak		
27	El Paso County WCID #4	71	Sonora	27	Pine Strawberry Water Improvement District		
28	Frisco	72	Southmost Regional Water Auth	28	Pomerine Domestic Water Improvement District		
29	Grand Prairie	73	Springtown	29	Prescott		
30	Garland	74	Taylor	30	Quartzsite		
31	Groesbeck	75	Tomball	31	Queen Creek		
32	Hackberry	76	Tornillo Water Improvement Dist	32	Safford		
33	Harker Heights	77	Troup	33	Show Low		
34	Harlingen	78	Van Alstyne	34	San Luis		
35	Hempstead	79	Venus	35	Somerton		
36	Hewitt	80	Waco	36	Springerville		
37	Hutchins	81	Waxahachie	37	Tombstone		
38	Jonah Water SUD	82	Webb County	38	Water Infrastructure Finance Authority of Arizona		
39	Kempner WSC	83	West Harris County RWA	39	Wellton		
40	Laguna Madre Water District	84	Whitehouse	40	Willcox		
41	Laredo	85	Winona	41	Winslow		
42	La Villa	86	Woodway	42	Yuma		
43	Leander	87	Yancey Water Supply Corporation				
44	Liberty Hill						

Table 2 presents a list of our specific clients in central Texas. We have prepared rate studies with objectives similar to those of Rollingwood for numerous cities in the same region as Rollingwood, including Liberty Hill, Leander, Aqua Water Supply Corporation and many others.

Table 2

Willdan Financial Services Central Texas Area Clients -- Rate Studies	
Cities	**SUDs/LGCs**
Alamo Heights	Cibolo Creek Municipal Authority
Brady	Aqua Water Supply Corporation
Castroville	Cibolo Valley Local Govt Corp
Harker Heights	East Medina County SUD
Hewitt	Jonah Water SUD
Leander	Kempner WSC
Liberty Hill	Schertz-Seguin Local Govt Corp
San Marcos	Yancey Water Supply Corporation
Schertz	
Seguin	
Selma	
Sonora	
Taylor	

Project Team

Our management and supervision of the project team is very simple: staff every position with experienced, capable personnel in sufficient numbers to deliver a superior product on time and on budget. With that philosophy in mind, we have selected several experienced professionals for this engagement.

We are confident that our team possesses the depth of experience that will successfully fulfill the desired work performance. We also note that our project team members have over 60 years' combined experience preparing water and wastewater rate studies and long-term financial plans. Unlike many other consulting firms, our senior personnel do not just perform periphery roles while assigning most of the responsibility for these engagements to less experienced personnel. Our senior level team members will be responsible for every aspect of this engagement.

Project Team Biographies

Vice President **Dan V. Jackson** will serve as **principal-in-charge and project manager** for this engagement. In this role, Mr. Jackson will participate in the kick-off meeting, provide direction and supervision throughout the project, and present preliminary and final recommendations to City staff and the City Council. Mr. Jackson has over 30 years of experience in financial consulting for water, wastewater, stormwater, solid waste and electric utilities throughout Texas, the southwest, the United States and Pacific Region. *Mr. Jackson has provided over 250 public presentations in his career to city councils, county commissioners, and utility boards.* He understands how to make presentations to non-financial audiences. Furthermore, he is a frequent speaker at utilities conferences and trade associations.

With more than 30 years of professional consulting experience, Mr. **Daniel Lanning** will serve as the **senior project analyst** working closely with Mr. Jackson to develop the analyses under the City's scope of services. Furthermore, Mr. Lanning will share knowledge gained through his involvement with American Water Works Association (AWWA) developing industry professional standards. *He is a contributing author to the AWWA Manual of Practice M29 – Capital Financing for Water Utilities and is involved in the ongoing update of the AWWA Manual M1 – Principles of Water Rates, Fees, and Charges*.

Staff Continuity

We do not anticipate staffing changes during the course of the project. However, in the extremely unlikely event that this situation arises, any change in team members will be discussed and approved in concert with the City prior to the change being made.

Current Abilities

Regrettably, because Willdan is a private company, we are unable to provide information on current client engagements and workload. However, we assure the City of Rollingwood that the staff designated to complete this engagement have sufficient existing capacity to complete this engagement on the timeframe outlined both in this proposal and in the City's RFP.

Resumes

The resumes for Willdan's proposed project team are presented on the following pages.

Dan V. Jackson, MBA

Vice President and Managing Principal

Education

Master of Business Administration, University of Chicago; Specialization in Finance/Accounting

Bachelor of Arts, University of Chicago, 1982; Major in Social Sciences
Dean's Honor List

Areas of Expertise

Rate Design

Cost of Service

Financial Forecasting

Strategic Planning

Utility/Company Valuation

Acquisition Analysis

Privatization Analysis

Economic Impact and Development

Expert Witness Testimony

Affiliations

Member, American Water Works Association

National Association for Business Economics

Commissioner, Community Development Commission, City of Dallas, Texas, 1993-1995

Other

The Forgotten Men – Fiction – Mediaguruz Publishing; Amazon.com

30 Years' Experience

Mr. Jackson has 35 years of experience as an international financial expert, having completed more than 300 water, wastewater, electric, gas, solid waste and stormwater rate/cost of service studies and long-term financial plans for clients in the United States and the Pacific Region. He also has served as an expert witness in state court, federal court and before several public utility commissions. Mr. Jackson's prior experience includes positions with Deloitte and Touche, Arthur Andersen and Reed-Stowe and Company.

In 1997, Mr. Jackson co-founded Economists.com LLC, which became an international consulting firm with offices in Dallas and Portland, Oregon. Willdan acquired Economists.com in 2015, and he now serves as Vice President and Managing Principal. Mr. Jackson has given dozens of lectures and presentations before professional associations and is also a published author; his novel **The Forgotten Men** is available on Amazon.com.

Mr. Jackson's experience is summarized below.

