**Members of the public may address the City Council on any item shown on the agenda or matter of the Council's authority after completion of "Request to Address the Council Form" available in the lobby of the Council Chambers or in the City Clerk's office. This form must be completed 15 minutes prior to the scheduled meeting time. Pursuant to Section 54957.5 of the California Government Code, Any writings (Except for those writings which are exempt from disclosure) which are distributed to all or a majority of the members of the City Council are available for public inspection in the lobby of the City Council Chambers and in the office of the City Clerk during regular business hours.**

# COMPTON CITY COUNCIL
# AGENDA
# 01/28/2020
# 5:30 PM

## OPENING

**MOMENT OF SILENCE**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**INTRODUCTION OF SPECIAL GUESTS**

**PUBLIC COMMENTS ON AGENDA ITEMS AND NON-AGENDA MATTERS**

## CONSENT AGENDA

Consent items are routine and expected to be non-controversial. They will be acted upon by the Council at one time without discussion unless a Council Member requests an item be removed or discussed.

**APPROVAL OF MINUTES**

1. JANUARY 7, 2020

**CITY MANAGER/CITY ATTORNEY/CITY CONTROLLER/CITY TREASURER REPORTS**

2. INVESTMENT REPORT - NOVEMBER 29, 2019 (Receive and File)

## CITY MANAGER

3. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO PAY OUTSTANDING INVOICES FOR TOTAL CORPORATE SOLUTIONS IN THE AMOUNT OF $18,974.64

4. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ISSUE A PURCHASE ORDER FOR DUNN-EDWARDS TO PURCHASE MATERIALS AND SUPPLIES FOR GRAFFITI REMOVAL ($11,673.88)

## CITY TREASURER

5. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ACKNOWLEDGING THE ANNUAL STATEMENT OF INVESTMENT POLICY FOR THE FISCAL YEARS 2019-2020 AND 2020-2021

## PUBLIC WORKS DEPARTMENT

6. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RESCINDING RESOLUTION NO. 25,030, RATIFYING THE PROFESSIONAL SERVICE AGREEMENT WITH RAFTELIS FINANCIAL CONSULTANTS, INC. TO PROVIDE A COMPREHENSIVE SEWER RATE AND FEE STUDY, AND ISSUING A PURCHASE ORDER IN THE AMOUNT OF $47,792

# REGULAR AGENDA

## REPORTS OF OFFICERS, BOARDS, COMMISSIONS AND COMMITTEES AND CITY COUNCIL

7. REMOVAL OF OFFICERS, COUNCIL MEMBERS, BOARDS/COMMISSIONS AND COMMITTEES

BRUCE BOYDEN-SANCHEZ - OVERSIGHT COMMITTEE

## CITY MANAGER'S REPORT

8. POWER POINT PRESENTATION - 125 HISTORICAL SOCIETY WITH MAYOR AJA BROWN

9. A REQUEST TO SCHEDULE A PUBLIC HEARING TO AMEND THE CITY OF COMPTON'S HOUSING ELEMENT (February 18, 2020 at 5:35 p.m.)

10. A REQUEST TO SCHEDULE A PUBLIC HEARING TO ADOPT AN ORDINANCE AMENDING THE OFFICIAL ZONING MAP AND CHAPTER 30 OF THE COMPTON MUNICIPAL CODE FOR A NEW EMERGENCY SHELTER OVERLAY ZONE AND REGULATIONS (February 18, 2020 at 5:45 p.m.)

11. A REQUEST TO SCHEDULE A JOINT PUBLIC HEARING - HOUSING AUTHORITY PUBLIC HOUSING AGENCY (PHA) 2020 ANNUAL PLAN AND FIVE YEAR PLAN (March 23, 2020 at 5:35 p.m.)

12. ORAL REPORT - PROPOSED WILIMINGTON AVENUE NAME CHANGE

## NEW BUSINESS

13. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPOINTING A MEMBER AND ALTERNATE (S) TO THE LOS ANGELES GATEWAY REGION INTEGRATED REGIONAL WATER MANAGEMENT JOINT POWERS AUTHORITY GOVERNING BOARD

14. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH LOS ANGELES COUNTY REGISTRAR-RECORDER/COUNTY CLERK FOR USE OF CERTAIN CITY-OWNED FACILITY SPACES AS VOTING LOCATIONS FOR THE MARCH 3, 2020 ELECTION

## COUNCIL COMMENTS

## ADJOURNMENT

*NEXT REGULAR MEETING: 2/4/2020 @ 5:30 PM*

*Visit our website at http://www.comptoncity.org*

**JANUARY 7, 2020**

The Compton City Council Closed Session meeting was called to order at 4:44 p.m. in the Council Chambers of City Hall by Mayor Aja Brown. The Pledge of Allegiance and Moment of Silence ceremonies were also led by Mayor Brown.

**ROLL CALL**

**Council Members Present – McCoy, Sharif, Brown**
**Council Members Absent – Chambers, Galvan** *(Both Members entered the meeting during closed session.)*

**Other Officials Present: D. Brown, A. Godwin, C. Cornwell**

**CLOSED SESSION AGENDA ITEMS**

PUBLIC EMPLOYEE PERFORMANCE EVALUATION Title: City Controller
Pursuant to California Government Code Section 54957

**City Attorney Damon Brown** noted that a closed session is being requested to discuss the performance evaluation for the City Controller, Pursuant to California Government Code Section 54957.

**AUDIENCE COMMENTS ON CLOSED SESSION AGENDA ITEM ONLY**

There were no audience comments regarding the closed session agenda item.

On motion by Sharif, seconded by McCoy, the City Council recess to closed session at 4:45 p.m. by the following vote on roll call:

**AYES: Council Members - McCoy, Sharif, Brown**
**NOES: Council Members - None**
**ABSENT: Council Members - Chambers, Galvan**

**RECONVENED TO OPEN SESSION**

On motion by Sharif, seconded by McCoy, the City Council reconvened at 6:23 p.m. by the following vote on roll call:

**AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown**
**NOES: Council Members - None**
**ABSENT: Council Members - None**

**REPORT OUT OF CLOSED SESSION**

**City Attorney Damon Brown** reported that there was no reportable action taken during the closed session.

**WAIVER OF AGENDA ORDER**

On motion by Galvan, seconded by Sharif, the agenda order was waived by the following vote on roll call:

**AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown**
**NOES: Council Members - None**
**ABSENT: Council Members – None**

10. POWERPOINT PRESENTATION - LA DODGER'S FOUNDATION DREAM FIELD PRESENTATION (GONZALES PARK)

**City Manager Cornwell** introduced members of the LA Dodger’s Dream Field Project which is partnering with the City for the Gonzales Park Renovation Project.

**Nicole Whiteman,** Executive Director of the LA Dodgers Foundation, offered a power point presentation and introduced her team to the City Council and the community. Ms. Whiteman stated that the LA Dodgers are committed to the RBI (Reviving Baseball in Inner Cities) which is currently serving over 10,000 youth. Ms. Whiteman highlighted that the $1.5 Million renovation will include the completion of three baseball fields, a fitness center, solar-powered energy elements and additional programming benefits. Ms. Whiteman indicated that the LA Dodgers are excited and ready to partnership with Parks and Recreation and are looking forward to expanding the program in the City of Compton.

11. EADIE AND PAYNE - AUDIT FINANCIAL STATEMENT PRESENTATION

**Mr. Donald Ecker and Ms. Hong N. Nguyen of Eadie and Payne, LLC** presented the Audited Statement of Net Position and Balance Sheet for the 2017-2018 Fiscal Year. The City is required to issue independently audited financial statements on an annual basis. Based on the results of their audit, Eadie &Payne provided the City with a qualified opinion on the financial statement in regards to the cash, capital assets, land held for resale and deferred grant revenues. The report and statement was received and filed and is available for review in the City Clerk's Office.

**PUBLIC COMMENTS ON AGENDA ITEMS AND NON-AGENDA MATTERS**

**Dr. Valerie Yerger,** Professor of Health Policy at UC San Francisco and one of the first tobacco researcher, highlighted the disturbing fact that the tobacco industry has been systematically targeting the African American community to promote tobacco sales. Dr. Yerger spoke in favor of the proposed ordinance prohibiting flavored tobacco products.

**Mr. Jonathan Bowers,** Compton resident, raised concern regarding illegal dumping of bulky waste items and urged the City to become more vigilant and create higher penalties, including up to $10,000 for illegally dumped hazardous materials. Mr. Bowers also requested that the Council address the graffiti around the City and further suggested that the Council prohibit anyone from placing advertisement signs on electrical poles and trees, which will improve the appearance of the City.

**David Irons,** spoke in favor of renovating Jackie Robinson Stadium, but emphasized that the name must not be changed, adding that the Compton Municipal Stadium is identified as a historical landmark. Mr. Irons then requested that the City Council enforce the Health and Safety Code and require all restaurants to provide for restroom facilities.

**Benjamin Holifield,** President/Founder Compton Business Chambers of Commerce, urged the City Council to clean up and beautify the City. Mr. Holifield raised the issue of the petition containing signatures to change the name of Wilmington Avenue to Barack Obama Boulevard. Mr. Holifield repeated his request for a monthly report from the City Controller.

**Pastor Michael J. T. Fisher,** Greater Zion Church Family, invited the community to attend a wonderful event entitled 'Celebrate Israel' on January 19, 2020 at 5 p.m. at Greater Zion Church. The Church will begin free tutoring Monday thru Friday from 3 p.m. until 7 p.m. for all ages. Pastor Fisher further announced that on Friday, February 7, 2020, the Church will be sponsoring 'Compton Movie Night' at the Long Beach Pike Cinemark Theater featuring the film 'Just Mercy' for the residents of Compton. There will be a Wealth Building Seminar held on Saturday, January 29, 2020 as well as the annual College Summit scheduled for March 28, 2020. Pastor Fisher urged those interested in attending any of the events to register at: greaterzioncf@gmail.com or visit: www.gzcfamily.com for additional information. Pastor Fisher concluded by offering Prayers for the City of Compton.

**Marjorie Shipp**, Compton resident, commented that there is graffiti everywhere around the city, and urged the City Council to proceed with the graffiti removal contract. Ms. Shipp questioned the status of a homeless shelter in Compton, and urged the Council to move forward to provide for accommodations for the homeless population.

**Joyce Kelly,** Compton resident, stated that the City Charter mandates that the City Council have 4 meetings each month and further added that the Council is in violation of the Charter whenever the 4 meetings do not occur. Ms. Kelly thanked everyone who donated to the Senior Dollarhide Choir's annual Christmas program, which was a wonderful event.

**Lynn Boone,** Compton resident, commented that (agenda Item Number 10 LA Dodgers Dream Field) the renovation of the stadium was brought on by the previous Councilperson in District 1. Ms. Boone commented that at a previous meeting, Mr. Chico Brown stated that he wished to give back to the community by donating $500,000, and she further questioned the status of those funds. Ms. Boone concluded by referencing the audit conducted by Eadie + Payne, indicating that she read the audit which states that the City is in poor shape financially, adding that there is a lack of accountability and internal controls.

**Miller Martin,** Compton resident, addressed the issue of him and his neighbors being issued citations wrongfully relative to the alley/driveway near his home. He further requested a solution to the problem. Mr. Martin indicated that he was threatened by Code Enforcement on Christmas Eve where he received a citation.

**F. Hernandez**, Compton resident, commented that the State Controller has listed Compton as one of the financially worst-run cities in the State of California. Mr. Hernandez felt that the City is experiencing financial problems because of fiscal mismanagement and the lack of internal controls and oversight. Mr. Hernandez concluded by referencing agenda item Number 18 (graffiti abatement contract) and noted that each of the bidders now knows the bid amounts and they also know that the City will pay over the amount that is listed in the contract.

**Craig Henry,** Compton resident, highlighted that his major concern in 2020 is the homeless crisis in the City of Compton. Mr. Henry thanked Councilmember Sharif for working with him, and offered his services and assistance in finding solutions for the homeless crisis, indicating that something must be done immediately to provide for a winter shelter.

**Mayor Brown** commented that the City Council and Staff have previously identified locations for a homeless shelter, however, the community opposed the locations. Mayor Brown then indicated that the city is working diligently to provide a comprehensive plan to assist the homeless population, however, the city must uphold the quality of life for the residents of the community.

17. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO A TWELVE (12) MONTH AGREEMENT WITH THE COALITION FOR HUMANE IMMIGRANT RIGHTS FOR THE LEASE OF CITY-OWNED PROPERTY LOCATED AT 700 NORTH BULLIS ROAD

It was moved by McCoy, seconded by Sharif, that the resolution be adopted.

**Ms. Maritza Agundez**, Managing Attorney for the Coalition for Human Immigrant Rights, addressed the Council seeking approval for a lease agreement which will allow the organization to continue to advocate for the community and provide free immigration services.

**Van Wilson, General Services Director,** offered that the proposed lease rate will be $1 per square foot for a total of $1,080.00 per month. Director Wilson further indicated that the City will not be providing custodial nor security services as part of this lease.

**Resolution Number 25,180** entitled **'A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO A TWELVE (12) MONTH AGREEMENT WITH THE COALITION FOR HUMANE IMMIGRANT RIGHTS FOR THE LEASE OF CITY-OWNED PROPERTY LOCATED AT 700 NORTH BULLIS ROAD'** was adopted by the following vote on roll call:

**AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown**
**NOES: Council Members - None**
**ABSENT: Council Members - None**

**5:40 P.M. - PUBLIC HEARING - PROPOSED ADOPTION OF AN ORDINANCE AMENDING SECTION 7-23 (a) (TOBACCO RETAILER PERMIT) OF THE COMPTON MUNICIPAL CODE TO PROHIBIT RETAIL SALE OF FLAVORED TOBACCO PRODUCTS** (Item #14)

On motion by Galvan, seconded by Chambers, the public hearing was open at 7:46 p.m. by the following vote on roll call:

**AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown**
**NOES: Council Members - None**
**ABSENT: Council Members - None**

**City Attorney Damon Brown** presented that this public hearing is being presented to consider adopting an ordinance amending various sections of Chapter VII of the Compton Municipal Code to prohibit the retail sale of flavored tobacco products in the City of Compton. Tobacco use remains a significant public health problem and an impediment to health equity in California and the United States.

**Mr. Monty Messex,** Los Angeles County Department of Public Health-Tobacco Control & Prevention Program, offered his expertise and stated that he is available to answer questions presented by the City Council and the Compton community.

**Gisela Friedman,** representing Parents Against Vaping E-Cigs (PAVE), commented that flavored tobacco attracts kids and added that research shows that 8 out of 9 teenagers reported that they began vaping with the use of flavored tobacco. Ms. Friedman urged the Council to adopt the proposed ordinance and include mint and menthol products with no exceptions.

**Dr. Tomas Torices,** Executive Director - American Academy of Pediatrics--representing over 1,500 Pediatricians, spoke in support of the ordinance prohibiting the sale of flavored tobacco, including menthol products.

**Dr. Phillip Gardner,** Co-Chair of the African American Tobacco Control Leadership Council and is employed at the University of California in the tobacco-related research program, advised the City Council to restrict the sale of flavored tobacco products, which masks the taste of tobacco calling for deeper inhalation. Dr. Gardner noted that menthol cigarettes have been the number one killer of Black people for the last 50 years. Dr. Gardner spoke in favor of the proposed ordinance.

**Luisa Maia,** Office of Samoan Affairs, working in Compton by surveying over 850 residents regarding their thoughts on tobacco products, including menthol cigarettes and noted that 95% believe it is easy for youths to purchase tobacco products in Compton. Ms. Maia stated that research shows that the youth prefer 'candy flavored' nicotine products, which are designed to attract the youth, adding that menthols are 'starter products' for the youth of the community. Nicotine is easily delivered to the developing adolescent brain where it impairs judgment, decision making functions and increases the nicotine addiction. Ms. Maia spoke in support of the proposed ordinance.

**Edgar Romo,** Office of Samoan Affairs, stated that for the past year, his organization has been working with the Compton community obtaining their thoughts on flavored tobacco products, adding that 80% of the people they have contacted are in favor of placing a ban on flavored tobacco, including menthol, which masks the tobacco and makes it easier to inhale and become addicted. He further stated that communities of color have been subject to pervasive and predatory marketing strategy to pursue the youth. Mr. Romo spoke in support of the proposed ordinance.

**Raj Dhillon,** Manager of Advocacy and Public Policy at BREATHE California of Los Angeles County, encouraged the City Council to ban the sale of all flavored tobacco, including menthol.

**Jackie Venters,** Compton resident, commented that cigarettes and smoking are not a major issue, and requested that the Council focus on homelessness, street repairs and eliminating crime.

**James Love,** Compton resident, spoke out against vaping and e-cigarettes.

**Dennis Bragg**, Compton resident, stated that it is an individual right of a person to decide if they wish to smoke.

**Jaime Rojas,** National Association of Tobacco Outlets, commented that he represents tobacco retailers and further noted that the youth are not smoking combustible cigarettes. Mr. Rojas indicated that a lot of illegal sales are done online.

**Primo Castro,** American Cancer Network-Cancer Action Network, spoke in support of the proposed ordinance, adding that it is important to note that this policy will not make it illegal for the youth to possess tobacco products.

**Nicole Turkson,** Community Engagement Coordinator for Keeping Our Lungs Safe (KOLS), commented that her organization diligently works to educate and empower the Black community on tobacco-related health issues and spoke in support of the proposed ordinance. Ms. Turkson spoke of the dangers of menthol products, which allow users to inhale more deeply into their lungs which leads to more severe lung problems. Ms. Turkson spoke in favor of the ordinance.

**Amanda Staples,** American Heart Association, spoke in support of the proposed ordinance to ban flavored tobacco products, adding that studies show that 90% of current smokers started with flavored tobacco products such as menthol.

**Ed Sanders** spoke in support of the ordinance and urged the Council to include menthol products with this ban on flavored tobacco products, adding that menthol products sales are targeted towards African Americans.

**Pastor K. W. Tulloss** indicated that he believes that cigarettes cause harm, however, there is a different way to proceed. Pastor Tulloss felt that to ban all cigarettes would have unintended consequences, and present problems for the community. Pastor Tulloss expressed that the community must be educated on the harms of smoking and not be penalized.

**City Attorney Brown** informed the speaker that this ordinance will not criminalize the use of tobacco products, further indicating that the proposed ordinance simply prohibits the sale of flavored tobacco products by retailers.

**Jennifer Speck,** Southern Christian Leadership Council (SCLC), spoke in opposition to the proposed ordinance, indicating that the youth are not smoking menthols. Ms. Speck stated that this ordinance will make it easier to sell the products illegally on the streets.

**Lorraine Jackson**, SCLC, spoke in opposition to the proposed ban on menthol tobacco products. Ms. Jackson felt that such a ban would infringe on the rights of adults to smoke.

**Lecreshia Heron**, SCLC, spoke in opposition to the ordinance banning the sale of menthol cigarettes in the City of Compton. Ms. Heron requested that the Council place a ban on vaping instead.

**Pastor William Smart** stated that the SCLC is against the proposed ordinance because of the injustice of denying one group something that another group has. Pastor Smart felt that the Council must ban all tobacco products or no ban at all.

**James Brown,** SCLC, spoke in opposition to the proposed ban on flavored tobacco products, which will create problems between the community and the police.

**Sherri Sanders,** SCLC, spoke in opposition to the proposed ordinance, because of unintended consequences for those that sell products illegally.

**Geo Galarza,** Founder of 'I love Los Angeles,' stated that he works as a volunteer to provide services and resources to the homeless population, while treating them with dignity and respect. Mr. Galarza cautioned the City Council against banning any products outside the scope of vaping.

**Sgt. Cheryl Dorsey** stated that she was happy to learn that the City Council will not penalize those individuals consuming menthol tobacco products. Sgt. Dorsey noted that she has over 20 years of law enforcement patrol experience, and she has acquired first-hand knowledge of how people of color are treated. She felt that a ban on menthol products would have unintended consequences for people of color, adding that such a ban could create additional opportunities for some police officers to exacerbate an already contentious relationship between the community and law enforcement.

**Dr. Jody Amour,** Professor of Law at the University of Southern California, commented that a menthol ban would be wrong from a policy standpoint, as it would disproportionately harm the Black community more than it would help. Dr. Amour further commented that even a menthol sales ban would create unintended consequences and spark illegal markets and racial profiling.

**Sheila Jones,** SCLC, spoke in opposition to the proposed ban, indicating that the community must have the right to purchase menthol products, if they so desire. Ms. Jones felt that the youth should be educated regarding the dangers of tobacco.

**Joyce Kelly** commented that there are larger and more important issues to deal with rather than focusing on the proposed ban of flavored tobacco sales. Ms. Kelly further questioned how the Council can enforce the ban when the city cannot even close the illegal marijuana dispensaries. Ms. Kelly questioned if the Council notified the various tobacco vendors in Compton about the public hearing to consider this ban.

**Lynn Boone** commented that there is no one in the city who will enforce the ban on flavored tobacco. Ms. Boone indicated that education begins at home, and the Council should not dictate to the community about whether or not individuals can purchase these products.

**Gilda Blueford** commented that she was perplexed regarding the City Council's intentions relative to the proposed ban on flavored tobacco and requested further clarification. Ms. Blueford also noted that the Council meeting was not being televised or live-streamed to the Compton community.

**Brooke McDuffy**, Compton resident, questioned how the City will enforce the ban, once it is approved. Ms. McDuffy further commented that there is a lot of misinformation circulating through the community.

There being no further audience comments, It was moved by Councilmember McCoy, seconded by Sharif the hearing was closed at 8:35 p.m. by the following vote on roll call:

**AYES: Council Members - Chambers, Galvan, McCoy, Sharif, Brown**
**NOES: Council Members - None**
**ABSENT: Council Members - None**

**City Attorney Damon Brown** highlighted that the proposed ordinance which will regulate tobacco permits of retailers in the City of Compton. Attorney Brown further indicated that Section 3 of the ordinance addresses enforcement of the ordinance, adding that the Business License Division will be charged with enforcing the ordinance in addition to the City's Enforcement Department. Attorney Brown responded to certain statement of the audience and indicated that he has not seen any valid research to support the idea that a ban on flavored tobacco will result in illicit sales of the product, and concluded by stating that the City will regulate who receives a business license to sell tobacco products.

**Councilmember McCoy** spoke in favor of the proposed ordinance indicating that she introduced the idea to protect the children of the community against vaping, however, it was not her intent to infringe upon the rights of adults to purchase tobacco products.

**Councilmember Galvan** expressed his thoughts that adults should be able to purchase menthol products, should they so desire. Mr. Galvan added that if a retailer is selling tobacco to anyone under 21, their license should be revoked. Councilmember Galvan suggested that tobacco sales advertisements be banned.

**Councilmember Shari**f indicated that African American people are actively being targeted by the tobacco industry to increase sales, adding that we must protect our youth. Ms. Sharif further stated that she is not attempting to take away anyone's rights, however, second-hand smoke affects everyone.

**Mayor Brown** commented that research indicates that the tobacco industry is aggressively marketing to increase sales among the youth, and further suggested that the City Attorney provide legislature which would, more specifically, address vaping apparatus and include flavored tobacco products. Mayor Brown also suggested that the City consider banning marketing/advertising directed towards the youth of the community.

The item was removed from the agenda for further consideration and amendments by the City Attorney.

## CONSENT AGENDA

### APPROVAL OF MINUTES

1. DECEMBER 2, 2019 (Special Meeting) ***(Approved)***

### CITY MANAGER/CITY ATTORNEY/CITY CONTROLLER/CITY TREASURER REPORTS

### CITY MANAGER

2. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE ISSUANCE OF A SUPPLEMENTAL PURCHASE ORDER FOR ADDITIONAL FUNDING TO PAY AN OUTSTANDING INVOICE TO URBAN GRAFFITI ENTERPRISES, INC. FOR CITYWIDE GRAFFITI ABATEMENT SERVICES ($6,387) ***(Approved Resolution Number 25,181)***

3. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ESTABLISH A PURCHASE ORDER FOR STAPLES ADVANTAGE FOR THE PURCHASE OFFICE SUPPLIES ($4,000) ***(Approved Resolution Number 25,182)***

4. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPROVING BUDGET AMENDMENT TO THE 2019-2020 FISCAL YEAR BUDGET AND TRANSFERRING FUNDS BETWEEN VARIOUS ACCOUNTS ***(Approved Resolution Number 25,183)***

### RISK MANAGEMENT

5. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING PAYMENT OF ANNUAL FEES TO THE STATE OF CALIFORNIA DEPARTMENT OF INDUSTRIAL RELATIONS FOR CONTINUED ADMINISTRATION OF THE CITY'S WORKERS' COMPENSATION SELF-INSURANCE PROGRAM ($61,182.64) ***(Approved Resolution Number 25,184)***

### WATER DEPARTMENT

6. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPROPRIATING FUNDS FROM FUND BALANCE, RESCINDING RESOLUTION NO. 24,963, RATIFYING THE PROFESSIONAL SERVICES AGREEMENT WITH AND ESTABLISH A PURCHASE ORDER TO JOHN ROBINSON CONSULTING INC. FOR THE PREPARATION OF A RECYCLED WATER FEASIBILITY STUDY ($45,216.00) ***(Approved Resolution Number 25,185)***

7. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO REPAY UNSPENT CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY, DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE) GRANT FUNDS ($24,285) ***(Approved Resolution Number 25,186)***

*(Councilmember McCoy exited at 9:01 p.m. and returned at 9:04 p.m.)*

On motion by McCoy, seconded by Sharif, the consent agenda was approved by the following vote on roll call:

**AYES:** **Council Members - Chambers, Galvan, Sharif, Brown**
**NOES:** **Council Members - None**
**ABSENT:** **Council Members - McCoy**

## REGULAR AGENDA

## CITY MANAGER'S REPORT

8. A REQUEST FOR CITY COUNCIL RATIFICATION TO WAIVE FACILITY FEES FOR USE OF DOLLARHIDE COMMUNITY CENTER FOR MINNIE SAWYER REPASS HELD ON DECEMBER 27, 2019 ($300.00)

On motion by Sharif, seconded by Chambers, the request was approved by the following vote on roll call:

**AYES:** **Council Members - Chambers, Galvan, Sharif, Brown**
**NOES:** **Council Members - None**
**ABSENT:** **Council Members - McCoy**

9. A REQUEST TO AUTHORIZE TRAVEL TO LIEBERT CASSIDY WHITMORE'S 2020 PUBLIC SECTOR EMPLOYMENT LAW CONFERENCE

On motion by Galvan, seconded by Chambers, the City Attorney's request to travel was approved by the following vote on roll call:

**AYES:** **Council Members - Chambers, Galvan, Sharif, Brown**
**NOES:** **Council Members - None**
**ABSENT:** **Council Members - McCoy**

12. AUDITED STATEMENT OF NET POSITION AND BALANCE SHEET FOR THE 2017-2018 FISCAL YEAR

On motion by Sharif, seconded by Galvan, Statement was received and filed by the following vote on roll call:

**AYES:** **Council Members - Chambers, Galvan, Sharif, Brown**
**NOES:** **Council Members - None**
**ABSENT:** **Council Members - McCoy**

13. SINGLE AUDIT OF FEDERALLY ASSISTED GRANT PROGRAMS REPORTS FOR FISCAL YEAR 2017-2018

On motion by Sharif, seconded by Chambers, the Single Audit was received and filed by the following vote on roll call:

**AYES:** **Council Members - Chambers, Galvan, Sharif, Brown**
**NOES:** **Council Members - None**
**ABSENT:** **Council Members - McCoy**

## NEW BUSINESS

14. AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING SECTION 7-23 (a) (TOBACCO RETAILER PERMIT) OF THE COMPTON MUNICIPAL CODE (First Reading) ***(Removed from agenda)***

15. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE ESTABLISHMENT OF A PURCHASE ORDER FOR LIFE ASSIST MEDICAL SUPPLIES, INC. FOR THE PURCHASE OF MEDICAL SUPPLIES AND RELATED EQUIPMENT FOR THE FIRE DEPARTMENT ($90,000.00)

On motion by McCoy, seconded by Galvan, **Resolution Number 25,187** entitled **'A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE ESTABLISHMENT OF A PURCHASE ORDER FOR LIFE ASSIST MEDICAL SUPPLIES, INC. FOR THE PURCHASE OF MEDICAL SUPPLIES AND RELATED EQUIPMENT FOR THE FIRE DEPARTMENT ($90,000.00)'** was adopted by the following vote on roll call:

**AYES:** **Council Members - Chambers, Galvan, McCoy, Sharif, Brown**
**NOES:** **Council Members - None**
**ABSENT:** **Council Members - None**

16. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ACCEPT THE CONSTRUCTION OF THE CITYWIDE POTHOLE REPAIR PROJECT AS COMPLETE, DIRECT STAFF TO FILE NOTICE OF COMPLETION WITH LOS ANGELES COUNTY RECORDER'S OFFICE, APPROVE CHANGE ORDERS, ISSUE A PURCHASE ORDER AND AUTHORIZE THE RELEASE OF THE CONTRACTOR'S (ALL AMERICAN ASPHALT CORPORATION) RETENTION ($156,841.62)

It was moved by McCoy, seconded by Chambers, that the resolution be adopted.

**Councilman Galvan** commented that he did not feel comfortable with the way the resolution is worded, questioning what would prevent a vendor from submitting a low bid in anticipation of submitting a change order at some point.

**Resolution Number 25,188** entitled **'A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ACCEPT THE CONSTRUCTION OF THE CITYWIDE POTHOLE REPAIR PROJECT AS COMPLETE, DIRECT STAFF TO FILE NOTICE OF COMPLETION WITH LOS ANGELES COUNTY RECORDER'S OFFICE, APPROVE CHANGE ORDERS, ISSUE A PURCHASE ORDER AND AUTHORIZE THE RELEASE OF THE CONTRACTOR'S (ALL AMERICAN ASPHALT CORPORATION) RETENTION ($156,841.62)'** was adopted by the following vote on roll call:

**AYES:** **Council Members - Chambers, McCoy, Sharif, Brown**
**NOES:** **Council Members - Galvan**
**ABSENT:** **Council Members - None**

*(Councilman Galvan exited at 9:16 p.m. and returned at 9:19 p.m.)*

18. A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RESCINDING RESOLUTION NO. 25,168, REJECTING ALL BIDS SUBMITTED AND AUTHORIZING THE RE-ADVERTISEMENT FOR THE PROVISION OF CITYWIDE GRAFFITI ABATEMENT AND PREVENTION SERVICES

On motion by Sharif, seconded by McCoy, **Resolution Number 25,189** entitled **'A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RESCINDING RESOLUTION NO. 25,168, REJECTING ALL BIDS SUBMITTED AND AUTHORIZING THE RE-ADVERTISEMENT FOR THE PROVISION OF CITYWIDE GRAFFITI ABATEMENT AND PREVENTION SERVICES'** was adopted by the following vote on roll call:

**AYES:** **Council Members - Chambers, McCoy, Sharif, Brown**
**NOES:** **Council Members - None**
**ABSENT:** **Council Members - Galvan**

## COUNCIL COMMENTS

**Councilperson Chambers offered the following communications/announcements:**

- Requested an update on the installation of LED Lighting as promised by Southern California Edison.

- Thanked the Pastors and Clergymen in the City of Compton for honoring her with the Leadership Award and further thanked everyone for their support and encouragement.

- Adjourn in memory of **Clifton George King, Jr.**

*(Chambers exited the meeting at 9:23 p.m.)*

**Councilperson Galvan offered the following communications/announcements:**

- Thanked the sponsors, City Staff and everyone involved in his 7th Annual 'Miracle on Oaks Street' and the wonderful Winter Wonderland Toy Giveaway.

- Wished the residents and the City Council a wonderful and prosperous New Year!

**Councilmember McCoy offered the following communications/announcements:**

- Thanked the sponsors, Staff and everyone who assisted and participated in the Christmas Toy Giveaway.

- Requested that the City Attorney provide an update on the cemetery on Wilmington and Greenleaf.

- Adjourn in memory of **James Edward Moses.**

**Councilmember Sharif offered the following communications/announcements:**

- Invited the community to attend her Business Round-Table discussion scheduled for January 20, 2020 from 9 a.m. to 11 a.m. at the Dollarhide Community Center, 301 N. Tamarind Avenue.

- Wished everyone a wonderful and prosperous New Year!

**Mayor Brown offered the following communications/announcements:**

- Invited young ladies between the ages of 13 and 19 to attend Girlspace, which is a one-day interactive conference for girls in our community and schools, scheduled for January 25, 2020 from 7 a.m. until 4 p.m. at the Dollarhide Community Center, 301 N. Tamarind Avenue. This conference will feature discussions, workshops, and other cool activities. Please visit: girlspacecompton.com for registration and further information.

- Informed the community that the 2020 Census is currently recruiting for Census Workers and urged those interested in employment to contact: U.S. Census Recruitment Center at 2909 E. Pacific Commerce Drive, Compton.

- Thanked the Staff and everyone in the City of Compton for the wonderful 66th Annual Compton Christmas Parade, adding that it was great to see so many families and children enjoying the festivities. Mayor Brown commended the Staff of Parks and Recreation for all their dedication and hard work in making the Christmas Parade so successful, and further thanked all the fantastic sponsors involved with the hugely successful Christmas Toy Giveaways.

- Thanked City Manager Cornwell for his dedicated service to the City Council and the citizens of Compton and congratulated him on his many accomplishments.

- Thanked her colleagues for their leadership and support and wished the entire Compton community a happy, healthy and prosperous New Year!

**ADJOURNMENT**

On motion by Sharif, seconded by Galvan, the meeting was adjourned in memory of **Minnie Sawyer, Clifton George King, Jr., Claudia Lopez** and **James Edward Moses** at 9:35 p.m. by the following vote on roll call:

**AYES:** **Council Members - Galvan, McCoy, Sharif, Brown**
**NOES:** **Council Members - None**
**ABSENT:** **Council Members - Chambers**

_____ _____

**CITY CLERK OF THE CITY OF COMPTON** **MAYOR OF THE CITY OF COMPTON**

DATE: JANUARY 28, 2020

TO: MAYOR AND COUNCIL MEMBERS

FROM: CITY TREASURER

SUBJECT: INVESTMENT REPORT

IN ORDER TO COMPLY WITH STATE LAW AND THE CITY'S INVESTMENT POLICY, THE ATTACHED REPORT ACCURATELY REFLECTS ALL POOLED INVESTMENTS HELD ON BEHALF OF THE CITY AND THE SUCCESSOR AGENCY AS OF NOVEMBER 29, 2019.

DOUGLAS SANDERS
CITY TREASURER

**From:** Claudia Mijares
**Sent:** Wed, 22 Jan 2020 17:40:07 -0800
**To:** Alita Godwin;Vernell McDaniel
**Cc:** Doug Sanders
**Subject:** Investment report November 2020
**Attachments:** Investment Cover.docx, MONTHEND BALANCES 2019 November.xls, November 2019 investment report.pdf

Good afternoon Alita,

The City Treasurer would like the Investment report placed on the next available council Agenda.