Water/Wastewater – Rate Studies and Long-term Financial Plans

Alamo Heights, TX	2018
Allen, TX	2007, 2009, 2012
Amarillo, TX	2017
Aqua Water Supply Corporation, TX	2003
Balch Springs, TX	2017
Brady, TX	2016
Castroville, TX	2016, 2018
Cedar Hill, TX	2016, 2018
Celina, TX	2014, 2018, 2019
Cibolo Creek Municipal Authority	2012, 2015
Coppell, TX	2017
Denton County FWSD 1A, TX	2017
Denton County FWSD 8C, TX	2018
DeSoto, TX	2005 – 2019
Donna, TX	2007, 2011, 2012, 2013,2015, 2016
Duncanville, TX	2002, 2003, 2007, 2013, 2014, 2018
El Paso County WCID #4, TX	2005, 2007, 2010, 2011, 2015
El Paso County Tornillo WCID, TX	2006, 2010
Fairview, TX	2016, 2018
Frisco, TX	2017
Garland, TX	2009 – 2012
Grand Prairie, TX	2019
Groesbeck, TX	2001, 2004
Hackberry, TX	2006
Harker Heights, TX	2006
Hewitt, TX	2009 – 2015
Hondo, TX	2019
Hutchins, TX	2017, 2019
Jonah Special Utility District, TX	2006
Kaufman, TX	1994
Kempner WSC, TX	2014 – 2015
Laguna Madre Water District, TX	1991, 1994, 1999, 2005, 2014, 2018
Laredo, TX	2018, 2019

D. Jackson

Resume Continued

- La Villa, TX 2007
- League City, TX 2019
- Leander, TX 2017 – 2018
- Liberty Hill, TX 2018, 2019
- Little Elm, TX 2001, 2004,2008 – 2016
- Los Fresnos, TX 2007
- McKinney, TX 2016, 2010
- Mercedes, TX 2001, 2003
- Mesquite, TX 2018
- Midlothian, TX 2000, 2003, 2006, 2010, 2011, 2016
- North Fort Bend Water Authority, TX 2011, 2016
- Oak Point, TX 2006, 2011
- Paris, TX 1995
- Parker, TX 2016
- Plano, TX 2017
- Port of Houston Authority, TX 2001
- Princeton, TX 2012
- Prosper, TX 2005, 2016, 2018
- Raymondville, TX 2001
- Richardson, TX 2016
- Robinson, TX 2012, 2014, 2015
- Robstown, TX 2014, 2015
- Rowlett, TX 2009, 2017, 2019
- Royse City, TX 2007, 2011,2018
- Rockwall, TX 2018
- Sachse, TX 2014
- San Juan, TX 2019
- Schertz, TX 2012 – 2018
- Schertz-Seguin Local Govt Corp, TX 2010 – 2019
- Seguin, TX 2015 – 2019
- Selma, TX 2018
- Sonora, TX 2012
- Southmost Regional Water Authority, TX 2001
- Tomball, TX 2018
- Troup, TX 2006
- Venus, TX 2005, 2012
- Waxahachie, TX 2012
- West Harris County Regional Water Auth, TX 2003, 2006, 2010, 2011
- Webb County, TX 2011
- Whitehouse, TX 2008
- Winona, TX 2009
- Yancey Water Supply Corporation, TX 2005
- Bisbee, AZ 2000 – 2005, 2018
- Buckeye, AZ 2013, 2015, 2016
- Camp Verde Sanitary District, AZ 2006, 2008
- Carefree, AZ 2018
- Casa Grande, AZ 2009
- Chino Valley, AZ 2010 – 2018
- Chloride Domestic Water Imp District, AZ 2003
- Clarkdale, AZ 2005

D. Jackson
Resume Continued

- Clifton, AZ 2018
- Cottonwood, AZ 2004, 2007, 2009
- Douglas, AZ 2009, 2011
- Eagar, AZ 2006, 2011, 2012
- Eloy, AZ 2007, 2011 – 2013
- Florence, AZ 2008, 2012
- Flowing Wells Improvement District, AZ 2008
- Goodyear, AZ 2014, 2015
- Holbrook, AZ 2004
- Marana, AZ 2008 – 2013, 2016
- Miami, AZ 2010 – 2012, 2015
- Nogales, AZ 2011, 2015 – 2016, 2018
- Patagonia, AZ 1999, 2002
- Payson, AZ 2006, 2010, 2012, 2013, 2014
- Prescott, AZ 2008
- Quartzsite, AZ 2004, 2009, 2011, 2012, 2018
- Queen Creek, AZ 2004, 2007, 2015, 2016
- Safford, AZ 2006
- San Luis, AZ 2002, 2012, 2013, 2017, 2018
- Show Low, AZ 2011, 2014
- Somerton, AZ 1999, 2002, 2005 – 2010,2018
- Tombstone, AZ 2001
- Tonto Village DWID, AZ 2018
- Wellton, AZ 2003
- Willcox, AZ 2002
- Winslow, AZ 2016, 2018
- Yuma, AZ 2007, 2014, 2015, 2018
- North Chicago, IL 2001, 2005
- Ada, OK 2014, 2015, 2018
- Chickasha, OK 2016
- Edmond, OK 2010, 2015, 2017, 2018
- Miami, OK 2009, 2014, 2017
- Pryor, OK 2016
- Hot Springs, AR 2005, 2009 – 2018
- North Little Rock Wastewater Utility, AR 1999, 2003, 2006, 2011 – 2015
- Russellville, AR 2013, 2014, 2015
- Sarpy County, NE 2018
- South Adams County WSD, CO 2013

Water, Wastewater, Gas, Electric – Pacific Region Experience

- Commonwealth Utilities Corporation, Saipan 2005 – 2018
- American Samoa Power Authority 2009, 2014, 2017
- Electric Power Corp, Samoa 2013
- Water Authority of Fiji 2016, 2017, 2019
- Palau Public Utilities Corporation 2008, 2018
- Guam Power Authority 2011

Solid Waste and Stormwater – Rate Studies and Long-term Financial Plans

- Duncanville, TX 2007
- Hewitt, TX 2010
- Mercedes, TX 1999

D. Jackson
Resume Continued

- San Marcos, TX 2018
- San Luis, AZ 2003, 2013
- Somerton, AZ 2006
- Hot Springs, AR 2011, 2012, 2013, 2016
- Miami, OK 2009

Water/Wastewater – CCN/ System Valuations and Acquisitions

- Avondale, AZ 2006
- Buckeye, AZ 2013 – 2015
- Casa Grande, AZ (private) 2015
- Chino Valley, AZ 2006, 2016, 2018
- Clarksdale, AZ 2009
- Cottonwood, AZ 2009, 2012
- Florence, AZ 2007, 2014
- Marana, AZ 2009, 2010
- Pine Strawberry Water Imp District, AZ 2009
- Prescott, AZ 2006
- Prescott Valley, AZ 1998
- Queen Creek, AZ 2008, 2011
- Show Low, AZ 2010, 2011
- Aubrey, TX 2015
- Arlington, TX 1999, 2001
- Celina, TX 2006, 2015
- Forney Lake WSC, TX 2016
- Gunter, TX 2006
- Kempner WSC, TX 2016
- Rockwall, TX 2005
- Taylor, TX 1999
- Trinity Water Reserve, TX 2000
- Whitehouse, TX 2006
- Van Alstyne, TX 2019
- North Chicago, IL 2001
- North Little Rock WWU, AR 2015