Thank you,
Claudia L. Mijares |Chief Deputy Treasurer|

# CITY OF COMPTON
# BANK ACCOUNT BALANCES AS OF
# NOVEMBER 29, 2019

| FUND # | NAME OF ACCOUNT | BANK NAME | BALANCE |
|---|---|---|---|
| 101 | PAYROLL | WELLS FARGO BAI | 1,238,896.65 |
| 1001 | GENERAL CITY ACCOUNT | BANK OF THE WES | 10,780,313.41 |
| 1520 | MEASURE R | BANK OF THE WES | 1,015,195.70 |
| 2000 | PROP A | BANK OF THE WES | 1,604,621.24 |
| 4000 | SA GENERAL | BANK OF THE WES | 928,913.08 |
| 1203 | SA LOW COST HOUSING | BANK OF THE WES | 6,635,330.18 |
| 2100 | PERS | BANK OF THE WES | 951,992.04 |
| 1528 | MEASURE M | BANK OF THE WES | 373,672.43 |
| 2820 | FAMILY SELF SUFFICIENCY | BANK OF THE WES | 126,413.55 |
| 2754-84-8 | JTPA - CAREERLINK | BANK OF THE WES | 592,715.57 |
| 2805 | HOME LOAN PROGRAM | BANK OF THE WES | 1,455,190.26 |
| 2818 | SECTION 108 - HUD FUND | BANK OF THE WES | 1,833,001.35 |
| 5116 | BOND SEWER CONSTRUCTIO | BANK OF THE WES | 8,328.40 |
| 6400 | LIABILITY | BANK OF THE WES | 65,882.13 |
| 1001 | COC - CHANGE FUND | BANK OF THE WES | 546.00 |
| 1900 | PROP C | BANK OF THE WES | 1,498,301.97 |

# CITY OF COMPTON
# BANK ACCOUNT BALANCES AS OF
# NOVEMBER 29, 2019

| FUND # | NAME OF ACCOUNT | BANK NAME | BALANCE |
|---|---|---|---|
| 6300 | WORKERS COMP | BANK OF THE WES | 164,610.69 |
| 2820 | HOUSING AUTHORITY | BANK OF THE WES | 30,189.24 |
| 1001 | EMERGENCY MEDICAL SERVI | BANK OF THE WES | 345,798.95 |
| 1061 | COPS GRANT WEED AND SEE | BANK OF THE WES | 3,997.00 |
| 1001 | COC PARKING VIOLATIONS | BANK OF THE WES | 675,705.98 |
| 5000 | COC UTILITIES BILLINGS | BANK OF THE WES | 2,080,554.46 |

**January 28, 2020**

**TO: MAYOR AND CITY COUNCIL**

**FROM: CITY MANAGER**

**SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO PAY OUTSTANDING INVOICES FOR TOTAL CORPORATE SOLUTIONS IN THE AMOUNT OF $18,974.64**

## SUMMARY

The City Council will consider adopting a Resolution authorizing the City Manager to pay outstanding invoices in the amount of $18,974.64 to Total Corporate Solutions for maintenance and supplies.

## BACKGROUND

On July 15, 2014, the City Council adopted Resolution No. 23,990 authorizing a lease/purchase and maintenance for thirty (30) Sharp digital copiers, in which the lease agreement expired June 30, 2018. The City paid the last lease payment but failed to pay the last maintenance payment of $9,556.53 per the end of the lease agreement for Total Corporate Solutions. The City had a dollar buy out and decided to do a Request For Proposal (RFP) for maintenance and supplies for only thirty digital copiers.

## STATEMENT OF ISSUE

As a result of the RFP process the City was without service for six months, in January of 2019 the City entered an agreement for maintenance and supplies with Total Corporate Solutions. During the six months of not having a maintenance agreement, departments made over 1.8 million copies which resulted in an additional cost of $9,418.11 in order to bring the digital copiers to factory specification working conditions.

## FINANCIAL IMPACT

Funds for this expenditure are available in FY 2019-2020 budget of the Reproduction Division in account number 6200-510-000-4236.

## RECOMMENDATION

Staff recommends adoption of the attached resolution.

**CRAIG J. CORNWELL**
**CITY MANAGER**

**RESOLUTION NO._____**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO PAY OUTSTANDING INVOICES FOR TOTAL CORPORATE SOLUTIONS IN THE AMOUNT OF $18,974.64**

**WHEREAS,** the Reprographics Division of the City of Compton is responsible for monitoring the maintenance and supplies of the departmental digital copiers; and

**WHEREAS,** Total Corporate Solutions provide creative tools such as network printing, scanning, faxing and copying capabilities will increase reliability, quality, productivity and reduce cost; and

**WHEREAS**, on July 15, 2014 the City adopted resolution No. 23,990 authorizing a lease/purchase and maintenance for thirty sharp digital copiers in which the lease expired June 30, 2018 that incurred a cost of $9,556.53; and

**WHEREAS**, during the six months that the City didn't have a maintenance and supplies agreement an additional cost of $9,418.11 incurred with Total Corporate Solutions for services provided on the City's digital copiers; and

**WHEREAS**, the City has outstanding invoices in the amount of $18,974.64 for Total Corporate Solutions and funds are available in FY 2019 - 2020 budget in account number 6200-510-000-4236.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS.**

**SECTION 1.** That a purchase order in the amount of $18,974.64 be authorized to Total Corporate Solutions for outstanding invoices.

**SECTION 2.** That funds are available in FY 2019 - 2020 budget in account number 6200-510-000-4236.

**SECTION 3.** That a copy of this resolution shall be filed in the offices of the City Clerk, City Manager, City Attorney, City Controller and Reprographics Division.

**SECTION 4.** That the Mayor shall sign and the City Clerk shall attest to the adoption of this resolution.

**ADOPTED** this_____day of _____, 2020

_____
**MAYOR OF THE CITY OF COMPTON**

**ATTEST:**

_____
**CITY CLERK OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on the _____day of _____, 2020.

That said resolution was adopted by the following vote, to wit:

**AYES: COUNCIL MEMBERS-**
**NOES: COUNCIL MEMBERS-**
**ABSENT: COUNCIL MEMBERS-**
**ABSTAINS: COUNCIL MEMBERS-**

_____
**CITY CLERK OF THE CITY OF COMPTON**

## TOTAL CORPORATE SOLUTIONS INC.
## OUTSTANDING INVOICES

| NO. | INVOICE NUMBER | INVOICE DATE | INVOICE AMOUNT |
|---|---|---|---|
| 1 | 144935 | 9/19/2017 | 93.71 |
| 2 | 155925 | 8/10/2018 | 394.20 |
| 3 | 156069 | 8/13/2018 | 93.71 |
| 4 | 156726 | 9/10/2018 | 9,556.53 |
| 5 | 162753 | 1/15/2019 | 1,622.33 |
| 6 | 162754 | 1/15/2019 | 149.06 |
| 7 | 161552 | 2/11/2019 | 394.20 |
| 8 | 162755 | 2/28/2019 | 212.12 |
| 9 | 163174 | 2/28/2019 | 5,768.46 |
| 10 | 163986 | 4/1/2019 | 136.00 |
| 11 | 164452 | 4/10/2019 | 432.27 |
| 12 | 164841 | 6/3/2019 | 122.05 |
| | | | |
| | | **TOTAL:** | **18,974.64** |

**January 28, 2020**

**TO: MAYOR AND CITY COUNCIL MEMBERS**

**FROM: CITY MANAGER**

**SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ISSUE A PURCHASE ORDER FOR DUNN-EDWARDS TO PURCHASE MATERIALS AND SUPPLIES FOR GRAFFITI REMOVAL ($11,673.88)**

## SUMMARY

This resolution will authorize the City Manager to issue a purchase order in the amount of Eleven Thousand Six-Hundred Seventy-Three Dollars and Eighty Eight Cents ($11,673.88) to Dunn-Edwards to purchase materials and supplies for graffiti removal.

## BACKGROUND

The Public Works Department is responsible for maintaining roadways and streetscapes through planned and regular investments in the City's infrastructure, and as a result the Public Works Department ("Department") – Street Division has been handling the removal of graffiti.

## STATEMENT OF THE ISSUE

Due to the City's high demand for graffiti removal, staff is requesting the ability to purchase materials and supplies; such as, interior/exterior paint, paint brush rollers, and Sherlock paint brush poles, in an amount not to exceed Eleven Thousand Six-Hundred Seventy-Three Dollars and Eighty-Eight Cents ($11,673.88).

As a result, staff solicited the following three (3) quotes:

| CONTRACTOR | AMOUNT |
|---|---|
| AcrylaTex | $ 9,806.24 |
| Dunn-Edwards | $11,673.88 |
| ROADLINE Products U.S.A. | $12,141.37 |

Staff has reviewed the quotes and has determined Dunn-Edwards has all materials suitable for the City's needs at the most reasonable rate.

## FINANCIAL IMPACT

Funds are available in the Public Works Department's – Street Division 2019-2020 Fiscal Year budget in the following Account Numbers:

| Account Nos. | Fund | Amount |
|---|---|---|
| 1004-720-000-4269 | Other Contract Services | $11,673.88 |
| | **TOTAL** | **$11,673.88** |

## RECOMMENDATION

It is staff's recommendation that the City Council adopt the attached Resolution.

**CRAIG J. CORNWELL**
**CITY MANAGER**

**RESOLUTION NO. _____**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ISSUE A PURCHASE ORDER FOR DUNN-EDWARDS TO PURCHASE MATERIALS AND SUPPLIES FOR GRAFFITI REMOVAL ($11,673.88)**

**WHEREAS,** the Public Works Department is responsible for maintaining roadways and streetscapes through planned and regular investments in the City's infrastructure and as a result the Public Works Department ("Department") – Street Division has been handling the removal of graffiti; and

**WHEREAS,** due to the City's high demand for graffiti removal, staff is requesting the ability to purchase materials and supplies such as; int/ext paint, paint brush rollers, and Sherlock Poles, in an amount not to exceed Eleven Thousand Six-Hundred Seventy-Three Dollars and Eighty Eight Cents ($11,673.88); and

**WHEREAS,** staff solicited 3 quotes for the purchase of graffiti removal materials. The following quotes were received:

| **CONTRACTOR** | **AMOUNT** |
|---|---|
| AcrylaTex | $ 9,806.24 |
| Dunn-Edwards | $11,673.88 |
| ROADLINE Products U.S.A. | $12,141.37 |

**WHEREAS,** staff has reviewed the quotes and has determined Dunn-Edwards as the vendor that has all materials suitable for the City's needs at the most reasonable rate, and recommends that Council authorize the issuance of a purchase order to this vendor; and

**WHEREAS,** to pay for this expenditure, funds in the amount of $11,673.88 are available in the Public Works Department's – Street Division 2019-2020 Fiscal Year budget.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1.** That the City Manager is authorized to issue a purchase order in the amount of $11,673.88 for Dunn-Edwards.

**SECTION 2.** That funds are available in the Public Works Department's – Street Division 2019-2020 Fiscal Year budget in the following Account Numbers:

| **Account Nos.** | **Fund** | **Amount** |
|---|---|---|
| 1004-720-000-4269 | Other Contract Services | $11,673.88 |
| | **TOTAL** | **$11,673.88** |

**SECTION 3.** That a copy of this Resolution shall be filed in the offices of the City Manager, City Controller, City Clerk and Public Works Department.

**SECTION 4.** That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

**ADOPTED** this ____ day of _____, 2020.

_____

**MAYOR OF THE CITY OF COMPTON**

**ATTEST:**

_____
**CITY CLERK OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on the ____ day of _____, 2020.

That said Resolution was adopted by the following vote to wit:

**AYES: COUNCIL MEMBERS-**
**NOES: COUNCIL MEMBERS-**
**ABSENT: COUNCIL MEMBERS-**
**ABSTAIN: COUNCIL MEMBERS-**

_____
**CITY CLERK OF THE CITY OF COMPTON**

**January 28, 2020**

**TO:** **MAYOR AND CITY COUNCIL MEMBERS**

**FROM:** **CITY TREASURER**

**SUBJECT:** **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ACKNOWLEDGING THE ANNUAL STATEMENT OF INVESTMENT POLICY FOR THE FISCAL YEARS 2019-2020 AND 2020-2021**

## SUMMARY

Adoption of the attached resolution by the City Council will acknowledge the City of Compton's annual "Statement of Investment Policy" for Fiscal Years 2019-2020 and 2020-2021 submitted by the City Treasurer.

## BACKGROUND

Section 53646(a)(2) of the California Government Code provides that the Treasurer or Chief Fiscal Officer of a local agency may annually render to the legislative body a Statement of Investment Policy, which the local agency shall consider at a public meeting. The investment policy outlines the policies for maximizing efficiency of the City's cash management system and guidelines for prudent investment of the City's funds.

## STATEMENT OF THE ISSUE

In accordance with the provisions of Section 53646(a)(2), the City Treasurer herewith presents for consideration, the Statement of the City's Investment Policy.

## FISCAL IMPACT

There is no fiscal impact resulting from adoption of the attached Resolution.

## RECOMMENDATION

Staff recommends that the City Council adopt the attached Resolution.

**DOUGLAS SANDERS**
**CITY TREASURER**

**APPROVED FOR FORWARDING:**

**CRAIG J. CORNWELL**
**CITY MANAGER**

**RESOLUTION NO. _____**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON ACKNOWLEDGING THE ANNUAL STATEMENT OF INVESTMENT POLICY FOR THE FISCAL YEARS 2019-2020 AND 2020-2021**

**WHEREAS**, Section 53646(a)(2) of the California Government Code provides that the Treasurer or Chief Fiscal Officer of a local agency may annually render to the legislative body a Statement of Investment Policy, which the local agency shall consider at a public meeting; and

**WHEREAS**, this statement is intended to outline the policies for maximizing the efficiency of the City's Cash Management System and for prudent investment of the City's funds, and to provide guidelines for suitable investments.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON RESOLVES AS FOLLOWS:**

**Section 1.** That the City Treasurer of the City of Compton, at a public meeting conducted on January 28, 2020, and pursuant to Section 53646(a)(2) of the California Government Code, did render a "Statement of Investment Policy" for the City Council.

**Section 2.** That the City Treasurer declares the annual "Statement of Investment Policy" for the City of Compton for Fiscal Years 2019-2020 and 2020-2021 to be as follows:

## A. POLICY

**1.** In accordance with the Charter of the City of Compton and under the authority granted by the City Council, the City Treasurer is responsible for investing the unexpended cash in the City Treasury. The investment of the City of Compton's funds is directed to the goals of safety, liquidity and yield. The authority governing investments for municipal governments is set forth in the California Government Code, Sections 53601 through 53659. The City Treasurer shall attempt to obtain the highest yield using the average three months Treasury Bill as a bench mark, provided that all investments meet the criteria established for safety and liquidity.

**2.** Criteria for selecting investments and the order of priority are:

a. **Safety**. The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. The City only operates in those investments that are considered very safe.

b. **Liquidity**. This refers to the ability to "cash in" at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality especially when the unexpected need for funds occurs occasionally.

c. **Yield**. Yield is the potential dollar earning an investment can provide, and sometimes is described as the rate of return.

**3.** The investment policy and practices of the City Treasurer for the City of Compton are based upon Federal, State, and Local law and prudent money management. The primary objectives of this policy are:

a. To protect the principal and asset holdings of the City's portfolio.

b. To ensure adequate liquidity is provided for the prompt, efficient handling of the City's disbursement.

c. To generate the maximum amount of investment income within the parameter of this Statement of Investment Policy and the guidelines for suitable investments.

d.

**4.** The ultimate goal is to enhance the economic status of the City while protecting its funds.

## B. SCOPE

**1.** The investment policy applies to all financial assets of the City of Compton as accounted for in the City Annual Audited Report with some limited exceptions for Bonds Proceeds managed by the Trustees. Policy statements outlined in this document focus on the City of Compton's pooled funds, but will also apply to all other funds under the City Treasurer's span of control unless exempted by resolution or statute. This policy is applicable, but not limited to all funds listed below:

- General City Account Funds
- Water Fund
- Capital Improvement Funds
- Agency and Trust Funds
- Special Capital Improvements
- Liability Fund
- Any new fund created by the City Controller unless specifically exempted by resolution

**2.** One exception does exist regarding the investments of the bond reserve funds. The Trustee has no obligation in adhering to this policy due to the Bond Indenture Agreement. However, the Trustee shall consult with the Treasurer for guidelines and recommendations.

## C. PRUDENCE

**1.** Generally, investments shall be made in the context of the "Prudent Investor" rule which states that:

> "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

**2.** It is the City's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. It is further recognized, that in a well-diversified investment portfolio, occasional measured losses are inevitable due to economic and bond market. These occasional losses must be within the context of the overall investment program and the resultant long term rate of return.

**3.** The City Treasurer and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price change, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

## D. OBJECTIVES

### 1. SAFETY OF PRINCIPLE

**Safety of principal** is the foremost objective of the City of Compton. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default or erosion of market value. The City shall seek to preserve principal by mitigating the two types of risk, credit risk and market risk.

**Credit risk,** defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in investment grade securities and by diversifying the investment portfolio so that the failure of any one issuer does not unduly harm the City's capital base and cash flow.

**Market risk,** defined as market value fluctuations due to overall, changes in the general level of interest rates, shall be mitigated by limiting the average maturity of the City's investment portfolio to two years, the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long term securities for the sole purpose of short term speculation.

## 2. LIQUIDITY

Because the City operates its own water utility and bills monthly for this service, cash flow is generated on a daily basis. Historical cash flow trends are compared to current cash flow requirements on an ongoing basis in an effort to ensure that the City's investment portfolio will remain sufficiently liquid to enable the City to meet all reasonable anticipated operating requirements.

## 3. COLLATERAL REQUIREMENTS

a. Collateral are required for investments in certificates of deposit, repurchase agreements and reverse repurchase agreements. In order to reduce market risk, the collateral level will be at least 110% of market value of principal and accrued interest.

b. In order to conform with the provisions of the Federal Bankruptcy Code, which provides for liquidation of securities held as collateral, the only securities acceptable as collateral shall be certificates of deposit, commercial paper, eligible bankers acceptances, medium term notes or securities that are the direct obligation of, or are fully guaranteed as to principal and interest by, the United States or any agency of the United States.

## 4. AUTHORIZED INVESTMENT

The City is governed by the Government Code, Section 53600, et seq. The temporarily idle funds of the City of Compton shall only be invested in securities and diversified within the context of these limitations. The following investments are authorized, as further limited herein:

a. United States Treasury Bills, Notes and Bonds, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the City's surplus funds which can be invested. The maximum maturity length shall not exceed 5 years.

b. Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal Home Bank Board (FHLB), and the Federal National Mortgage Association (FNMA) and those insured by the Federal Housing Administration (FHA). Although there is no percentage limitation on these issues, the "prudent investor" rule shall apply for a single agency name, as U.S. Government backing is implied rather than guaranteed. The maximum maturity length shall not exceed 5 years. Investments detailed in items 3 through 10 are further restricted to percentage of the cost value of the portfolio in any one issuer to a maximum of 15%. The total value invested in any one issuer shall not exceed 5% of the issuer's net worth. Again, a five year maximum maturity limitation is applicable unless further restricted by this policy

c. Bill of Exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker's acceptance. Banker acceptances purchased may not exceed 180 days maturity or 40% of the City's temporarily idle funds.

d. Commercial paper ranked "P1" by Moody's Investor Services and "A1+" by Standard and Poor's, and issued by a domestic corporation having assets in excess of $500,000,000 and having an "AA" or better rating on its long term debentures as provided by Moody's or Standard and Poor's. Purchase of eligible commercial paper may not exceed 270 days maturity nor represent more than 10% of the outstanding paper of an issuing corporation. Purchase of commercial paper may not exceed 15% of the City's surplus funds.

e. Negotiable certificates of deposit issued by a Nationally or State-Chartered Bank or a State or Federal Savings and Loan Association. Purchase of negotiable certificates of deposit may not exceed 30% of total portfolio. A maturity limitation of five years is applicable.

f. Repurchase agreements. The City may invest in repurchase agreements with banks and dealers with which the City has entered into a master repurchase contract that specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 90 days and when the underlying securities are United States Treasurers or Agencies that the market collateral equals 102% of the repurchase agreement amount including accrued interest, and the maximum maturity length of that collateral does not exceed 5 years. The only securities acceptable as collateral shall be eligible negotiable certificates of deposits, eligible bankers acceptances, or securities that are direct obligation of, or that are fully guaranteed as to principal and interest by, the United States or any agency of the United States.

g. Reverse repurchase agreements that specify terms and conditions may be transacted with broker dealers and financial institutions, but cannot exceed 20% of the portfolio value on the date entered into. The City may enter into reverse repurchase agreements which may not exceed 90 days.

h. Local Agency Investment Fund. The City may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum permitted by State law.

i. Time Deposit. The City may invest in non-negotiable time deposits collateralized in accordance with the California Government Code, in those banks and savings and loan associations that meet the requirements for investment in negotiable certificates of deposit. Since time deposits are not liquid, no more that 25% of the temporarily idle fund may be invested in this category.

j. Medium Term Cooperate Notes, with a maximum maturity of five years, may be purchased. Securities eligible for investment shall be rated AA or better by Moody’s or Standard & Poor’s rating services. Purchase of medium term notes may not exceed 30% of the market value of the portfolio and not more than 15% of the market value of the portfolio may be invested in notes issued by one corporation. Commercial paper holdings should also be included when calculating the 15% limitation.

k. Mutual Funds investments held by City must restrict their underlying investments to subsection “A” through “J” of 53601 of the Government Code or subsections “M” or “N” of 53601 of the Government Code. Mutual funds held by the City will have a maximum maturity of five (5) years, will not exceed twenty (20%) percent of the portfolio, and will have a minimum rating of AAA or Aa by either

Moody's or S&P. Mutual Fund investments will be made in accordance with section 53601(k) (l) of the Government Code.

l. Mutual Funds (Money Market Funds) held by the City will have a maximum maturity of 90 days, will not exceed twenty (20%) percent of the City's portfolio, and will have a minimum rating of AAA or AA by either Moody's or S&P. Mutual Fund investments will be made in accordance with section 53601(k) (2) of the Government Code.

m. Ineligible investments. Investments not described herein, including, but not limited to common stocks are prohibited from the use in this fund.

## 5. QUALIFIED DEALERS AND INSTITUTION

a. The City shall transact business only with banks, savings and loans and registered investment dealers. The purchase by the City of any Investment other than those purchased directly from the issuer, shall be purchased either from an institution licensed by the State as a broker-dealer, as defined in Section 25004 of the Corporations Code, who is a member of the National Association of Securities Dealers, or a member of a Federally regulated securities exchange, a National or State-Chartered Bank, a Federal or State Association (as defined by Section 5102 of the Financial Code), or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank.

b. The City Treasurer's staff shall investigate all institutions that wish to do business with the City, in order to determine if they are adequately capitalized, make markets in securities appropriate to the City's needs, and agree to abide by the conditions set forth in the City of Compton's Investment Policy. This will be done by having the Financial Institutions complete and return the appropriate questionnaire.

## 6. COMPETITIVE BIDDING

It is the policy of the City to require competitive bidding for government agencies and securities for transactions that are not classified as "new issues" securities. For the purchase of no "new issue" securities and the sale of all securities at least three bidders must be contacted.

## 7. APPROVED LIST

No purchase or sale of investments is to be made with a dealer or broker unless the firm's name has been approved by the City Treasurer and adopted by resolution by the City's Legislative Body.

## 8. SAFEKEEPING OF SECURITIES

To protect against potential losses caused by collapse of individual securities dealers, all securities owned by the City except securities used as collateral repurchased agreements, shall be kept in safekeeping with "perfect interest" by a third party bank trust department, acting as agent for the City under the terms of a custody agreement executed by the bank and by the City. All securities will be received and delivered using standard delivery-vs.-payment procedures.

## 9. INVESTMENT REPORTING AND MONTHLY REPORT

The Treasurer shall render a monthly report to the City Council showing the type of investment, institution, date of maturity, par value of investment, cost basis of investment, current market value change of all securities, rate of interest, interest earned, gains and losses and such data as may be required by the City Council. The report shall also detail all repurchase agreements, and shall state its relationship to this Statement of Investment Policy as directed under the Code and will be in compliance with GASB #31.

## 10. PERFORMANCE MEASUREMENTS OF PORTFOLIO

The City Treasurer shall include in the monthly report of investment activity performance measurements comparing the current month's yield with the three month average Treasury Bill.

## 11. INVESTMENT CONTROLS

The City Treasurer has developed a system of internal investment controls and a segregation of responsibilities of investment functions. These controls are designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, or imprudent actions by employees and officers of the Treasurer's staff.

## 12. ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## 13. LEGISLATIVE CHANGES

Any State of California legislative action, that further restricts allowable maturities, investment type or percentage allocations, will be incorporated into the City of Compton Investment Policy and supersede any and all previous applicable language.

## 14. DELEGATION OF AUTHORITY

In the absence of the City Treasurer, the authority to execute investment transactions affecting the City's temporarily idle funds will be restricted to the Chief Deputy Treasurer and the Deputy Treasurer.

## 15. LIMITING MARKET VALUE EROSION

The longer the maturity of securities, the greater their market price volatility. Therefore, it is the general policy of the City to limit the potential effects from erosion in market values by adhering to the following guidelines:

a. All immediate and anticipated liquidity requirements will be addressed prior to purchasing all investment.

b. Maturity dates for long-term investment will coincide with significant cash flow requirements where possible, to assist with short term cash requirements at maturity.

c. All long-term securities will be purchased with the intent to hold all investments to maturity under then prevailing economic conditions. However, economic or market conditions may change, making it in the City's best interest to sell or trade a security prior to maturity.

**16. POLICY REVIEW**

a. This Investment Policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of PRINCIPAL, LIQUIDITY, AND RETURN, and its relevance to current law, financial and economic trends, and to meet the needs of the City of Compton. Any amendments to the policy shall be forward to City Council for approval at a public meeting.

b. The City strives to maintain the level of investment of all surplus funds as near 100% as possible, through daily and projected cash flow determinations. The basic premise underlying the City's investment philosophy is, and will continue to be, to insure that money is always safe and available when needed.

**Section 3.** That a copy of this Resolution shall be filed in the offices of the City Clerk, City Manager, City Controller, City Treasurer and the City Attorney.

**Section 4.** That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

**ADOPTED** this _____ day of _____ 2020.

_____
**MAYOR OF THE CITY OF COMPTON**

**ATTEST:**

_____
**CITY CLERK OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council of the City of Compton, signed by the Mayor, and attested by the City Clerk, at a regular meeting thereof held on the ____ day of _____, 2020.

That said Resolution was adopted by the following vote, to wit:

**AYES:** **COUNCIL MEMBERS-**
**NOES:** **COUNCIL MEMBERS-**
**ABSENT:** **COUNCIL MEMBERS-**
**ABSTAIN:** **COUNCIL MEMBERS-**

_____
**CITY CLERK OF THE CITY OF COMPTON**

**January 28, 2020**

**TO:** **MAYOR AND CITY COUNCIL**

**FROM:** **CITY MANAGER**

**SUBJECT:** **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RESCINDING RESOLUTION NO. 25,030, RATIFYING THE PROFESSIONAL SERVICE AGREEMENT WITH RAFTELIS FINANCIAL CONSULTANTS, INC. TO PROVIDE A COMPREHENSIVE SEWER RATE AND FEE STUDY, AND ISSUING A PURCHASE ORDER IN THE AMOUNT OF $47,792**

## SUMMARY

The adoption of this resolution will rescind Resolution No. 25,030, ratify the professional service agreement with Raftelis Financial Consultants, Inc. and authorize the issuance of a purchase order in the amount of Forty Seven Thousand Seven Hundred and Ninety Two Dollars ($47,792) to provide a comprehensive sewer rate and fee study.

## BACKGROUND

On November 1, 2018, the Public Works Department solicited a Request for Proposal from qualified firms to perform a comprehensive sewer rate and fee study. The intent of the study is to develop fair and equitable sewer rates that are based upon the cost of a service analysis

The study is to be performed in conformance with the following policy direction:

- Provide a comparison of current sewer system costs (operations, capital improvements, bonded debt, etc.) against appropriate industry benchmarks

- Recommend sewer rate and fee structures that are based on the cost of a service analysis and are sufficient to meet the short and long term revenue requirements of the City's Sewer Funds

- Recommend rate structures that will consider and make provisions for the following factors:

    a. Current and future cost of providing sewer services in accordance with established and anticipated standards and regulations

    b. Projected demands of a growing community

c. Age and condition of the facilities and the need to fully fund projected improvements/replacements for supply, treatment, and distribution infrastructure

d. Funding requirements for all current or future long term liabilities and debt obligations

e. Impact of current and future sewer regulations

f. Consistency with industry practice for utility rate making in California

- Provide at least three recommended rate alternatives based upon standard rate practices (i.e. flat rate and increasing block rates) that meet the criteria above and make recommendations as to which one best meets the criteria

- Benefits of any proposed modifications shall be weighed against the financial impacts on rate payers

- Justifications for classes of customers under the recommended rate structure shall be demonstrated

- Recommended rate structure shall result in no decrease in stability of the revenue stream or the overall financial stability of the sewer funds as compared to the current structure

- Recommended rate structure shall be easy to administer and understood by both the customer and the City

- Review the City's automated billing system to determine if it is capable of administering any proposed rate structure. The City utilizes software developed by Springbrook to maintain its financial and utility account records

- Provide the City with an easy-to-use electronic rate model in MS Excel which can be readily controlled to take into account alternative scenarios

- The recommended rate structure shall be planned for at least five years

- Provide the City with recommendations on establishing developer impact fees or system capacity fees

- Allow for attending six (6) meetings with staff to discuss progress and Final Report, and two (2) City Council meetings to present Final Report

On December 3, 2018, the department received three (3) proposals from the following consultants:

| Consultant | Location | Cost |
|---|---|---|
| Bartle Wells Associates | Berkeley, CA | $80,775 |
| MFSG | Annapolis, MD | $97,750 |
| Raftelis | Los Angeles, CA | $47,792 |

After careful review of the submitted proposals and the presentation provided by the consultant's team, City staff determined that the proposal submitted by Raftelis Financial Consultants, Inc. was the lowest most responsive bidder.

Raftelis Financial Consultants, Inc. has the largest water industry financial and rate consulting practice in the nation. Raftelis depth of resources will provide the City with the technical expertise necessary to meet the City's objectives.

Raftelis scope of work will include the following:

**Task 1:** **Project Management, Administration, and Initiation**
*Deliverables:* Kick-off meeting agenda and meeting minutes, finalized data request

**Task 2**: **Financial Plan Development**
*Deliverables*: Draft financial plan in Microsoft Excel

**Task 3:** **Cost of Service and Rate Structure Analysis**
*Deliverables:* Draft cost of service and rate structure analysis in Microsoft Excel

**Task 4:** **Customer Impact and Sensitivity Analysis**
*Deliverables:* Draft customer impact and sensitivity analysis

**Task 5:** **Policy Evaluation for Capacity and Customer Service Fees**
*Deliverables*: Webinar with City staff

**Task 6:** **Draft and Final Report Preparation**
*Deliverables*: Eight (8) bound copies of Final Report, one (1) electronic copy in Microsoft Word, financial planning and rate model in Microsoft Excel

**Task 7:** **Meetings with City Staff and Council**
*Deliverables*: Presentation materials; and

## STATEMENT OF THE ISSUE

On June 5, 2019, pursuant to Resolution No. 25,030, City Council authorized the City Manager to enter into a professional services agreement with and establish a purchase order to Raftelis Financial Consultants, Inc. to provide a Comprehensive Sewer Rate and Fee Study in the amount of $47,792. In the Resolution, funds were to be available in Fiscal Year 2018-2019. However, the funds were not encumbered prior to June 30, 2019. Thus, it is necessary to seek City Council's approval to allocated funding for Fiscal Year 2019-2020.

Therefore, in order to rescind Resolution No. 25,030, ratify the professional service agreement and issue a purchase order in the amount of Forty Seven Thousand Seven Hundred and Ninety Two Dollars ($47,792) for Raftelis Financial Consultants, Inc. to provide a comprehensive sewer rate and fee study, City Council's authorization is necessary.

## FISCAL IMPACT

Funds in the amount of $47,792 are available in the Public Works 2019-2020 Fiscal Year budget in Account No. 5116-720-000-4266 ($20,000) and 1004-720-000-4262 ($27,792).

## ALTERNATIVE

Due to the City's desire to provide a comprehensive sewer rate and fee study and the fact that the consultant has entered into the agreement with the City, no other alternative is being proposed.

## RECOMMENDATION

Staff recommends the adoption of the attached resolution.

**CRAIG J. CORNWELL**
**CITY MANAGER**

**RESOLUTION NO._____**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON RESCINDING RESOLUTION NO. 25,030, RATIFYING THE PROFESSIONAL SERVICE AGREEMENT WITH RAFTELIS FINANCIAL CONSULTANTS, INC. TO PROVIDE A COMPREHENSIVE SEWER RATE AND FEE STUDY, AND ISSUING A PURCHASE ORDER IN THE AMOUNT OF $47,792**

**WHEREAS,** on November 1, 2018, the Public Works Department solicited a Request for Proposal from qualified firms to perform a comprehensive sewer rate and fee study; and

**WHEREAS,** the intent of the study is to develop fair and equitable sewer rates that are based upon the cost of a service analysis; and

**WHEREAS,** on December 3, 2018, the department received three (3) proposals from the following consultants:

| **Consultant** | **Location** | **Cost** |
|---|---|---|
| Bartle Wells Associates | Berkeley, CA | $80,775 |
| MFSG | Annapolis, MD | $97,750 |
| Raftelis | Los Angeles, CA | $47,792; and |

**WHEREAS,** after careful review of the submitted proposals and the presentation provide the consultant's team, City staff determined that the proposal submitted by Raftelis Financial Consultants, Inc. was the lowest most responsive bidder; and

**WHEREAS,** Raftelis scope of work will include the following:

**Task 1:** **Project Management, Administration, and Initiation**
*Deliverables*: Kick-off meeting agenda and meeting minutes, finalized data request

**Task 2**: **Financial Plan Development**
*Deliverables*: Draft financial plan in Microsoft Excel

**Task 3:** **Cost of Service and Rate Structure Analysis**
*Deliverables:* Draft cost of service and rate structure analysis in Microsoft Excel

**Task 4:** **Customer Impact and Sensitivity Analysis**
*Deliverables*: Draft customer impact and sensitivity analysis

**Task 5:** **Policy Evaluation for Capacity and Customer Service Fees**
*Deliverables*: Webinar with City staff

**Task 6:** **Draft and Final Report Preparation**
*Deliverables:* Eight (8) bound copies of Final Report, one (1) electronic copy in Microsoft Word, financial planning and rate model in Microsoft Excel

**Task 7:** **Meetings with City Staff and Council**
*Deliverables:* Presentation materials

**WHEREAS,** Raftelis Financial Consultants, Inc. has the largest water industry financial and rate consulting practice in the nation and their depth of resources will provide the City with the technical expertise necessary to meet the City's objectives; and

**WHEREAS,** on June 5, 2019, pursuant to Resolution No. 25,030, City Council authorized the City Manager to enter into a professional services agreement with and establish a purchase order to Raftelis Financial Consultants, Inc. to provide a Comprehensive Sewer Rate and Fee Study in the amount of $47,792; and

**WHEREAS,** in Resolution No. 25,030, funds were to be available in Fiscal Year 2018-2019, however, funds were not encumbered prior to June 30, 2019, thus it is necessary to seek City Council's approval to allocated funding for Fiscal Year 2019-2020; and

**WHEREAS,** funds in the amount of $47,792 are available in the Public Works 2019-2020 Fiscal Year budget in Account Nos. 5116-720-000-4266 ($20,000) and 1004-720-000-4262 ($27,792); and

**WHEREAS,** in order to rescind Resolution No. 25,030, ratify the professional service agreement and issue a purchase order in the amount of Forty Seven Thousand Seven Hundred and Ninety Two Dollars ($47,792) for Raftelis Financial Consultants, Inc. to provide a comprehensive sewer rate and fee study, City Council's authorization is necessary.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1.** That Resolution No. 25,030 adopted by City Council on June 5, 2019 is hereby rescinded.

**SECTION 2.** That the proposal submitted by Raftelis Financial Consultants, Inc is hereby re-accepted and ratified and all other proposals rejected.

**SECTION 3.** That the professional service agreement with Raftelis Financial Consultants, Inc is hereby re-authorized and ratified.

**SECTION 4.** That funds in the amount of $47,792 are available in the Public Works 2019-2020 Fiscal Year budget in Account Nos. 5116-720-000-4266 ($20,000) and 1004-720-000-4262 ($27,792).

**SECTION 5.** That copies of this resolution shall be filed in the offices of the City Manager, City Attorney, City Controller, City Clerk, and the Public Works Department.

**SECTION 6.** That the Mayor shall sign and the City Clerk shall attest to the adoption of this resolution.

**ADOPTED** this _____ day of _____, 2020.

_____
**MAYOR OF THE CITY OF COMPTON**

**ATTEST:**

_____
**CITY CLERK OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing resolution was passed and adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk, at a regular meeting thereof, held on the _____ day of _____ 2020.

That said Resolution was adopted by the following vote, to wit:

**AYES: COUNCILMEMBERS-**
**NOES: COUNCILMEMBERS-**
**ABSTAIN: COUNCILMEMBERS-**
**ABSENT: COUNCILMEMBERS-**

_____
**CITY CLERK OF THE CITY OF COMPTON**

RAFTELIS

**Sewer Rate and Fee Study Consultant Services**

COPY / TECHNICAL PROPOSAL / DECEMBER 3, 2018

**Contact Person**
Sanjay Gaur, Project Manager
445 S Figueroa Street, Suite 2270, Los Angeles, CA 90017
P: 213-262-9304 / E: sgaur@raftelis.com

# City of Compton

REGISTERED MUNICIPAL ADVISOR

# Raftelis is registered with the U.S. Securities Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) as a Municipal Advisor.