Water/Wastewater – Impact Fee Studies

- Cibolo Creek Municipal Authority, TX 2015
- East Medina County Special Utility District, TX 2000
- Harlingen, TX 2005
- Laguna Madre Water District, TX 1993, 1996, 2000, 2003
- Los Fresnos, TX 2006
- Mesquite, TX 1996
- Marana, AZ 2011 – 2014
- Prescott, AZ 2007
- San Luis, AZ 2002
- Wellton, AZ 2003
- Yuma, AZ 2004, 2007, 2016
- Hot Springs, AR 2005, 2009, 2016

Water/Wastewater – Other Studies

City of Paris, TX – Campbell's Soup Co. wholesale contract review/negotiations

City of Conroe, TX – Evaluation of proposed long-term wholesale contract

D. Jackson
Resume Continued

Cities of Bellmead, Woodway and Hewitt, TX – Least cost alternative analysis and assistance with wholesale contract negotiations with City of Waco

City of Lubbock, TX – Analysis of reasonableness of rates for Franklin Water System, January 2002

City of Rockwall, TX – Wholesale contract review, 2005

City of Miami, OK – Non-rate revenue study, 2010

Town of Payson, AZ – Financial feasibility and economic impact study of C.C. Cragin Reservoir, 2011

City of Duncanville, TX – Water and wastewater cost allocation study, 2002

City of Whitehouse, TX – Economic analysis of potential acquisition of a water supply corporation, 2006

City of Midlothian, TX – Drought management plans, 2001

City of Midlothian, TX – Assistance with wholesale contract negotiations, 2000 – 2001

City of Arlington, TX – Cost of service study for non-water/sewer revenues, 1997

City of Arlington, TX – Lease vs. purchase analysis of city fixed assets, 1998

City of Donna, TX – Water and wastewater affordability analysis, 2005

Southmost Regional Water Authority – Economic and financial impact of proposed desalination treatment plant, 2001

Texas Water Development Board Region M – Financial feasibility analysis of water resource alternatives, 2006

Laguna Madre Water District; Port Isabel, TX – Lost/unaccounted for water study, 1992

Schertz Seguin Local Government Corporation, TX – Assistance in contract negotiations with SAWS, 2010

California-American Water Company – Reasonableness of rate structure for City of Thousand Oaks, 2003

California-American Water Company – Reasonableness of rate structure for City of Felton, 2004

Forsyth County, GA – Business plan with extensive recommendations for managing unprecedented growth in volume and customer connections. Ten-year projection of operating income, 1998.

City of Lakeland, FL – Valuation of wastewater reuse alternatives over 20-year timeframe

Border Environment Cooperation Commission and City of Bisbee, AZ – Wastewater system improvements plan, 2003

Water Infrastructure Finance Authority of Arizona – Evaluation of 40-year wastewater construction financing plan for Lake Havasu City, 2002

Water Infrastructure Finance Authority of Arizona – Comprehensive residential water and wastewater rate survey for the state of Arizona, 2004 – 2008

City of Plano, TX – evaluation of long-term contract with North Texas Municipal Water District, 2015 – 2016

Expert Witness Testimony

City of Arlington, TX – Seven separate cost of service analyses and testimony in wholesale contract rate proceedings before TNRCC. Largest ongoing wastewater rate dispute in Texas history, 1990 – 1994.

D. Jackson
Resume Continued

Cameron County Fresh Water Supply District No. 1 vs. Town of South Padre Island (TNRCC Docket 30346-W) – Expert testimony on reasonableness of rate structure, 1992.

Cameron County Fresh Water Supply District No. 1 vs. Sheraton Hotel/Outdoor Resorts (TNRCC Docket 95-0432-UCR) – Expert testimony on reasonableness of rate structure, 1993.

City of Celina, TX (SOAH Docket 2003-0762-DIS) – Expert testimony on the proposed creation of a Municipal Utility District, 2004.

East Medina County Special Utility District, TX (SOAH Docket 582-02-1255) – Expert testimony on CCN application, 2003.

East Medina County Special Utility District, TX (SOAH Docket 582-04-1012) – Expert testimony on CCN application, 2004.

City of Karnes City, TX – Expert testimony on valuation of CCN before the Texas Commission on Environmental Quality, 2009.

City of Princeton, TX (SOAH Docket 582-06-1641 and TCEQ Docket 2006-0044-UCR) – Expert testimony on ability to serve proposed service territory, 2007.

Town of Little Elm, TX (SOAH Docket 582-01-1618) – Expert testimony on reasonableness of rate structure, 2001.

Schertz Seguin Local Government Corporation – Expert testimony addressing application of San Antonio Water System for groundwater permits for Gonzalez County UWCD, 2009.

City of Ruidoso, NM – Expert testimony on reasonableness of wastewater rates, 2010.

City of Hot Springs, AR – Expert witness testimony on reasonableness of solid waste rates, 2010.

Dallas County Water Control and Improvement District No. 6 (TNRCC Docket 95-0295-MWD) – Hearing on the merits for proposed wastewater treatment plant permit, 1995.

Commonwealth Utilities Corporation Saipan -- Expert testimony before Commonwealth Public Utilities Commission on reasonableness of rate structure, 2010 – 2015.

City of Mesquite, TX vs. Southwestern Bell Telephone Company (No. 3-89-0115-T, U.S. Federal Court Northern Texas) – 18-year estimate of revenues excluded from municipal franchise fees by SWB. Expert testimony on SWB accounting and franchise policies and discovery disputes, 1991 – 1995.

City of Port Arthur, et. al., vs. Southwestern Bell Telephone Company (No. D-142,176, 136th Judicial District Court of Beaumont, Texas) – 20-year estimate of revenues excluded from municipal franchise fees by SWB. Expert testimony on SWB accounting and franchise policies. Case settled on first day of trial for approximately $30 million, 1993 – 1995.

Southwestern Bell Telephone Company vs. City of Arlington, TX (No. 3:98-CV-0844-X, U.S. Federal Court Northern Texas) – 15-year estimate of access revenues excluded from municipal franchise fees by SWB. Expert testimony on SWB accounting and franchise policies, 1996.

Metro-Link Telecom vs. Southwestern Bell Telephone Company (No. 89-CV-0240, 56th Judicial District Court Galveston County, TX) – 20-year pro forma model calculating lost revenue from the cancellation of a trunk line leasing contract. The model formed the basis of a $5.7 million judgment against SWB, 1994

Complaint of the City of Denton against GTE Southwest, Inc. (PUC Docket 14152), 1994.

GTE vs. City of Denton (No. 95-50259-367, 367th Judicial District Court of Denton County, TX) – 10-year estimate of revenues excluded from municipal franchise fees by GTE, 1994 – 1996.

D. Jackson
Resume Continued

MAS vs. City of Denton, TX (No. 99-50263-367, Judicial District Court of Denton County, TX) – Testimony on reasonableness of franchise fee payment calculations.

Regulated Utilities – USA

City of Miami, OK – Electric, water and wastewater and electric rate study, 2006

Bonneville Power Administration –-Participation in Average System Cost (ASC) program, including proposed changes in ASC methodology, 1988 – 1990

Houston Lighting & Power – Feasibility/Prudence analysis of South Texas Nuclear Project vs. alternate forms of energy. Analysis formed the basis of partner's expert testimony before the Public Utility Commission of Texas, 1988

Kansas Power & Light – Analysis of proposed merger with two separate companies, 1988

Greenville Electric Utility System – Development of short-term cash investment policy in accordance with state law, 1989

Horizon Communications – Business plan development, 2000

City of Mercedes, TX – Economic Impact of New City Projects, 2000

Telecommunications

City of Dallas, TX – Forecast of economic and financial construction and non-construction damages resulting from franchise's failure to fulfill terms of agreement, 2004

City of Dallas, TX – Financial evaluation and forecast of alternative wireless services contracts, 2005

City of Dallas, TX – Evaluation and advice concerning VOIP contract with SBC, 2003

Voice Web Corporation -- Economic/financial forecast and strategic plan for CLEC development, 2001

United Telephone of Ohio -- Pro forma forecast model projecting the impact on financial statements of proposed changes in state telecommunications regulatory structures. Model was used as the basis for privatization bids for Argentine and Puerto Rican Telephone Companies, 1988

Bonneville Power Administration – Evaluation and financial forecast of long-term fiber optic leasing operation, 1999

Bonneville Power Administration – Economics of Fiber Analysis, 1999

City of Portland, OR –Municipal Franchise Fee Review, 2000

US West, Inc. – Valuation study and financial forecast of headquarters operation. Used as basis for Partner's allocated cost testimony before the Public Utility Commission in Washington and Utah.

Virgin Islands Telephone Company – Business Interruption study assessing impact of Hurricane Hugo on company operations, outside plant, and total revenue. Included valuation and 10-year financial forecast of revenues and expenses, 1990.

Star-Tel – Estimate of revenues lost due to rival's unfair business practices, 1995

Cities of Denton and Carrollton, TX – Review of municipal franchise fee payments by GTE, 1994 – 1996

Winstar Gateway Network – forecast of average lifespan per ANI for specific customer classes

Advisory Commission on State Emergency Communications – Review of E911 Equalization Surcharge Payments by AT&T, ATC Satelco, and Lake Dallas Telephone Company

D. Jackson
Resume Continued

Northern Telecom – Projection of potential revenue generated from the long-term lease of DMS-100 switching units to Pacific Bell

Publications/Presentations/Seminars

- ***The Forgotten Men (fiction)*** – Mediaguruz Publishing, 2012
- *Raising Water and Wastewater Rates – How to Maximize Revenues and Minimize Headaches – Arizona Small Utilities Association, August 2002; Texas Section AWWA, April 2003*
- *Wholesale Providers and the Duty to Serve: A Case Study*; Water Environment Federation, September 1996
- L*ease vs. Purchase – A Guideline for the Public Sector*; Texas Town and City, March 1998
- *An Introduction to Lease vs. Purchase*; Texas City Managers Association, May 1998
- *Technische Universiteit Delft* – Delft Netherlands; Annual Infrastructure Conference – May 2000, 2001
- *The US Water Industry – A Study in the Limits of Privatization*; Technische Universiteit Delft – Delft Netherlands, March 2007
- *The New Information Economy: Opportunity or Threat to the Rio Grande Valley?*; Rio Grande Valley Economic Summit, Oct 2000
- *The Financial Benefits of Regionalization – A Case Study;* Texas Water Development Symposium, September 2010
- *Developing Conservation Water Rates Without Sacrificing Revenue*; TWCA Conference, San Antonio, TX, October 2012
- *Water Rates – Challenges for Pacific Utilities*; Pacific Water and Wastes Conference, American Samoa, September 2014

Daniel D. Lanning

Senior Consultant and Financial Analyst

Education

Bachelor of Science, Accounting, Bentley University, Waltham Massachusetts

Areas of Expertise

Management Consulting

Impact Fee Studies

Financial Analysis

Utility Rate and Cost Studies

Feasibility and Financial Analysis and Reporting

Expert Witness

Utility Regulation

Affiliations

American Water Works Association

Texas Section American Water Works Association

Societies

American Water Works Association; Member: Rates and Charges Committee, Accounting and Finance Subcommittee; Member Task Force revising AWWA Manual M-1 – Water Rates and Charges; Member Task Force to prepare AWWA Manual M-52 – Developing Rates for Small Systems; Member Task Force to edit/revise AWWA Manual M-29 – Fundamentals of Water Utility Capital Financing.

Mr. Lanning is a management consultant with extensive experience in utility and energy matters. Since becoming a consultant nearly 30 years ago, Mr. Lanning has served as project manager, task leader and key staff person on numerous impact fee, cost of service, asset valuation, financial feasibility and management studies for public and private water, sewer, solid waste and stormwater utilities. He has also conducted numerous financial/economic feasibility and management studies, as well as electric deregulation planning and energy commodity procurement and negotiation support engagements. In addition, he has presented testimony and reports before local and federal courts and state regulatory agencies supporting positions on revenue requirement, cost of service, tariff/rate design, and electric and gas fuel adjustment clauses.

Prior to becoming a consultant, Mr. Lanning was a member of the New Hampshire Public Utilities Commission (PUC) staff where he held several positions including Assistant Finance Director, Chief Auditor at the Seabrook Nuclear Power Plant, and a PUC Examiner assisting the Commission's compliance with the Public Utility Regulatory Policies Act (PURPA).

As a consultant, Mr. Lanning has been instrumental in developing and updating water, sewer, stormwater, and solid waste impact fees, cost of service, rate, and long-term financial planning studies. These studies regularly involve reviewing and evaluating utility capital improvement plans, capital financing alternatives, operating statistics and budget reporting and developing computer financial models for various types of government entities.

Professional Experience

Mr. Lanning has led and participated in over 100 important financial, rate and impact fee studies and projects as a consultant. A sample list of water and wastewater rate and impact fee analysis projects are listed below.