Registration as a Municipal Advisor is a requirement under the Dodd-Frank Wall Street Reform and Consumer Protection Act. All firms that provide financial forecasts that include assumptions about the size, timing, and terms for possible future debt issues, as well as debt issuance support services for specific proposed bond issues, including bond feasibility studies and coverage forecasts, must be registered with the SEC and MSRB to legally provide financial opinions and advice. Raftelis' registration as a Municipal Advisor means our clients can be confident that Raftelis is fully qualified and capable of providing financial advice related to all aspects of utility financial planning in compliance with the applicable regulations of the SEC and the MSRB.

RAFTELIS

445 S Figueroa Street, Suite 2270
Los Angeles, CA 90017

WWW.RAFTELIS.COM

November 29, 2018

Mr. Wendell Johnson, P.E.
Director of Public Works and Municipal Utilities
City of Compton
205 South Willowbrook Avenue
Compton, CA 90220

**Subject: Proposal for Sewer Rates and Fee Study**

Dear Mr. Johnson:

Raftelis is pleased to present this proposal to assist the City of Compton (City) with a Sewer Rate Study. With our industry expertise, depth of resources, and unparalleled qualifications, we can ensure a value-added project that efficiently and successfully implements forward-looking solutions that will benefit the City and its customers.

We have the largest practice in California and the nation specializing in financial and rate consulting for water, wastewater, recycled water, and stormwater utilities. Raftelis is confident in our ability to meet the City's goals and comply with Proposition 218. We have assisted numerous agencies in California and across the United States with successfully implementing equitable rate structures that fund capital infrastructure plans and ensure financial stability, while minimizing impacts on customers.

Raftelis understands the City's rate structure objectives as outlined in the Request for Proposals (RFP). The following objectives will guide the study and serve as the primary components of the proposed rate structure:

- Ensure revenue sufficiency and financial stability
- Fully fund costs to repair, replace, and improve infrastructure
- Accommodate demands of a growing community
- Minimize customer impacts from changes to the rate structure(s)
- Develop rates that are easy to understand and administer

We are confident in our ability to deliver a sustainable financial plan in line with the City's long-term objectives, analyze the cost of providing sewer service, and develop an optimal rate structure that complies with Proposition 218 and other industry standards and regulations.

Our project team has extensive experience and a reputation for high quality service. Our office, located in downtown Los Angeles, is a short distance from the City. I will serve as Project Manager and will be responsible for overall project accountability and provide insight and direction during the Study. I have more than 20 years of public-sector consulting experience and have conducted over 100 water, wastewater, and recycled water studies.

Raftelis is excited to have the opportunity to assist the City with this important study. If you have any questions, please do not hesitate to contact me at (213) 262-9304 or sgaur@raftelis.com.

Sincerely,

**Sanjay Gaur**
*Vice President*

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# WHO IS Raftelis

## RAFTELIS IS THE TRUSTED ADVISOR TO UTILITIES AND THE PUBLIC SECTOR.

+ Visit www.raftelis.com to learn more

Raftelis provides utilities and public-sector organizations with insights and expertise to help them operate as high-performing, sustainable entities providing essential services to their citizens. We help our clients solve their finance, organizational, and technology challenges, achieve their objectives, and, ultimately, make their communities better places to live, work, and play.

**Independence**
Raftelis is independent of the City, and we do not have any relationships involving the City or its employees.

**Size of our Firm**
90 employees (including 79 utility financial, organizational, and technology consultants)

**Location of the Offices from Which the Work Will Be Conducted**
445 S. Figueroa St., Suite 2270
Los Angeles, CA 90071

500 Yale Ave. North #109
Seattle, WA 98109

THE CITY
& RAFTELIS

# The Right Fit

**We believe that Raftelis is the right fit for this project. We provide several key factors that will benefit the City and help to make this project a success.**

## RESOURCES & EXPERTISE

**This project will require the resources necessary to effectively staff the project, and the skillsets to complete all of the required components.**

With more than 70 consultants, Raftelis has the largest water-industry financial and rate consulting practice in the nation. Our depth of resources will allow us to provide the City with the technical expertise necessary to meet your objectives. In addition to having many of the industry's leading rate consultants, we also have experts in key related areas, like stakeholder engagement and data analytics, to provide additional insights as needed.

## DEFENSIBLE RECOMMENDATIONS

**When your elected officials and customers are considering the validity and merit of recommended changes, they want to be confident that they were developed by experts using the latest industry standard methodology.**

Our senior staff are involved in shaping industry standards by chairing various committees within the AWWA and WEF. Raftelis' staff members have also co-authored many industry standard books regarding utility financail planning and rate setting. Being so actively involved in the industry will allow us to keep the City informed of emerging trends and issues, and to be confident that our recommendations are insightful and founded on sound industry principles. In addition, with Raftelis' registration as a Municipal Advisor, you can be confident that we are fully qualified and capable of providing financial advice related to all aspects of utility financial planning in compliance with federal regulations.

## HISTORY OF SIMILAR SUCCESSES

### An extensive track record of past similar work will help to avoid potential pitfalls on this project and provide the know-how to bring it across the finish line.

Raftelis staff have assisted 1,000+ utilities throughout the U.S. with financial and rate consulting services, with wide-ranging needs and objectives. Our extensive experience will allow us to provide innovative and insightful recommendations to the City, and will provide validation long-term financial plan ensuring that industry best practices are incorporated.

## USER-FRIENDLY MODELING

### A modeling tool that your staff can use for scenario analysis and financial planning now and into the future will be key for the City going forward.

Raftelis has developed some of the most sophisticated yet user-friendly financial/rate models available in the industry. Our models are tools that allow us to examine different policy options and cost allocations and their financial/customer impacts in real time. Our models are non-proprietary and are developed with the expectation that they will be used by the client as a financial planning tool long after the project is complete.

## EXPERTS ON CALIFORNIA REGULATORY REQUIREMENTS

### This expertise will allow the City to be confident that our recommendations take into account all of these regulatory requirements.

The regulatory environment in California has become more stringent due to Proposition 218. Besides developing well thought out financial plans, Raftelis staff are very knowledgable about these regulations and have made presentations on this subject at various industry conferences. In addition, we are frequently called on to be expert witnesses regarding these regulatory matters.

# How we stack up

**25** years
serving the
utility industry

*Our team includes*

**70+** consultants
focused on utility finance/
organization/technology

**8** current and previous
AWWA and WEF committee
and division chairs

**14** members of
AWWA, WEF, and NACWA
utility finance and management committees

*Raftelis has provided financial/organizational assistance for*

**1,000+** water/wastewater/
stormwater
utilities

which serve more than

**25%** of the
U.S. population

and includes the utilities serving

**33** of the nation's
50 largest cities

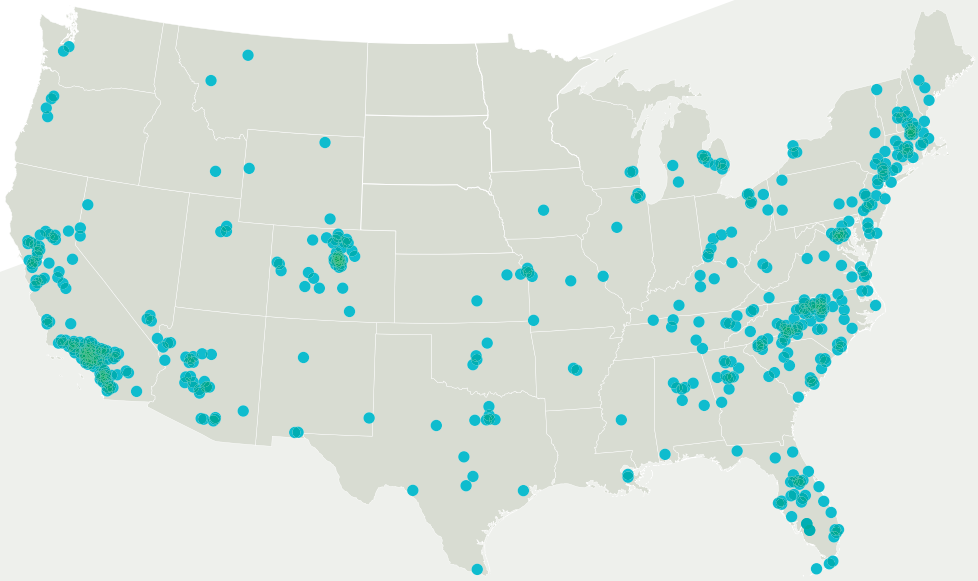
In the past year alone, we worked on

**600+** projects
for **400+** utilities
in **40** states

# Experience & References

## RAFTELIS HAS THE MOST EXPERIENCED UTILITY FINANCIAL AND MANAGEMENT CONSULTING PRACTICE IN THE NATION.

Our staff have assisted more than 1,000 utilities across the U.S., including some of the largest and most complex agencies in the nation. In the past year alone, Raftelis worked on more than 600 financial/organizational/technology consulting projects for over 400 water, wastewater, and/or stormwater utilities in 40 states, the District of Columbia, and Canada.



**Raftelis has provided financial/organizational/technology assistance to utilities serving more than**

**25%**

**of the U.S. population.**

This map and the matrix on the following page shows some of the utility clients that we have assisted.

## CALIFORNIA EXPERIENCE

This table lists the California utilities that Raftelis has assisted over the past five years on financial, rate, and/or management consulting projects.

| Client | Affordability Analysis & Program Development | Debt Issuance Support | Dispute Resolution | Financial and Capital Improvements Planning | Rate Case Support | Rate Design | Risk Analysis | Cost of Service | Development / Impact Fees | Stormwater Utility Develoment | Organizational Optimization | Water/Wastewater Utility Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alameda County Water District | | ● | | ● | | ● | ● | ● | ● | | | |
| Anaheim, City of | | | | ● | | ● | ● | ● | | | | |
| Arroyo Grande, City of | | | | ● | | ● | ● | ● | | | | |
| Atwater, City of | | | | ● | ● | ● | | ● | | | | |
| Bakersfield, City of | | ● | | ● | | ● | | ● | | | | |
| Benicia, City of | | | | | | | | | ● | | | |
| Beverly Hills, City of | | ● | | ● | | ● | ● | ● | ● | | ● | |
| Borrego Water District | | | ● | ● | | ● | | | | | | |
| Brea, City of | | | | ● | | ● | | ● | | | | |
| Brentwood (CA), City of | | | | ● | | ● | ● | ● | | | | |
| CAL FIRE/San Luis Obispo | | | | | | | | ● | | | | |
| Calleguas Municipal Water District | | ● | | ● | | ● | ● | ● | | | | |
| Camarillo, City of | | ● | | ● | | ● | | ● | ● | | | |
| Carlsbad Municipal Water District | | ● | | ● | | ● | ● | ● | | | | |
| Casitas Municipal Water District | | | | ● | | ● | | ● | | | | |
| Castaic Lake Water Agency | | | ● | ● | | ● | ● | ● | ● | | | |
| Central Basin Municipal Water District | | ● | | ● | | | ● | ● | | | | |
| Central Contra Costa Sanitary District | | | | ● | | ● | | ● | | | | |
| Channel Islands Beach Community Services District | | | | ● | | ● | | ● | | | | |
| Chino Hills, City of | | | | ● | | ● | | ● | | | | |
| Chino, City of | | | | ● | | ● | | ● | | | | |
| Chowchilla, City of | | | | ● | | ● | ● | ● | | | | |
| Corona, City of | | | | | | ● | | | ● | | | |
| County of San Diego | | | | ● | | | | ● | | ● | | |
| Crescenta Valley Water District | | | | ● | | ● | | ● | | | | |
| Cucamonga Valley Water District | | | | ● | | ● | | | | | | |
| Del Mar Union School District | | ● | | | | | | | | | | |
| Delta Diablo Sanitation District | | | | | | | | | | | ● | |
| East Bay Municipal Utility District | | | | ● | | | | ● | ● | | | |
| East Orange County Water District | | | | ● | | ● | | ● | ● | | | |
| East Valley Water District | | | | ● | | ● | ● | ● | | | | |
| Eastern Municipal Water District | | | | ● | | | | | | | | |
| El Toro Water District | | | | ● | | ● | | ● | | | | |
| Elk Grove Water District | ● | | | ● | | ● | ● | ● | ● | | | |
| Elsinore Valley Municipal Water District | | | | ● | | ● | | | ● | | | |
| Escondido, City of | | ● | | ● | | ● | ● | ● | ● | | | |
| Galt, City of | | ● | | ● | | ● | | ● | ● | | | |
| Glendora, City of | | | | | | ● | | | | | | |
| Goleta Water District | | | | ● | | ● | ● | ● | | | | |
| Goleta West Sanitary District | | | ● | ● | | ● | ● | ● | ● | | | |
| Helix Water District | | | | ● | | ● | | ● | | | | |
| Henderson, City of | | | | ● | | ● | | ● | ● | | | |
| Hollister, City of | | | | ● | | ● | | ● | ● | | | |
| Holtville, City of | | | | ● | | | | ● | | | | |
| Huntington Beach, City of | | | | ● | | ● | ● | ● | | | | |
| Imperial County | | | | ● | | ● | | ● | | | | |
| Inland Empire Utilities Agency | | | | ● | | | | | | | | |

| Client | Affordability Analysis & Program Development | Debt Issuance Support | Dispute Resolution | Financial and Capital Improvements Planning | Rate Case Support | Rate Design | Risk Analysis | Cost of Service | Development / Impact Fees | Stormwater Utility Develoment | Organizational Optimization | Water/Wastewater Utility Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Irvine Unified School District | | ● | | | | | | | | | | |
| Jurupa Community Services District | | | | ● | | ● | ● | ● | | | | |
| Kern County Water Agency | | | | | ● | | | | | | | |
| La Canada Irrigation District | | | | ● | | ● | | ● | | | | |
| La Habra Heights County Water District | | | | ● | | ● | ● | ● | ● | | | |
| Laguna Beach, City of | | | | ● | | | | | | | | |
| Lake Valley Fire Protection District | | | | ● | | | ● | ● | | | | |
| Las Virgenes Municipal Water District | | | | ● | | ● | | ● | | | | |
| Leucadia Wastewater District | | | | ● | | ● | | | | | | |
| Livermore, City of | | | | ● | | ● | | ● | ● | | | |
| Long Beach City of | ● | ● | | ● | | ● | | ● | | | | |
| Los Alamos Community Services District | | ● | | ● | | ● | | ● | ● | | | |
| Los Angeles Department of Water and Power | | | | | | ● | | ● | | | | |
| Los Angeles, City of Bureau of Sanitation | | | | | ● | | | | | | | |
| Madera, City of | | ● | | ● | | | | | | | | |
| Mammoth Community Water District | | | | ● | | ● | | ● | | | | |
| Marin Municipal Water District | | | | | ● | | | | | | | |
| Merced, City of | | | | ● | | ● | | ● | ● | | | |
| Mesa Water District | | | | ● | | | | ● | | | | |
| Metropolitan Water District of Southern California | | | ● | | | | | | | | | |
| Modesto Irrigation District | | | | | | ● | | ● | | | | |
| Mojave Water Agency | | | | ● | | ● | ● | | | | | |
| Monterey County Water Resources Agency | | | | ● | | ● | | ● | | | | |
| Monterey, City of | | ● | | ● | | ● | ● | | | | | |
| Moulton Niguel Water District | | | | | | | | | ● | | | |
| Municipal Water District of Orange County | | | | | ● | | | ● | | | | |
| Napa Sanitation District | | | | ● | | ● | | ● | | | | |
| Ojai Valley Sanitary District | | | | ● | | ● | | ● | | | | |
| Olivenhain Municipal Water District | | | | ● | | ● | ● | | | | | |
| Ontario Municipal Utilities Company | | | | | | | | ● | | | | |
| Ontario, City of | | | | ● | | ● | ● | ● | | | | |
| Orange, City of | | | | ● | | ● | | ● | | | | |
| Palo Alto, City of | | | | ● | | ● | ● | ● | | | | |
| Phelan Pinon Hills Community Services District | ● | | | ● | | ● | | ● | ● | | | |
| Placer County Water Agency | | | | | ● | | | ● | | | | |
| Pleasant Hill Recreation & Park District | | | | ● | | | | ● | | | | |
| Pomona, City of | | | | ● | | ● | | ● | ● | | | |
| Rainbow Municipal Water District | | | | ● | | ● | ● | ● | | | | |
| Ramona Municipal Water District | | | | ● | | ● | | ● | | | | |
| Rancho California Water District | | | | | | ● | ● | ● | ● | | | |
| Redlands, City of | | | | ● | | ● | ● | ● | ● | | | |
| Rincon del Diablo Municipal Water District | | | | ● | | ● | | ● | | | | |
| Riverside Public Utilities | | | | ● | | ● | ● | ● | ● | | | |
| Roseville, City of | | ● | | ● | | | | | ● | | | |
| Sacramento Regional County Sanitation District | | | | | | ● | | | | | | |
| Sacramento, City of | | | | ● | | ● | | ● | | | | |
| Salton Community Services District | | | | ● | | | | ● | | | | |