- League City, TX (W/WW Rate Study)
- Rowlett, TX (W/WW Rate Study)
- Royse City, TX (W/WW Rate Study)
- San Juan, TX (W/WW Rate Study)
- Grand Prairie, TX (W/WW Rate Revenue Requirement Study)
- McKinney, TX (W/WW Rates)
- Frisco, TX (W/WW Rates)
- Amarillo TX (W/WW Rates)
- Laredo, TX (W/WW Rates)
- Brady, TX (W/WW Rates)
- San Luis, AZ (W/WW and Solid Waste Rates)
- Celina, TX (W/WW Rate Study)
- Rockwall, TX (W/WW Rates; Asset Valuation)
- Los Fresnos, TX (W/WW Rates)
- Winslow, AZ (W/WW Rates and Bond Feasibility Study)
- Balch Springs, TX (W/WW Rates)

D. Lanning
Resume Continued

Societies

Water Environment Federation: Member Financing and Charges for Wastewater Systems Task Force that prepared WEF Manual of Practice No. 27, Financing and Charges for Wastewater Systems.

Over 30 Years of Utility Accounting, Finance and Ratemaking Experience

- Hutchins, TX (W/WW Rates)
- University Park, TX (W/WW Rates)
- Highland Park, TX (W/WW Rates)
- Schertz, TX (W/WW Rates)
- Beeville, TX (W/WW Rates)
- West Harris Regional Water Authority, TX (Wholesale Water Rates)
- Plano, Garland, Richardson and Mesquite, TX (Evaluation of Wholesale Water Contract)
- Midlothian, TX (W/WW Rates)
- Fairview, TX (W/WW Rates)
- Richardson, TX (W/WW Rates)
- Schertz Seguin Local Government Corporation (Wholesale Water Rates)
- Seguin, TX (W/WW Impact Fee)
- Liberty Hill, TX (W/WW Impact Fees)
- Yuma, AZ (W/WW Capacity/Impact Fees, Solid Waste)
- Hot Springs, AR (W/WW Impact Fees and Non-Revenue Water Audit)
- Marana, AZ (W/WW Impact Fees)
- Cibolo Creek Municipal Authority, TX (W/WW Impact Fees and WW Rate Analysis)
- Fort Worth, TX (W/WW Impact Fees)
- Douglas, AZ (Solid Waste Rates)
- North Little Rock Wastewater Utility, AR (WW Rates)
- Westminster, CO (W/WW Rates)
- Duluth, MN (WW Rates)
- Lansing, MI (CSO Value Engineering Study)
- Oswego, NY (W/WW Rates)
- New Bedford, MA (CSO Affordability and SRF Funding Application)
- Brewer Water District, ME (W Rates)
- DC Water and Sewer Authority (now DC Water) (W/WW Rates)
- Los Angeles Department of Water and Power (Integrated Resource Plan – Financial Model)
- Fort Worth, TX (Wholesale Rates & Contract Negotiations)
- Falls Church, VA (Utility Asset Valuation)
- USAID (Bosnia and Herzegovina sector wide financial strengthening of water/ wastewater utilities)
- Waller Lansden Dortch & Davis, LLP (Representing Trustee of Jefferson County, AL sewer debt)
- OK Foods Inc., Muldrow, OK (W Rates)
- Corporation (IFC) and Egyptian Ministry of Housing, Utilities & Urban Developments (Purchase Feasibility Study)
- City of Nashua, NH (Negotiation Support – Purchase of Private Water System)

D. Lanning
Resume Continued

Recent Project Experience

City of Rockwall, TX – Water and Wastewater Rate Study (Senior Financial Analyst, 2018): Mr. Lanning prepared a water and wastewater rate analysis and report for the City of Rockwall. The report included recommended rates and a financial plan for the next 10 years. The study included evaluations of alternative rate structures and an impact analysis of recommended rate increases on customers.

City of Celina, TX – Water and Wastewater Rate Study (Senior Financial Analyst, 2018): Mr. Lanning prepared a water and wastewater rate analysis and report for the City of Celina. Since the City is growing rapidly, the report included recommended rates for the next three years with a recommendation of an annual review to confirm growth estimates continue as planned. The report also included a 10-year financial plan for the water and wastewater utilities. Several alternative rate structures were developed and an impact analysis of these alternative on customers and the City were provided. Finally, the impact of recommended rate increases on customers was prepared.

Town of Fairview, TX – Water and Wastewater Rate Study (Senior Financial Analyst, 2016 and 2018): Mr. Lanning prepared a water and wastewater rate analysis and report for the Town of Fairview. The report included recommended rates and a financial plan for the next 10 years. The study included evaluations of alternative rate structures and an impact analysis of recommended rate increases on customers.

City of Midlothian, TX – Water and Wastewater Rate Study: As a key member of the Willdan project team, Mr. Lanning prepared an updated water and wastewater rate analysis and report for the City of Midlothian (a long-standing Willdan/Economists.com client). The report included recommended rates and a 10-year financial plan. Updates included several new wholesale customer rates based on contract terms and supported by the utility method in determining cost of service for wholesale customers (as recommended in the AWWA M-1 Manual). An impact analysis of recommended rate increases on customers was provided in the draft and final reports.

City of Winslow, AZ – Wastewater Rate Study and Long-term Financial Plan (Senior Financial Analyst, 2016): Willdan was retained by the City of Winslow to prepare a financial evaluation rate study of the City's wastewater in anticipation of a bond issue. Mr. Lanning was a key member of the Willdan project team that prepared the wastewater rate analysis and report for the City. In developing our forecast, Willdan reviewed the City's operating and financial performance and made forecasts based on assumptions developed through interviews and data provided by City staff and review of historical financial performance by the Wastewater Fund. The report included recommended rates and a financial plan for the next 10 years. The study included evaluations of alternative rate structures and an impact analysis of recommended rate increases on customers.

City of San Luis, AZ – Solid Waste, Water and Wastewater Rate Study (Senior Financial Analyst, 2017): Mr. Lanning prepared a solid waste, water and wastewater rate analysis and report for the City of San Luis. The report included recommended rates and a financial plan for the next 10 years. The study included evaluations of alternative rate structures and an impact analysis of recommended rate increases on customers.

City of Schertz, TX – Water and Wastewater Rate Study (Senior Financial Analyst, 2015): In 2015, Mr. Lanning prepared a water and wastewater rate analysis and report for the City of Schertz (a long-standing Willdan /Economists.com client). The report included recommended rates and a financial plan for the next 10 years. Updates included several new customer classes and an impact analysis of recommended rate increases on customers.

D. Lanning
Resume Continued

City of Yuma AZ – Water and Wastewater Capacity (Impact) Fee Study (Senior Analyst 2016): Mr. Lanning was a key member of the Willdan project team retained by the City of Yuma to develop a schedule of maximum water and wastewater capacity fees. The methodology used to develop the capacity fees was reflective of that put forth in Arizona Revised Statute 9-463.05. The City's capital improvement plan included projects designed both to repair and replace current capacity and to expand total system capacity to meet the needs of new growth. The project team utilized the CIP to develop recommended maximum capacity fees for each basin in the City.