| Client | Affordability Analysis & Program Development | Debt Issuance Support | Dispute Resolution | Financial and Capital Improvements Planning | Rate Case Support | Rate Design | Risk Analysis | Cost of Service | Development / Impact Fees | Stormwater Utility Develoment | Organizational Optimization | Water/Wastewater Utility Valuation |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| San Bernardino Valley Municipal Water District | | | | | | ● | | | | | | |
| San Bernardino, County of | | | | ● | | ● | | ● | ● | | | |
| San Clemente, City of | | | | ● | | ● | ● | ● | | | | |
| San Diego, City of Public Utilities Deptartment | | ● | ● | ● | | ● | ● | ● | ● | | | |
| San Dieguito Water District | | | | ● | | ● | | ● | | | | |
| San Elijo Joint Powers Authority | | | | ● | ● | ● | ● | ● | ● | | | |
| San Gabriel County Water District | | | | ● | | ● | | ● | | | | |
| San Gabriel, City of | | | | ● | | ● | | ● | | | | |
| San Jose, City of | | | | | | | | ● | | | | |
| San Juan Capistrano, City of | | | | ● | | ● | ● | ● | ● | | | |
| Santa Ana, City of | | | | | | | | ● | | | | |
| Santa Barbara, City of | | | | ● | | ● | ● | ● | ● | | | |
| Santa Clara Valley Water District | | | ● | ● | ● | | | | | | | |
| Santa Clarita Water District | | ● | | ● | | ● | ● | ● | ● | | | |
| Santa Cruz, City of | | | | ● | | ● | ● | ● | | | | |
| Santa Fe Irrigation District | | | | ● | | ● | ● | ● | ● | | | |
| Santa Fe Springs, City of | | | | ● | | ● | | ● | | | | |
| Santa Margarita Water District | | | | ● | | ● | ● | ● | | | | |
| Santa Rosa, City Attorney's Office | | | | | | | | | ● | | | |
| Scotts Valley Water District | | ● | | ● | | ● | ● | ● | ● | | | |
| Shafter, City of | | | | ● | | ● | | ● | | | | |
| Shasta Lake, City of | | | | ● | | ● | ● | ● | | | | |
| Sierra Madre, City of | ● | | | ● | | ● | | ● | | | | |
| Signal Hill, City of | | | | ● | | ● | | ● | | | | |
| Simi Valley, City of | | | | ● | | ● | ● | ● | ● | | | |
| Sonoma, City of | | | | ● | | ● | | ● | | | | |
| South Mesa Water Company | | | | ● | | ● | ● | ● | | | | |
| South Pasadena, City of | | | | ● | | ● | | ● | | | | |
| South San Francisco, City of | | | | ● | | | | ● | | | | |
| Sunnyslope County Water District | | | | ● | | ● | ● | ● | ● | | | |
| Sweetwater Authority | | | | ● | | ● | | ● | | | | |
| Temescal Valley Water District | | | | ● | | ● | | ● | ● | | | |
| Thousand Oaks, City of | | | | ● | | ● | ● | ● | ● | | | |
| Torrance, City of | | | | ● | | ● | | ● | | | | |
| Trabuco Canyon Water District | | | | ● | | ● | | ● | | | | |
| Triunfo Sanitation District | | | | ● | | ● | | ● | | | | |
| Tustin, City of | | | | ● | | ● | | ● | | | | |
| Union Sanitary District | | | | ● | | ● | ● | ● | ● | | | |
| Ventura Regional Sanitation District | | | | ● | | ● | | ● | | | | |
| Ventura, City of | ● | ● | ● | ● | ● | ● | ● | ● | ● | | | |
| Vista, City of | | | | ● | | ● | | | ● | | | |
| Walnut Valley Water District | | | | ● | | ● | | ● | | | | |
| Watsonville, City of | ● | | | ● | | ● | ● | ● | | | | |
| West Basin Municipal Water District | | | | ● | | ● | ● | ● | | | | |
| Western Municipal Water District | | | | ● | | ● | | ● | ● | | | |
| Yorba Linda Water District | | | | ● | | ● | | ● | | | | |
| Zone 7 Water Agency | | | | ● | | ● | | ● | | | | |

**On the following pages, we have provided detailed descriptions of several projects that are similar in type and size to the City's project. We have included references for each of these clients and urge you to contact them to better understand our capabilities and the quality of service that we provide. In Appendix B, we have also included a copy of a sewer rate study/cost of service analysis similar to the City's project.**

## City of Long Beach

CALIFORNIA

**Reference:** Anatole Falagan, Assistant General Manager
Long Beach Water Department
1800 E. Wardlow Rd., Long Beach, CA 90807 – 4994
P: 562.570.2317 / E: anatole.falagan@lbwater.org

The City of Long Beach Water Department (LBWD or Department) maintains a system of water, sewer, and recycled water infrastructure that provides services to nearly 470,000 Long Beach residents. LBWD receives its potable water supply from two main sources: groundwater produced from the Central Groundwater Basin, regulated by the Water Replenishment District of Southern California (WRD), and purchases from the Metropolitan Water District of Southern California (MWD).

The prior water and sewer rates were developed in 1996 and updated annually across the board to account for rising operating and capital costs. LBWD engaged Raftelis to conduct a cost of service and rate design study for its water and sewer services and develop an administrative record that demonstrates a nexus between LBWD's costs and rates to meet the requirements of Proposition 218.

Raftelis collaborated with LBWD staff to develop the rate design framework for water, recycled water, and sewer rates based on the policy priorities such as promoting conservation, being easy to administer and for customers to understand, and providing affordability for essential use. The current three-tier inclining rate structure for residential customers achieves most of these pricing objectives. LBWD meets the needs of its customers through a diverse portfolio of water resources, including local groundwater combined with imported supplies. To better align residential usage tiers with available water supply, Raftelis proposed to define tier breakpoints by water supply source.

The LBWD Board of Water Commissioners (Board) commits to continue the Exemption Program to provide affordability

10

for essential water use for eligible customers in need in conjunction with the City of Long Beach Utility Users Tax Exemption Program. To continue to support the Exemption Program, Raftelis and LBWD staff recommended to use non-rate revenue such as rental income as qualified funding sources.

Raftelis conducted a detailed and vigorous cost of service analysis for water, recycled water, and sewer services and rate calculations demonstrating the nexus and proportionality between the costs and the rates to ensure compliance with Proposition 218. To help communicate with customers about the drivers and rationale behind the proposed rates, the water quantity rates include several cost-based rate components, including water supply costs, delivery, peaking, conservation and revenue offsets. To facilitate informed decisions by policy makers, sensitivity and customer impact analyses were conducted for all customer classes at various usage levels receiving water, recycled water, and sewer services. Raftelis developed an Excel-based, non-proprietary financial plan and rate model documenting all of the data and assumptions used in the study. The rate model presents the results of the study in a series of tables and charts that allows the Department to quickly review the impacts of different rates alternatives, so that policy makers can make informed decisions.

At the end of the study, Raftelis presented the results to the Board in a workshop illustrating the nexus between the costs and rates to ensure that the proposed water, recycled water, and sewer rate structures complied with Proposition 218 requirements. As part of the study, Raftelis developed the cost of service and rate study report to be used as an administrative record. The report highlighted the major issues and decisions made during the course of the study and discussed and explained the cost of service analysis and methodology used to develop the final rates. The explanation of the methodology found within the report demonstrates that the rates: are equitable, reflect the Department's policies and values, and are driven by the Department's revenue requirements. The final report was submitted to the LBWD, the Long Beach Board of Water Commissioners conducted a public hearing to consider the proposed changes outlined in the Proposition 218 legal notice, and the City Council adopted an ordinance approving the new rate structure.

## City of Camarillo

**CALIFORNIA**

**Reference:** Mark S. Uribe, Assistant Director of Finance
601 Carmen Drive, Camarillo, CA 93010
P: 805.388.5358 / E: muribe@cityofcamarillo.org

In 2011, the City of Camarillo (City) engaged Raftelis to conduct a comprehensive water and wastewater rate study to independently assess and evaluate existing water and wastewater rates for compliance with industry standards and California regulations, and to develop a financial plan to ensure financial sufficiency while minimizing rate impacts to the greatest degree possible. The study included a comprehensive review of the water and wastewater enterprises' revenue requirements, a review of the City's user classification and usage patterns, a cost of service analysis, the development of water and wastewater connection fees, the design of water and wastewater rates, and the analysis of customer impacts along with a rate survey of neighboring agencies. The City had significant capital improvement projects scheduled in the immediate future (FY 2012 to FY 2014); to smooth out customer impacts while sufficiently maintaining the utility's systems, Raftelis developed water and wastewater financial plan models to evaluate different CIP scenarios, financing options, and associated financial impacts. Raftelis recommended water and wastewater rate schedules for a two-year period effective January 2012 and 2013, which were approved by the City Council in November 2011. Since then Raftelis has updated the City rates on a biennial basis and has recently revaluated the financial plan for FY 2017.

The City relies heavily upon imported water and has experienced a reduction on its groundwater allocation within the Fox Canyon Basin due to saltwater intrusion. To help mitigate the impacts from drought and increasing source costs, the City has developed a recycled water system to provide non-potable supply to irrigators and other non-residential accounts within the service area. In 2015 Raftelis developed a financial plan for the new recycled water enterprise. As part of the Study, Raftelis conducted a cost of service analysis and developed recycled water rates. Recycled water rates were adopted by City Council, in conjunction with potable rates, in July 2016

## City of Lakewood

**CALIFORNIA**

**Reference:** Jason J. Wen, Ph.D., P.E.
Director of Water Resources
5812 Arbor Road, Lakewood, CA 90713
P: 562.866.9771 ext. 2701 / E: JWen@lakewoodcity.org

Raftelis helped the City of Lakewood establish water and recycled water rates. The City will move from a 2-tiered rate structure for single family residential customers to a 3-tiered rate structure. The first tier of the existing structure is a free tier with no commodity/volumetric rate. The City chose to phase in Raftelis' recommendations over the course of 5 years. The resulting phased in approach mitigated customer rate shock. The City will also move from a uniform multi-family residential rate to a 3-tiered rate structure. All rates are based on the cost to serve customers in accordance with Proportion 218.

## City of Torrance

**CALIFORNIA**

**Reference:** Robert Beste, PE, Public Works Director
20500 Madrona Avenue, Torrance, CA 90503
P: 310.618.6258 / E: rbeste@torrnet.com

The City of Torrance (City) had not conducted a cost of service rate study in several years. Raftelis was engaged to assist the City with several issues including development of a long-term financial plan, cost of service rates, evaluation of the agreements with Mobil-Exxon and Cal-Water, lifeline rates, pass through charges, capital financing, debt funding, and conservation rates including an inclining rate structure. The process was conducted with input from a Utilities Advisory Board. Raftelis assisted the City with Proposition 218 requirements in conjunction with legal counsel. Additionally, Raftelis assisted the City with the development of recycled water rates. Raftelis has been retained again to assist with wastewater rates and to update water rates.

## City of Huntington Beach

**CALIFORNIA**

**Reference:** Kenneth Dills, Project Manager
19001 Huntington Street, Huntington Beach, CA 92648
P: 714.375.5055 / E: kdills@surfcity-hb.org

In 2010, City of Huntington Beach (City) engaged Raftelis to conduct a water budget rate study and design a water budget rate structure for its 48,000 residential and irrigation accounts. Budgets were based on household size for indoor allocations and weather and irrigation area for outdoor allocations. The formula for developing allocation budgets considers irrigation efficiency and type of landscape. The concept is to encourage efficient use of water and to provide users adequate water but penalize wasteful practices.

In 2011, Raftelis developed a water budget rate model that allowed the City to quickly view the impacts of alternative rates and budgets. The water budget rate structure was designed to ensure revenue stability, financial sufficiency and conservation program funding for the City. This tool was invaluable when presenting results in graphical format to the City Council so that they could see the impacts of different water budgets and different rate alternatives on their customers instantaneously. In addition, Raftelis was requested to prepare the billing system framework required to accommodate a water budget rate structure. As part of this engagement, Raftelis conducted a market research to identify potential vendors that had successfully implemented a water budget rate structure, and provided the City a list of vendors and their associated contact information.

In 2012, the City commissioned Raftelis to develop a Financial Plan Model to evaluate financing options for the capital improvement projects (CIP) included in its recently updated Water Master Plan, to assess the resulting financial impacts and to perform sensitivity analyses for different CIP scenarios.

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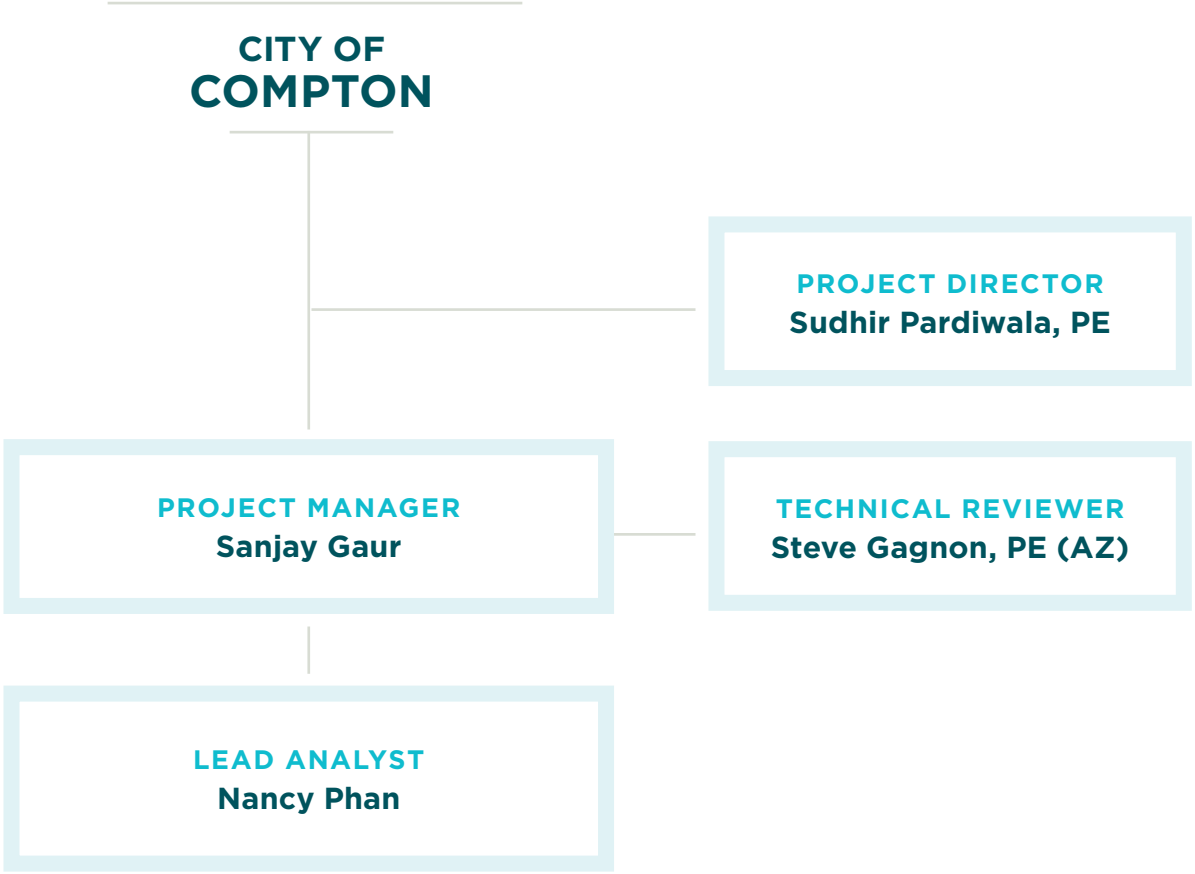
# Qualifications of Professional Staff

**WE HAVE DEVELOPED A TEAM OF CONSULTANTS WHO SPECIALIZE IN THE SPECIFIC ELEMENTS THAT WILL BE CRITICAL TO THE SUCCESS OF THE CITY'S PROJECT.**

Our team includes senior-level professionals to provide experienced project leadership, with support from talented consultant staff. This close-knit group has frequently collaborated on similar successful projects, providing the City with confidence in our capabilities.

Here, we have included an organizational chart showing the structure of our Project Team. On the following pages, we have included brief profiles and project roles for each of our team members, and detailed resumes are provided in Appendix A.



**PROJECT DIRECTOR**

## Sudhir Pardiwala PE

Executive Vice President

### PROJECT ROLE

Will be responsible for overall project accountability, and will be available to provide insights into various cost of service and rate-setting matters.

### CAREER HIGHLIGHTS

- 40 years of experience
- Co-author of: WEF's *MOP No. 27, Financing and Charges for Wastewater Systems; & Water and Wastewater Finance and Pricing*
- Conducted over 300 water, wastewater, and recycled water studies
- Financial/rate consulting experience with Torrance, La Habra, Brea, South Pasadena, Napa Sanitation District, Escondido, San Diego, Goleta West Sanitary District, & Santa Barbara

**PROJECT MANAGER**

## Sanjay Gaur

Vice President

### PROJECT ROLE

Will manage the day-to-day aspects of the project ensuring it is within budget, on schedule, and effectively meets the City's objectives. He will also lead the consulting staff in conducting analyses and preparing deliverables. Mr. Gaur will serve as the City's main point of contact.

### BACKGROUND

- 20 years of experience
- Co-author of: AWWA's *M1 Manual*; AWWA's *Water, Rates, Fees, and the Legal Envronment*; & *Water and Wastewater Finance and Pricing*
- Financial/rate consulting experience with Long Beach, Huntington Beach, Trabuco Canyon Water District, & East Bay Municipal Utility District

TECHNICAL REVIEWER

## Steve Gagnon PE (AZ)

Manager

**PROJECT ROLE**

Will provide oversight for the project ensuring it is completed in a timely manner and meets both Raftelis and industry standards.

**CAREER HIGHLIGHTS**

- 20 years of experience
- Registered with the Securities and Exchange Commission as a Municipal Advisor; Registered Environmental Engineer in Arizona
- Member of CA-NV AWWA Rates and Charges Committee
- Financial/rate consulting experience with Lakewood, Pomona, San Dieguito Water District, Santa Fe Irrigation District, Sweetwater Authority, Olivenhain Municipal Water District, & Encina Wastewater Authority

LEAD ANALYST

## Nancy Phan

Consultant

**PROJECT ROLE**

Will work at the direction of Mr. Gaur in conducting analyses and preparing deliverables for the project.

**CAREER HIGHLIGHTS**

- 3 years of experience
- Financial/rate consulting experience with City of Torrance, Ventura, City of La Habra, Central Contra Costa Water District, & Selma-Kingsburg-Fowler County Sanitation District

# Leading the industry

**Raftelis staff shape industry standards for water and wastewater utility finance and management through our active leadership in AWWA, WEF, and EPA. Raftelis' staff includes:**

**AWWA**

- Asset Management Committee - 1 member
- Benchmarking Committee - 1 member
- Finance, Accounting, and Management Controls Committee - 2 members
- Management and Leadership Division - Chair and Vice Chair
- Public Affairs Council - Chair
- Rates and Charges Committee - Chair and 7 members
- Strategic Management Practices Committee - Chair
- Technical and Education Council - 1 Trustee

**WEF**

- Finance and Administration Subcommittee - Chair
- Technical Practices Committee - 1 member
- Utility Management Committee - 4 members
- WEFTEC Conference Planning Committee - 1 member

**EPA**

- Environment Financial Advisory Board - 1 member

# We wrote the book

**Raftelis staff have co-authored many of the industry's leading guidebooks regarding water and wastewater financial and management issues, including:**

- Affordability of Wastewater Service (WEF)
- Financing and Charges for Wastewater Systems, Manual of Practice 27 (WEF)
- Manual M1, Principles of Water Rates, Fees and Charges (AWWA)
- Manual M5, Principles of Water Rates, Fees and Charges (AWWA)
- The Effective Water Professional (WEF)
- Water and Wastewater Finance and Pricing: The Changing Landscape
- Water and Wastewater Rate Survey (conducted and published collaboratively with AWWA and Raftelis)
- Water Rates, Fees, and the Legal Environment (AWWA)

# Study Approach

The City of Compton's sewer utility provides wastewater services to a population of 95,000 that includes both residential and commercial customers. The sewer system includes over 140 miles of pipes for wastewater collection. Treatment services are provided by the Los Angeles County Sanitation District (LACSD). The City's Public Works Department operates and maintains the system, which was constructed during the 1940s and 1950s.