The capacity fee process adhered to a basic, generally-accepted methodology so that it could be properly calculated and implemented. The methodology is known as the Total Cost Attribution method and was considered by the project team to be the most appropriate for Yuma and closely matches the methodology outlined in Arizona Revised Statute 9-463.05. The City used the maximum fees developed in the study as guidance in adopting reasonable water and wastewater capacity fees.

Town of Marana, AZ – Water and Wastewater Impact Fee Study (Senior Analyst 2017): Mr. Lanning was a key member of the Willdan team retained by the Town of Marana to develop a schedule of maximum water and wastewater impact fees. The methodology used to develop the Marana Impact Fees was reflective of that put forth in Arizona Revised Statute 9-463.05. Using the Town's Infrastructure Improvement Plan which includes projects designed to expand total system capacity to meet the needs of new growth, the project team developed recommended maximum impact fees for each basin/benefit area within the Town.

City of Fort Worth, TX – Water and Wastewater Impact Fee Study (Project Manager, 2004): Mr. Lanning led a team of experts selected by the City of Fort Worth's Water Department to update Water and Wastewater Impact Fee report for 2004 in accordance with Texas local government codes as mandated by state statute. Public acceptance of the new fee was a critical component of this project. The Water and Wastewater Impact Fee report consists of the following components: land use assumptions (LUA), capital improvements plan (CIP) and impact fee schedule of charges. The project team updated the LAU and CIP, assisting department staff in conducting meetings with stakeholder groups (citizen advisory committee on impact fees, wholesale water and wastewater advisory committee/subcommittee on impact fees, the City Council, and the public) by providing public relations support. The team prepared the requisite reports and assisted the City in implementing revised water and wastewater impact fees within the timeframe mandated by state statutes.

City of University Park, TX – Water and Wastewater Rate Study (Project Manager, 2013): Mr. Lanning served as project manager of a team of experts that completed a cost of service and rate design study for University Park that included an evaluation of customer class usage patterns; an allocation of cost of service to customer class based on demand; identification of large users (residential and commercial) and development of alternative rate structures designed to enhance water conservation. Tests were performed to determine impacts of decreased use on utility revenue and a reserve was recommended to offset variations in water use due to weather or significant changes to customer use patterns.

Bank of New York Mellon versus Jefferson County, Alabama, et al., in the Circuit Court of Jefferson County, Alabama, Case Number CV 2009-02318 (Expert Witness, 2010): Deposed as an expert witness regarding reasonableness of sewer rates and appropriate sewer design alternatives on behalf of the Bank of New York Mellon (the Trust) by its attorneys; Waller Lansden Dortch & Davis, LLP.

District of Columbia Water and Sewer Authority (Senior Analyst, 2006 – 2007): Mr. Lanning provided analysis for a cost of service and rate design alternative evaluation prepared for the District of Columbia Water and Sewer Authority. The study evaluated current and projected water and wastewater rates and three rate design alternatives. The purpose of this cost of service study was to determine whether the existing rates recover costs from the various customer classes or groups in proportion to the cost of providing service to those classes or groups. The study concluded that the existing rates were not significantly understated and that the rate structure met most of the WASA Board criteria. Some improvement could be made by increasing the customer charge to recover the true cost of service for customer accounting and billing as well as developing a private fire protection fee and an upfront contribution program for customers with special improvement requirements.

Professional Activities

- *User Fees: Cause and Effect* – Presenter – 2003 Arkansas Water Works and Water Environment Association Conference Short School "Visionaries for Arkansas," April 2003.
- *How Utility Rates and Charges Are Determined* – Presenter – Kansas Water Environmental Association, 58th Annual Conference – April 2003.
- *Rate 101 Seminar – Fundamentals of Water and Wastewater Rates* – Government Financial Officers Association of Texas 2004 Annual Conference – April 2004 – Presenter ("Revenue Requirements") and Lead Moderator.
- *Alternative Financing Available for Water/Wastewater Utility Energy Saving Improvements: Two Examples From New York* – C. Korzenko and D. Lanning, (co-presenters) American Water Works Association (AWWA) 2005 Annual Conference and Exposition – San Francisco.
- *Rate 101 Seminar – Fundamentals of Water and Wastewater Rates* – Government Financial Officers Association of Texas 2005 Fall Conference – November 2005 – Presenter ("Revenue Requirements") and Lead Moderator.
- *"Planning and Financing Water and Wastewater Utility Infrastructure Replacement"* – S. Kuhr, G. Nestel, H. Reynolds and D. Lanning – Underground Infrastructure Management - magazine and web site – five articles published between 2005 and 2008.
- *"Now That I Must Do It, How Do I Do It? What You Need to Know About the Fundamentals of Water Utility Capital Finance – An Introduction to AWWA's New and Improved Manual M29,"* American Water Works Association (AWWA) conference ACE 07 Workshop June 24, 2007 – Workshop Presenter – "Financial Requirements Planning Process."
- *"Everything You Ever Wanted to Know About Finance Management but were Afraid to Ask: An Overview of the New AWWA Financial Management for Water Utilities Manual,"* American Water Works Conference (AWWA) ACE 08 Workshop, June 8, 2008 – Workshop Presenter – "Operational and Capital Planning, Capital Assets, CIP and Planning, Benchmarking, Strategic Financial Planning."
- *"Inside/Outside Rates: Refinements in the M1 Manual"* Eric Rothstein and Dan Lanning; AWWA 2012 Annual Conference and Exhibits (ACE12) Rate and Charges Committee Session "AWWA's Updated M1 Manual – Perspectives on a Changing World," June 13, 2012.

4. References

Identified below are select Texas engagements completed by the proposed project team within the last three years and include the principal client contact's name and contact information. Please note that many of our projects completed in the last three years are for long-term ongoing clients. We are proud of the fact that many clients who initially engaged us for rate studies are happy with our work project, and subsequently engage us for additional work.

We are also proud of our reputation for customer service and encourage you to contact the references listed in regard to our commitment to completing our projects within budget and agreed upon timeline. Please feel free to ask for additional contact information for our other State or international clients.

City of Schertz, TX | Water and Wastewater Cost of Service and Rate Design Study; 2012, 2015, 2017, 2018, 2019

The City engaged Economists.com to develop a comprehensive water and wastewater rate study for fiscal year 2012 and beyond, with particular emphasis on the evaluation of the reasonableness of their conservation-based rate structure. In 2015 the project team completed a new rate study and financial plan. The City was interested in evaluating whether there was a need to refine the usage blocks or adjust the base charge. The project team also provided an analysis of the City's options regarding the financing of long-term capital improvements to the water and wastewater system. The project team has completed annual updates of the City's water and wastewater rate plan in 2017 and 2018 and has recently completed the 2019 rate update.

Client Contact: Mr. James Hooks, Public Works Director
10 Commercial Place, Building 2, Schertz, TX 78154
Tel #: (210) 619-1800 | Email: Jhooks@schertz.com

City of Seguin, TX | Water and Wastewater Cost of Service and Rate Design Forecast; 2015 to present

The City initially engaged Willdan /Economists.com to develop a comprehensive water and wastewater rate plan for the period fiscal year (FY) 2015 through FY 2024. The City faces the need to spend tens of millions of dollars to repair and replace its aging water distribution and wastewater collection system. Further, the City is beginning to experience a significant level of growth in both its commercial and residential sectors.

The project team developed a multi-year water and wastewater rate plan that uniformly applied rate adjustments to all customer classes based on projected revenue requirements. The rate plan is intended to fully fund needed capital improvements over the next five years. Additionally, as part of this study, special rates were developed for a new large water customer based on that customer's cost of service. The rate model designed for the City included a specific cost of service for each class of water and wastewater customers in accordance with American Water Works Association (AWWA) and Water Environment Federation (WEF) ratemaking guidelines. The City Council adopted the multi-year rate plan after a public hearing in open session in September 2015.

The project team also provided a more in-depth analysis of the City's options regarding the financing of long-term capital improvements to the water and wastewater system. These options included the development of an impact fee to ensure that the new growth paid its share of the capital improvement costs.

Willdan/Economists.com has provided ongoing assistance to the City of Seguin on a variety of matters relative to their water and wastewater utility for the past decade. This includes service to the supplier co-owned by the City of Seguin, the Schertz-Seguin Local Government Corporation. This also includes annual reviews and updates of the City's water and wastewater rate structure. The project team recently completed the 2019 update.

Client Contact: Mr. Douglas Faseler, City Manager
205 N River Street, Seguin, TX 78155
Tel #: (830) 401-2302 | Email: cm@seguintexas.gov

City of Brady, TX | Water and Wastewater Cost of Service Rate Study; 2017

Willdan was engaged in late 2016 by the City of Brady to prepare a comprehensive water and wastewater rate study and long-term financial forecast for fiscal year 2017 and beyond. The City is experiencing little growth, but it is faced with the need to invest millions of dollars in water and wastewater infrastructure The overall objective was to develop a long-term rate plan that will enable the City to fund these capital expenses while minimizing the impact on ratepayers. The project team presented several alternatives to City staff and Council, and the Council approved a long-term rate plan in 2017 based on its preferred alternative.

Client Contact: Ms. Lisa Remini, Director of Finance
201 E Main St, Brady TX 76825
Tel #: (325) 597-2152 Ex 204 | Email: lremini@bradytx.us

Leander, TX | Water and Wastewater Cost of Service Rate Study; 2017-2018

Willdan was selected to manage and complete a comprehensive review of the water and wastewater rates and a full cost of service rate study for the City of Leander. The City is undergoing a significant amount of growth and expansion, and its capital investment needs are substantial in the coming years. The City acquires its water from a combination of Lower Colorado River Authority (LCRA) and the Brushy Creek Regional Utility Authority. The City also depends on BCRUA for wastewater treatment. The project team developed a comprehensive ten year forecast model that forecasts both internal costs and BCRUA costs, as well as growth, usage and CIP estimates. Additionally, the project team developed a wholesale cost of service methodology to be used in conjunction with the City of Georgetown's wholesale water contract. Mr. Dan V. Jackson, Willdan Vice President, managed this project and directed all staff on behalf of Willdan. Mr. Jackson engineered the development of the model (which was based on a model Mr. Jackson designed for Willdan) and approved both the report and presentations. Due to extraordinary forecast growth, the project team recommended no initial rate adjustment, though it is important for high-growth cities such as Leander to continue to carefully monitor growth and CIP investment and to reassess rate plans should those forecasts change. Willdan possesses and retains intellectual property rights and ownership over all models and work product for the City of Leander. The rate study was completed in 2017 and the wholesale cost of service methodology was completed in 2018.

Client Contact: Mr. Kent Cagle, City Manger
200 West Willis St., Leander, TX 78641
Tel # (512) 528-2702 | Email: kcagle@leandertx.gov

City of Liberty Hill, TX | Water and Wastewater Rate Study; 2018

Willdan was selected to manage and complete a comprehensive review of the water and wastewater rates and a full cost of service rate study for the City of Liberty Hill. Like its neighbor Leander, another client of Willdan, the City is undergoing a significant amount of growth and expansion. The City projects the need for over $100 million in capital investment for water and wastewater related infrastructure in the coming years. The City's system is further complicated by the fact that its wastewater customers far exceeds its water customers, and it maintains a significant number of MUD customers and out of city customers. The project team developed a comprehensive ten-year forecast

The project team provided a proposed rate plan to the Council for consideration in November 2018. Once again, like Leander, the project team advised that due to extraordinary forecast growth, the City must continue to carefully monitor growth and CIP investment and to reassess rate plans should those forecasts change.

Client Contact: Mr. Greg Boatright, City Manager
926 Loop 332, Liberty Hill, TX 78642
Tel # (512) 778-5449 | Email: gboatright@libertyhilltx.gov

City of Selma, TX| Water Cost of Service Rate Study; 2019

Willdan was engaged by the City of Selma to conduct a water utility cost of service and rate study. The City had experienced significant growth over the past decade but was rapidly approaching buildout. Further, the City had not implemented rate adjustments in a number of years, and as a result the utility fund was struggling to meet costs. Finally, the City was facing the need to fund capital improvements to repair and maintain the water system. The project team has developed a long-term rate plan that is due to be evaluated and approved by the City Council in spring 2019.

Client Contact: Mr. Johnny Casias, City Manager
9375 Corporate Drive, 78154
Tel #: (210) 651-7858 | Email: jcasias@ci.selma.tx.us

City of Alamo Heights, TX | Water and Wastewater Rate Study; 2018

Willdan was engaged to conduct a comprehensive review of the water and wastewater rates and complete a full cost of service rate study for the City of Alamo Heights. The City is land-locked within the San Antonio metropolitan area and thus has limited potential for additional growth. However, the City's infrastructure is aging and significant expenditures are required to improve service and to meet EPA guidelines. The project team worked extensively with City staff and Council to structure a rate plan that would enable it to recover sufficient revenues while minimizing the impact on its predominantly fixed income residents. The Council unanimously adopted the project team's proposed rate plan in December 2018.