The current sewer rates include a sewer service charge based on historical water use and a capital charge based on volume of water to fund capital costs for the utility. The City is seeking qualified consultants to conduct a Sewer Rate Study to ensure revenue sufficiency, financial stability, and compliance with Proposition 218 and other industry regulations, with considerations for issues such as a growing population and aging infrastructure.

As part of our approach, Raftelis will complete a long-term financial plan for the utility. The financial plan will review all operating and capital revenue requirements, forecasted across a 10-year period, to determine the level of revenue increases required in the future to sustain operations, fund capital projects, and meet debt coverage requirements and/or reserve targets. Raftelis will utilize the most up-to-date information available and examine how various scenarios can alter the financial plan. This will ensure that the City accounts for future capital needs through steady, measured increases in rates. It is equally important to assess the financial impacts on customers and, therefore, to develop alternative financial plan scenarios to meet the City's short- and long-term objectives.

The cost of service analysis will use the methodologies set forth by the Water Environment Federation (WEF) in the *Manual of Practice No. 27, Financing and Charges for Wastewater Systems*, which will ensure that the proposed rates comply with Proposition 218. (Several Raftelis staff members served as co-authors of this guidebook.) Besides conducting the technical analysis to formulate cost of service rates that meet Proposition 218 requirements, it is equally important that the rationale for the rates is clear, straightforward, and that rates can be easily understood and implemented. Rates do more than simply recover costs. Properly designed rates support and optimize a blend of various utility objectives, such as affordability for essential needs, fairness and equity, revenue stability, and ensuring ease of implementation. The rate development process is a public information tool that communicates the City's rate objectives to customers. Raftelis will design rates according to industry standards that are defensible and meet the City's rate-setting objectives.

Raftelis will develop a customized rate model to assess three rate alternatives and the corresponding customer impacts to facilitate informed decision-making. The results will be summarized in both an easy-to-understand graphical format and a tabular format to ease communications with elected officials.

All financial analyses will be developed through the use of a sophisticated financial and rate model developed for the City, by Raftelis, in Microsoft Excel. Raftelis develops powerful, yet user-friendly rate models to allow for various financial-planning and scenario analysis tasks. Our goal is to provide a model that City staff can use in subsequent years as part of its budgetary process. The model will be provided to the City as a deliverable and it will allow staff to update the financial plan and rates in future years. Our models include a dashboard through which stakeholders can instantaneously visualize the impacts of changes to assumptions to facilitate informed decision making.

Our proposed project approach entails several distinct, yet interrelated work efforts that will require effective coordination between City staff and the Raftelis team. Rate making must be a collaborative effort that takes into consideration varying objectives, to ensure buy-in from stakeholders and successful implementation. We will work with City staff on an ongoing basis via scheduled in-person meetings and web meetings for the orderly transfer of information and to cultivate a strong sense of ownership among City staff over the final work product and results.

# Scope of Work

TASK 1

## Project Management, Administration, and Initiation

We believe that the execution of a productive kick-off meeting is the most effective way to begin a study of this nature. Raftelis will use this time to perform our due diligence and ensure that the project stakeholders agree to the objectives, approach, work plan, schedule, and priorities. As part of the meeting, Raftelis will:

- Discern the major drivers for the Study
- Work with City staff to identify and prioritize pricing objectives
- Identify potential alternative rate structures and develop a framework
- Discuss financial, debt, and/or reserve policies
- Review the data request list and pinpoint outstanding requirements

The preliminary data request list for this study, as requested in the RFP, is provided below:

- Projected expenses and revenues for fiscal year (FY) 2019 and if available, FY 2020
- Actual expenses and revenues for FY 2018
- Customer account data and billed consumption data for FY 2017 and FY 2018
- 10-year capital improvement plan (CIP)
- Sewer Master Plan, if available
- Asset listing with original cost, date in service, useful life as of June 30, 2018

Our project management approach stresses communication, teamwork, objectivity, and accountability to meet project objectives and includes general administrative duties including client correspondence, billing, project documentation, and administration of the study. We believe in a no-surprises approach and communicate with clients on a regular basis through face-to-face meetings, web meetings, and telephone conferences so that the City is always aware of project status.

At the heart of Raftelis' core philosophy is our commitment to quality. The foundation of our Quality Assurance/Quality Control (QA/QC) program is based on the concept that QA/QC is a continuous process, not simply a mechanism to be incorporated at the end of an engagement. As such, in every project, we implement a systematic program of quality assurance that incorporates an independent system of checks throughout the entire course of the engagement to ensure consistency, accuracy and validity. This is accomplished through periodic review of the issues and model throughout the course of the project. We have found that a well-defined QA/QC process ensures that our work products will be of the highest quality and meet or exceed the standards that our clients have come to expect from Raftelis.

**Meeting: Kick-off meeting with City staff (included in Task 7)**
**Deliverables: Kick-off meeting agenda and meeting minutes, finalized data request list**

TASK 2

## Financial Plan Development

After the data has been compiled and analyzed, Raftelis will begin the process of developing a long-term financial plan which will involve projecting wastewater flow generation and forecasting revenue requirements. Revenue requirements, or expenses, will be compared to industry benchmarks during this phase. We will develop a detailed forecast model that will serve as a comprehensive yet flexible planning tool that will incorporate growth projections, ten-year CIP, capital financing plan, wastewater flow and/or water consumption projections, revenue requirements, detailed cost and revenue projections, and reserve balances. Raftelis will determine a 10-year cost forecast based on inflation assumptions provided by City staff. In addition, Raftelis will project non-rate revenues such as late fees, interest, miscellaneous fees, etc. that may be used to offset rate increases. To better understand the financial situation of the utility, we will conduct a review of the City's funds and become familiar with the billing system to ensure ease of administration in later stages of the study.

Another important element of the financial plan will be the development of reserves for operating, capital replacement, rate stabilization, and unforeseen events. We will take into consideration the City's risk management and financial policies to recommend appropriate reserve targets and assess the City's level of liquidity. Adopting or revising a financial policy can help the City mitigate against risks such as revenue instability due to environmental conditions, asset failures, and natural disasters. In addition, an appropriate reserve policy reflects sound financial management practices and increases financial sufficiency for the utility in the long-term.

Ultimately, Raftelis will project how much cash is required to be collected through sewer rates to meet projected expenses while minimizing sharp rate fluctuations. The model will determine the capability of the City's existing and scheduled sewer rates to fully cover operational costs, and if necessary, propose revenue adjustments that will allow the City to effectively meet its financial obligations. This will allow the City to plan

**Projecting revenue adjustments over a long planning horizon can illustrate future rate impacts and potential challenges to the City's financial situation in both the short-term and long-term.**

expenses, reserve balances, and/or capital project scheduling to smooth rate impacts and to maintain financial stability throughout the multi-year planning horizon.

At the heart of any successful financial assessment is the computer model that is used to develop revenue requirements, perform financial planning, and calculate sewer rates. Raftelis will create a customized model based on a standardized approach to meet the City's specific needs. The model will have the capability to instantly review results of multiple scenarios and assess their impacts, making the model a key decision-making tool to best meet the City's needs. On the following page, we have included a sample model screenshot showing key model features, which include:

- Revenue adjustments required for the next five (or more) years in order to meet debt coverage and target reserve balance(s)
- Projected operating costs and revenue streams
- Reserve balances and target levels according to the City's fiscal policies
- Different funding sources of CIP (PAYGO or debt financed)

**Meetings:** Up to two (2) webinars with City staff
**Deliverables:** Draft financial plan in Microsoft Excel

TASK 3

## Cost of Service and Rate Structure Analysis

Following the development of the financial plan, Raftelis will conduct a cost of service analysis, which will be performed based on industry standards and methodologies approved by the WEF to ensure equitable rates that are compliant with Proposition 218. Operating costs will be allocated to each cost category based on the functionalized operating expenses of the utility. Capital costs will be allocated on the basis of the existing assets. The cost of service will be allocated to the various cost components, including flow, customer costs, and other direct and indirect costs consistent with industry standards. The purpose of this task is to allocate the costs associated with the costs components to the various customer classes on the basis of the relative responsibility of each. The result will be the total cost responsibility required of each customer class in order to maintain the financial stability of the City's sewer enterprise.

Throughout the cost allocation process, Raftelis will comply with the City's policy considerations and procedures, as well as current federal, state, and local rules, regulations, and guidelines applicable to determining charges for sewer service. Additionally, Raftelis will ensure that the cost allocations are in compliance with Proposition 218 and other regulatory requirements. Although not a law firm, Raftelis is very familiar with Proposition 218 requirements and its implications on rates. Our team has extensive experience with Proposition 218 and cost of service rate design.

After conducting the cost of service analysis, Raftelis will calculate five years of sewer rates for different customer classes under the current rate structure and up to three alternative rate structures. The current rate structure will be utilized as a baseline for comparing between alternative rate structures. The City currently has a sewer charge based on historical water usage and a capital charge based on volume of water used. Raftelis will evaluate the ability of the City's proposed sewer rates to ensure revenue stability and financial sufficiency despite increasing costs and a growing community. The benefits of each proposed rate structure alternative will be assessed using the pricing objectives determined in the kick-off meeting, such as ease of administration, minimal customer impact, fairness and equity, etc. Raftelis will collaborate with City staff and other stakeholders to determine the best rate structure alternative and provide documentation regarding the final recommendation.

**Meetings:** Up to two (2) webinars with City staff
**Deliverable(s):** Draft cost of service and rate structure analysis in Microsoft Excel

TASK 4

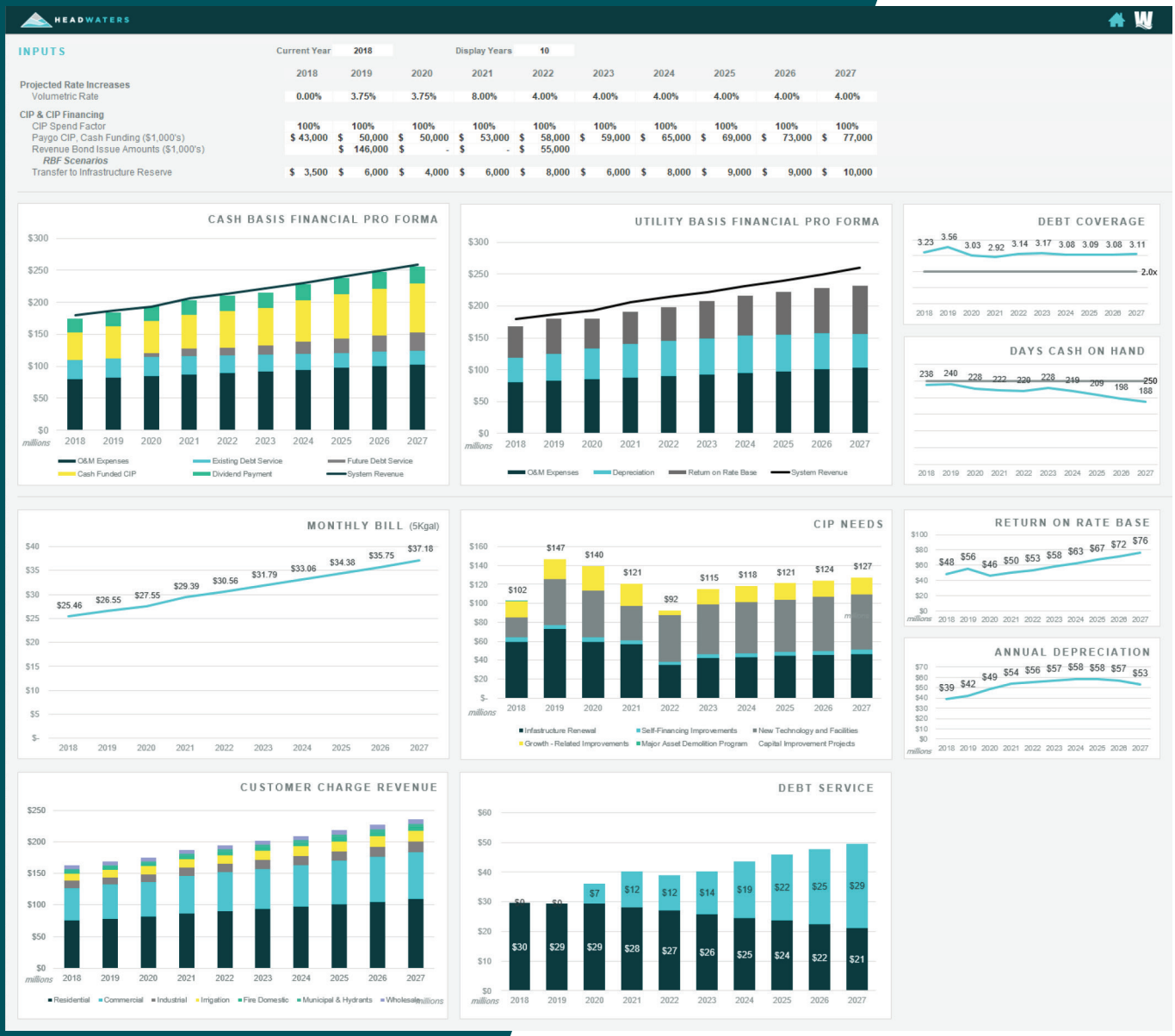
## Customer Impact and Sensitivity Analysis

To assess the impacts of rate changes on the City's customers, Raftelis will conduct a customer impact and sensitivity analysis. Rate adjustments stem from a change in the revenue requirement or a change in the rate structure. The total rate adjustment can sometimes cause "rate shock" to certain customers.

Raftelis will determine the potential financial impact on customers that results from the proposed rate structure as well as a revenue requirement increase. The advantages of any

# Raftelis will develop customized financial models for the City that incorporates a dashboard to allow you to easily run scenarios and see the impacts in real time.

**Shown below is a sample dashboard that we developed for another project.**



rate structure modifications will be assessed for its impacts on ratepayers in the analysis. In addition, we will assess the ability of the recommended rate structure to increase revenue stability and fully fund operational costs. Impacts of different scenarios, such as potential changes in water usage and account growth, will be analyzed for potential changes in long-term revenue resulting from the proposed rates.

In our impact analysis graphics, we generate monthly bills at each level of wastewater flow assuming the new proposed rate structure was already in place to determine the "true" impact of the new rate structure. The customer impact analysis will include a series of tables and figures that show projected rate impacts by customer class at various levels of wastewater flow generation. This will allow customers to better understand the proposed rate structure and its financial impacts.

**Meetings:** One (1) webinar with City staff
**Deliverables:** Draft customer impact and sensitivity analysis

**Well-designed customer impact and sensitivity analyses can often be used as a public information tool to demonstrate the costs of providing sewer service and their corresponding impacts on rates.**

TASK 5

## Policy Evaluation for Capacity and Customer Service Fees

As requested in the RFP, Raftelis can provide the City with recommendations on establishing capacity fees and other potential customer service fees. Raftelis has performed many capacity and miscellaneous fee studies for utilities in California. Capacity fees can be a source of revenue to fund the City's capital project costs without negatively impacting rates and the customer base. Miscellaneous or customer service fees provide revenues that can offset the need for higher rate increases. Raftelis, although not a law firm, can provide guidance on any potential liability from assessing new customer service fees.

**Meetings:** One (1) webinar with City staff
**Deliverables:** None

TASK 6

## Draft and Final Report Preparation

Due to the current regulatory requirements, our reports have become more detailed to ensure that the nexus between costs and rates is clearly identified step by step. Raftelis will prepare a Draft Report which will include an executive summary highlighting the major issues and decisions and an overview of the financial plan and the proposed rates resulting from the Study. The discussion on rate structure development and selection will be presented as a comprehensive section on the rate design assumptions and methodologies used to develop the user-rate calculations and financial plan. The Draft Report will show the nexus between City costs and the proposed rates. The City Council will be able to provide input following the completion of the Draft Report during an in-person meeting.

Following the submittal of the Draft Report, Raftelis will prepare the Final Report, including additional comments or changes from the City Council and/or staff. The Report will lead the reader through the methodology to arrive at rates that are equitable, reflect City's policies and values, and are driven by the City's revenue requirements. The Report's ability to explain the rate development process in a clear and understandable manner will promote financial transparency, heighten legal defensibility, and uphold the City's reputation with the public. Raftelis will present the Final Report and proposed recommendations to the City Council during a dedicated City Council meeting after the completion of the Report. Eight (8) bound copies and one electronic copy in Microsoft Word will be provided to the City and will include appropriate supporting data from the Model.