Client Contact: Mr. Robert Galindo, Director of Finance
6116 Broadway, San Antonio, TX 78209
Tel #: (210)882-1502 | Email: rgalindo@alamoheightstx.gov

City of Plano, TX | Water and Wastewater Cost of Service Rate Study; 2017

Willdan was engaged in April 2017 by the City of Plano to prepare a comprehensive water and wastewater rate study and long-term financial forecast for fiscal year 2017 and beyond. The City is approaching buildout and transitioning its water and wastewater utility to a mature, low-growth state. Additionally, the City must absorb significant expected increases from North Texas Municipal Water District. Finally, the City is weighing the prospect of diverting from a pay-as-you-go structure for funding capital improvements to a debt-funding alternative. The overall objective was to develop a long-term rate plan that will enable the City to fund these expenses while minimizing the impact on ratepayers. The Council adopted the rate plan unanimously in September 2017.

Client Contact: Ms. Karen Rhodes-Whitley, Director Budget and Research
1520 K Avenue, Plano TX 75086
Tel #: (972) 941-7472 | Email: karenr@plano.gov

5. Additional Data

Rate and Financial Planning Model

During this project, we will be utilizing our Microsoft Excel-based model, with its interactive dashboard, as a comprehensive financial tool to allow planning and evaluation of variable inputs and assumptions, thereby ***creating a thorough analysis of revenue requirements to address the City's goal of ensuring predictable and stable revenue.*** These analyses are then seamlessly integrated with the rate development component of the model to demonstrate and project various rate design alternatives, and the effects they would have on the City's financial outlook.

The Financial Planning component of the model provides transparency such that users can develop a viable financial plan and understand the reasons for needed revenue adjustments.

The model is used in meetings, in order to efficiently cycle through rate scenarios and establish the most viable rate plans for the City. During these interactive meetings we invite City staff to participate in scenario planning/"what-if" sessions, where we use the dashboard to demonstrate and evaluate the financial/rate impact of alternative data (CIP, operating costs, etc.) and assumptions (interest rates, customer growth, cost escalation, etc.) in real-time to focus on the most critical drivers of the analysis. This ensures the resulting rate plan alternatives are viable from a financial, operational, managerial and political perspective. The rate plan alternatives will then be incorporated into the wastewater rate study report, which will provide the City every assumption, data item, and calculation used in the development of each rate plan alternative.

Willdan Models Guide You to Your Optimal Solutions

Real-Time Financial Modeling

The goal of financial forecasting is to provide clear vision regarding the potential financial outcomes of current management decisions. Our goal is to help you mold the existing knowledge base of the City into a viable financial management and rate plan. At Willdan, the development and use of real-time financial models in an interactive, collaborative process is an integral part of the model development.

Model Development as Part of the Consulting Process

Each model is designed with the following elements:

- Graphical dashboard to clearly show the results of various scenarios to the user;
- Assumptions;
- Data tables; and
- Calculation engine.

Each model is "baselined" after an initial meeting with staff to ensure that we have the correct data and a basic understanding of the financial dynamics of your system. We will then conduct interactive financial planning sessions with City staff. After validating our data, calculation approach, and baseline assumptions, we will explore alternative scenarios, varying a number of assumptions and financial planning techniques:

- Rate increase magnitude and timing;
- Alternative timing of capital projects;
- Alternative financing options (alternative combinations of pay-as-you-go, revenue bond debt and State Revolving Fund (SRF) debt, for example);
- Alternative growth/demand forecasts and other "what-if" analyses, such as the impact of a loss of one or more service areas or addition of wholesale customers; and
- Effect of increases in other sources of funds, such as impact fees.

The model is self-solving through the use of controlled feedback loops, and therefore does not require significant manipulation by the user to solve correctly. Given any combination of cost requirements (both operating and capital), non-rate sources of funds, and forecast assumptions, rate increases are generated that:

- Meet specified reserve targets;
- Fully fund capital expenditures using specified financing techniques; and
- Meet legal and contractual requirements that are financially measurable, such as debt service coverage on revenue bonds.

Alternatively, the user can specify rate increases and then examine the results to determine if the desired/required parameters are met.

Subsequent to careful development and validation of the baseline forecast, a series of alternative forecasts will be prepared illustrating various results in the following general categories.

- **What if things turn out differently?** These alternatives will demonstrate the sensitivity of the forecast to the significant assumptions used. This results in a sound understanding of areas where a conservative forecast approach is warranted.
- **What happens when we try this?** This series of alternatives focuses on different financial management approaches.
- **What can we do to make it better?** This approach to forecasting identifies the factors that may be causing significant rate increases in a given year and explores alternatives. For example, if a large capital project in a single year is the culprit, we would work with staff and the consulting engineers to determine whether this project could be phased or delayed.

In like manner, the rate design model can be used to explore the impact of various rate structures on bills for each customer class over the relevant consumption range.

Willdan's Suite of Financial Models – Description of Product Features

The key to success is a robust, real-time financial forecasting model, customized to simulate the utility's financial dynamics. Highlights of Willdan's modeling products are outlined below.

Suite of Models:

- Financial planning;
- Cost of service design; and
- Rate design.

The suite of models includes financial planning tools for water, wastewater, recycled water, stormwater and virtually any utility or municipal government fund, and has the ability to analyze any rate structure and determine the levels of revenue generated by each customer class. In addition, the rate design model can use the City's detailed billing data to develop a bill impact analysis on individual customer bills, which, can be updated for each rate design scenario.

Features:

- Excel-based open architecture that allows easy integration of City financial data;
- Modular design that allows for maximum design flexibility;
- Easy to update through open architecture and modular design, which equates to easy annual data updates;
- Automated calculation engine that optimizes financial plan based on user-set constraints;
- Navigation features to quickly move around the model;
- Side-by-side scenario analysis comparison; and
- Healthy listing of user defined assumptions that can be customized to meet the City's needs.

Our utility rate Excel-based model is the most user friendly, comprehensive and well-designed utility rate model currently used in the industry and has the elements necessary to provide analysis and feedback to facilitate meaningful policy discussions and conduct a full financial and rate study. The comprehensive and efficient design of our models allows us to complete the scope items in an effective manner during our interactive meetings.

A sample dashboard is presented below, which shows how the data, assumptions, and calculations are summarized into an easy-to-understand graphical interface which updates with each alternative scenario evaluated.

		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Water Rate Adjustments											
Meter Charge		0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%
Volume Charge		0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	2.00%	2.00%	2.00%	2.00%
		42	40	100	84	107	109	147	153	187	214
Sewer Rate Adjustments											
Base Charge		0.00%	9.00%	9.00%	9.00%	9.00%	9.00%	3.00%	3.00%	3.00%	3.00%
Volume Charge	Residential	0.00%	9.00%	9.00%	9.00%	9.00%	9.00%	3.00%	3.00%	3.00%	3.00%
	Non-Residential	0.00%	9.00%	9.00%	9.00%	9.00%	9.00%	3.00%	3.00%	3.00%	3.00%

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