**Meetings:** Up to two (2) webinars with City staff
**Deliverables:** Eight (8) bound copies of Final Report, one (1) electronic copy in Microsoft Word, financial planning and rate model in Microsoft Excel

TASK 7

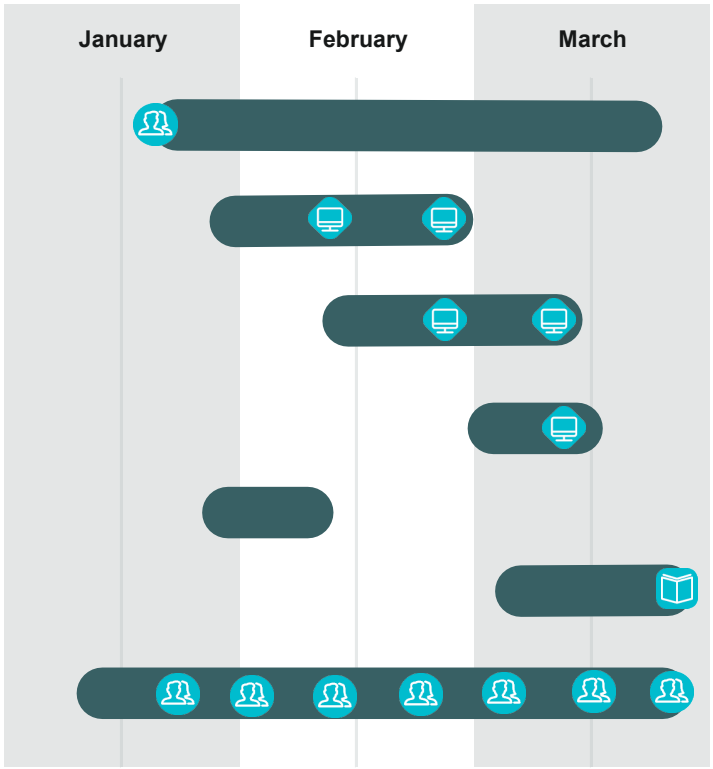
## Meetings with City Staff and Council

Raftelis will be available for six in-person meetings with City staff to discuss project progress and receive comments to incorporate into the Final Report. The six meetings with City staff will include a kick-off meeting at the beginning of the engagement. In addition, Raftelis will attend two City Council meetings to present the results of the study and the Final Report.

**Meetings:** Six (6) meetings with City staff and two (2) meetings with City Council
**Deliverables:** Presentation materials

# Schedule

Raftelis will complete the scope of services within the timeframe shown in the schedule below. The proposed schedule assumes a notice-to-proceed by mid-January and that Raftelis will receive the necessary data in a timely manner and will be able to schedule meetings as necessary. Project completion is estimated for March 2019, not including the 45-day noticing period for Proposition 218. It should be noted that public meetings may delay the final completion of the study depending on the schedule of the meetings and feedback receives.




*In-Person Meetings / Workshops*

*Web Meetings*

*Deliverables*

ACORD®

# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
11/28/2018

**THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.**

**IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).**

| PRODUCER | CONTACT NAME: Pamela Morton | |
|---|---|---|
| Bear Insurance Service<br>173 North Second Street<br>Albemarle NC 28001 | PHONE (A/C, No, Ext): (704) 982-1156 | FAX (A/C, No): (704) 982-7012 |
| | E-MAIL ADDRESS: pmorton@bearinsurance.com | |

| INSURER(S) AFFORDING COVERAGE | NAIC # |
|---|---|
| INSURER A : The Cincinnati Insurance Company | 10677 |
| INSURER B : Old Republic Ins Co | 24147 |
| INSURER C : | |
| INSURER D : | |
| INSURER E : | |
| INSURER F : | |

**INSURED**
Raftelis Financial Consultants, Inc.
227 W Trade St
Suite 1400
Charlotte NC 28202

**COVERAGES** **CERTIFICATE NUMBER:** 2018 - CA/FL **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| INSR LTR | TYPE OF INSURANCE | ADDL INSD | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS | |
|---|---|---|---|---|---|---|---|---|
| A | [X] COMMERCIAL GENERAL LIABILITY<br>[ ] CLAIMS-MADE [X] OCCUR<br>[X] Includes XCU<br>[X] Contractual Liability<br>GEN'L AGGREGATE LIMIT APPLIES PER:<br>[ ] POLICY [X] PRO-JECT [ ] LOC<br>[ ] OTHER: | Y | | CAP5124411 | 01/21/2018 | 01/21/2019 | EACH OCCURRENCE<br>DAMAGE TO RENTED PREMISES (Ea occurrence)<br>MED EXP (Any one person)<br>PERSONAL & ADV INJURY<br>GENERAL AGGREGATE<br>PRODUCTS - COMP/OP AGG<br>$ | $ 2,000,000<br>$ 50,000<br>$ 10,000<br>$ 2,000,000<br>$ 4,000,000<br>$ 4,000,000<br>$ |
| A | AUTOMOBILE LIABILITY<br>[ ] ANY AUTO<br>[ ] OWNED AUTOS ONLY [ ] SCHEDULED AUTOS<br>[X] HIRED AUTOS ONLY [X] NON-OWNED AUTOS ONLY | Y | | CAP5124411 | 01/21/2018 | 01/21/2019 | COMBINED SINGLE LIMIT (Ea accident)<br>BODILY INJURY (Per person)<br>BODILY INJURY (Per accident)<br>PROPERTY DAMAGE (Per accident)<br>$ | $ 1,000,000<br>$<br>$<br>$<br>$ |
| A | [X] UMBRELLA LIAB [X] OCCUR<br>[ ] EXCESS LIAB [ ] CLAIMS-MADE<br>[ ] DED [ ] RETENTION $ | | | CAP5124411 | 01/21/2018 | 01/21/2019 | EACH OCCURRENCE<br>AGGREGATE<br>Follows Form | $ 5,000,000<br>$ 5,000,000<br>$ |
| A | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY<br>ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) Y / N: N<br>If yes, describe under DESCRIPTION OF OPERATIONS below | N / A | | EWC0472640 | 01/21/2018 | 01/21/2019 | [X] PER STATUTE [ ] OTH-ER<br>E.L. EACH ACCIDENT<br>E.L. DISEASE - EA EMPLOYEE<br>E.L. DISEASE - POLICY LIMIT | <br>$ 1,000,000<br>$ 1,000,000<br>$ 1,000,000 |
| B | Professional Liability<br>Claims Made Policy / Retro Date 7/1/17 | | | ALT74641 | 01/21/2018 | 01/21/2019 | $5,000,000 occurrence<br>$5,000,000 aggregate | $25,000 Ded |

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)**

City of Compton, District officers, agents, servants and employees are included as additional insured with regards to general liability and auto liability.
Thirty (30) days notice of cancellation, except ten (10) days for non-pay, will be provided to certificate holder.
See attached GA472-101; AA4171-1105; AA4172-0909; AA4174-1105; CG2404-1093; WC000313; IA4087 NC-0811.

**CERTIFICATE HOLDER**

City of Compton
City Clerk's Office
205 South Willowbrook Ave
Compton CA 90220

**CANCELLATION**

**SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.**

**AUTHORIZED REPRESENTATIVE**

Pamela J. Morton

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# APPENDIX A:

## PROJECT TEAM RESUMES

# Sudhir Pardiwala PE

## Project Director

Executive Vice President

### SPECIALTIES

- Cost of service rate studies
- Conservation and drought management studies
- Economic analyses
- Water and wastewater utility cost accounting
- Valuation
- Financial and revenue planning
- Assessment engineering
- Reviewing/obtaining capital improvement funding
- Computer modeling

### PROFESSIONAL HISTORY

- Raftelis: Executive Vice President (2013-present); Vice President (2004-2013)
- Black & Veatch: Principal Consultant (1997-2004)
- MWH: Principal Engineer (1985-1997)
- CF Braun: Senior Engineer (1979-1985)
- PFR Engineering Systems: Research Engineer (1977-1979)

### EDUCATION

- Master of Business Administration - University of California, Los Angeles (1982)
- Master of Science in Chemical Engineering - Arizona State University (1976)
- Bachelor of Science in Chemical Engineering - Indian Institute of Technology, Bombay (1974)

### PROFESIONAL REGISTRATIONS

- Registered Professional Engineer: CA (Chemical (1981) and Civil (1988))

### PROFESSIONAL MEMBERSHIPS

- American Water Works Association
- Water Environment Federation
- California Municipal Finance Officers Association

### CERTIFICATIONS

- Series 50 Municipal Advisor Representative

Mr. Pardiwala has 40 years of experience in financial studies and engineering. He has extensive expertise in water and wastewater utility financial and revenue planning, valuation, and assessment engineering. He has conducted numerous water, wastewater, stormwater, and reclaimed water rate studies involving conservation, drought management, risk analysis, as well as system development fee studies, and has developed computerized models for these financial evaluations. Mr. Pardiwala has assisted public agencies in reviewing and obtaining alternate sources of funding for capital improvements, including low-interest state and federal loans and grants. He has assisted several utilities with State Revolving Fund and Water Reclamation Bond loans. Mr. Pardiwala authored the chapter on reclaimed water rates in the *Manual of Practice No. 27, Financing and Charges for Wastewater Systems*, published by the Water Environment Federation (WEF). He also authored a chapter entitled, "Recycled Water Rates," for the Fourth Edition of the industry guidebook, *Water and Wastewater Finance and Pricing: The Changing Landscape*. Mr. Pardiwala was vice-chairman of the CA-NV AWWA Business Management Division and Chairman of the Financial Management Committee.

### RELEVANT PROJECT EXPERIENCE

#### Olivenhain Municipal Water District (CA)

Mr. Pardiwala assisted the Olivenhain Municipal Water District (District) in conducting a water financial plan study and a recycled water rate study to determine the recycled water rates charged to customers. The water financial planning model was developed to assist the District in evaluating different financing alternatives to minimize rate impacts and ensure financial stability. The water model was effectively used in Board meetings and presentations to evaluate the impacts of various scenarios. Additionally, Raftelis calculated drought/conservation rates for different stages of cutbacks. The recycled water rate study was conducted to determine the recycled water rates charged to customers given that the District obtains recycled water from four different sources: the City of San Diego, Vallecitos Water District, Rancho Santa Fe Community Services District, and the 4S Regional Recycled Water System. The existing agreements defined the costs of different sources of recycled water to the District. To address all of those issues and concerns, Raftelis developed a recycled water financial and rate model to determine the costs of providing service and the required revenue to be collected from customers. In addition, the model is built to evaluate when the District is able to take over the 4S Regional Recycled Water System, as stated in the agreement with the developer.

#### City of San Diego (CA)

Mr. Pardiwala conducted numerous studies for the City of San Diego (City), including a water, wastewater and reclaimed water rate study. The entire wastewater rate study was conducted with extensive stakeholder group involvement because of the changes required in the wastewater rate structure to meet regulatory requirements. In addition, Mr. Pardiwala served as project manager for the City's reclaimed water rate study, impact fee studies for both water and wastewater, and a transportation charges study for agencies contributing to the City's regional wastewater facility. Mr. Pardiwala also managed a water demand study which involved statistical analysis of historical water consumption to model projections based on weather, economic activity, population, inflation, etc. Mr. Pardiwala evaluated the feasibility of a water budget rate structure

for the City. He assisted the City with the Proposition 218 noticing and public outreach.

### City of Ontario (CA)

Mr. Pardiwala served as Project Manager on multiple water, wastewater and solid waste rate studies. The study included a comprehensive review of the City of Ontario's revenue requirements and allocation methodology, review of user classifications, a cost of service analysis, and rate design for City users.

Raftelis designed tiered water rates, recycled rates and wastewater rates considering IEUA rates. Solid waste rates were designed to recover costs. Raftelis provided the City with a model that is used for planning purposes by the City. The City has engaged Raftelis multiple times to update these rates, optimize water sources to minimize costs.

### City of Redlands (CA)

Mr. Pardiwala has managed several financial projects for the City of Redlands (City) including water, wastewater and reclaimed water projects. The studies were conducted with extensive stakeholder input and multiple meetings with a Utilities Advisory Commission composed of local residents, businesses, and other interested parties. The first rate studies involved significant rate adjustments as well as rate structure adjustments to ensure financial stability, meet debt coverage and regulatory requirements. The analysis included calculation of outside-City charges and impact fees. The City received user-friendly working rate models for future updates. Mr. Pardiwala assisted the City with State Revolving Fund loans for reclaimed water and potable water. He helped them find grants for the reclaimed water project and water treatment plant upgrade. He has been assisting the City biennially with their water, wastewater and recycled water rates.

### City of Palo Alto (CA)

Mr. Pardiwala was Project Manager for a study for the City of Palo Alto (City) to determine the cost of service rates consistent with Proposition 218. The study involved review of fire service charges, booster pumping rates, strict adherence to cost of service principles. The study was conducted with the participation of a citizens' advisory committee. Raftelis developed an user friendly rate model, provided City staff training on use of the model. The proposed rates were implemented July 1, 2012. Raftelis assisted The City with an update developing conservation rates with the State mandated reductions in usage.

### City of Santa Barbara (CA)

Mr. Pardiwala has been assisting the City of Santa Barbara (City) with their water, wastewater and recycled water financial plans and cost of service rates studies involving rates for different customer classes including agriculture, outside City, tiered residential, commercial etc. Wastewater rates were developed for various funding sources including grants and SRF loans. The City is facing severe water supply shortages and water rates included evaluation of multiple drought stages, the rates and impacts on customers as well as funding desalination to provide adequate supplies for the City's customers. Raftelis also evaluated system capacity fees for new water and wastewater customers.

### City of Sacramento (CA)

Mr. Pardiwala managed a wastewater rate study to examine the charges associated with different types of residential and non-residential customers. The study included a comprehensive review of the City's revenue requirements and allocation methodology, review of City's user classification, a cost of service analysis, and rate design for City users. Sacramento is one of the few large Cities in the State that does not meter residential and a significant number of non-residential customers. The strength and flow allocation to these customers was revised. The resultant rates were fair and equitable and met the fiscal needs of the City's wastewater utility in the context of the City's overall policy objectives and were designed for simplicity of administration, cost effective implementation and ease of communication to customers.

### City of Beverly Hills (CA)

Mr. Pardiwala served as Project Manager for Raftelis' engagement with the City of Beverly Hills (City) water and wastewater rate studies. Raftelis was engaged by the City to develop a rate and financial planning model that would be used to evaluate alternative rate structures and to provide more detailed forecasts to assist in the preparation of updating rates in future years. Raftelis modeled numerous alternative rate structures and reviewed customer and revenue impacts before recommending that the City modify its current three tiered rate structure to include a fourth tier that targets large irrigation usage. In addition, Raftelis recommended that the costs of service based on flow and strength. Raftelis continues to provide biennial updates to the City model so that rates may be projected in future years.

### City of Ventura (CA)

Mr. Pardiwala served as Project Manager for a water, wastewater, and recycled water cost of service and rate study for the City of Ventura (City). The City had not updated its rate structure in 20 years. Additionally, the City was under a cease and desist order that required the City to carry out improvements estimated at more than $55 million, and which the City wanted to start funding to mitigate impacts. The goal of the study was to develop conservation-oriented rates consistent with cost of service to recover adequate revenues to pay for necessary capital improvements, meet debt service coverage requirements, as well as maintaining sufficient reserve requirements. The study included a comprehensive review of the City's revenue requirements and allocation methodology, review of the City's user classification, usage patterns, a cost of service analysis, and rate design for City users. Raftelis developed long-range financial plans so that the water and wastewater utilities could be financially stable and save costs in the long run. We also assisted the City with developing different water and wastewater rate alternatives with various scenarios as well as calculating outside-city rates. The study was conducted with several meetings and input from stakeholders comprised of

customers within the City. Raftelis educated the Citizen Advisory Committee on the basics of rates, cost allocations, and rate design to obtain their buy-in through the use of the dashboards in the rate models we developed for them to demonstrate the impacts of various revenue adjustments on the long-term financial stability of the enterprises. Raftelis also developed a schedule for funding a major wastewater program required by environmental groups. Recommended rates were implemented for two years in July 2012. Raftelis updated rates for the City in 2014 and provided water drought rates.

### Goleta West Sanitary District (CA)

Mr. Pardiwala has been Goleta West Sanitary District's (District) financial consultant for over more than 15 years. During that time he has assisted the District with financial planning, development and financing their replacement and refurbishment program, developing a rate structure, annexation fees, connection fees, miscellaneous fees, reserves policy development, and other financial issues. The District charges customers on the tax roll. Raftelis developed the data to be included on the tax roll and the District now manages it.

### Clark County Water Reclamation District (NV)

Mr. Pardiwala was Project Manager for a cost of service study for the Clark County Water Reclamation District (District) to help evaluate the current system of rates and charges to ensure that users were being charged appropriately. The District has not updated its rate structure system for many years and the current system based on fixture units is believed to need restructuring. Raftelis managed the sampling and wastewater flow monitoring from different types of users to determine the definition of an equivalent dwelling unit and the flows from different types of users. There are multiple outreach meetings with member agencies and interested stakeholders to educate them on the process and to obtain buy-in.

### Vallejo Flood and Wastewater District (CA)

Raftelis assisted the Vallejo Flood and Wastewater District (District) with a comprehensive wastewater rate and connection fee study (Study). The District an independent special district that collects, treats, and disposes of wastewater for 38,000 accounts in the City of Vallejo with a service area that covers 36 square miles and includes one wastewater treatment plant and 36 wastewater pump stations. The existing sewer rate structure comprised of flat rates for all residential customers, including single and multi-family residences. For commercial customers, rates were based on both flow and sewage strength. The District was moving over to a service charge to be levied on the property tax roll. Raftelis was called in to assist with this study after another consultant's study was found to be unacceptable to the District. As part of the study, Raftelis thoroughly examined the District's revenue streams, cost structure, analyzed customer data, and developed an equitable rate structure that met both Proposition 218 requirements and the District's goals and objectives. An important part of the study was the evaluation of the commercial customer classifications to ensure that customers were accurately categorized by strength and assessed the appropriate rates. Raftelis also created a user-friendly model so that various scenarios could be evaluated on the fly. Additionally, Raftelis also reviewed and updated the District's connection fees. Upon completion of the rates calculation, Raftelis assisted the District in a comprehensive public outreach campaign to obtain customers buy-in, which was crucial in the successful implementation of the proposed rates for fiscal year 2019.

### City and County of San Francisco (CA)

The City conducts water, wastewater and stormwater studies every five years to ensure that charges are consistent with cost of service and conforms with the City's Propositions. Mr. Pardiwala served as Project Manager for two cycles of rate studies for the City. The City has a combined wastewater and stormwater system and costs for stormwater are integrated with wastewater. The City was engaging in a multi-billion dollar capital improvement program that would have significant impact on rates. The City has unique microclimates and Raftelis analyzed the water usage characteristics of single family and multi-family users to develop a rate structure that would provide incentives for conservation. Raftelis evaluated incentives to encourage low impact development, reviewed stormwater practices to provide credits for best management practices to reduce stormwater generation. Raftelis performed an overhead cost allocation study consistent with federal requirements of OMB Circular A-87 to assign costs appropriately to different departments in order to obtain federal reimbursement for projects that are eligible for federal assistance.

### Napa Sanitation District (CA)

Mr. Pardiwala was Project Manager for a recycled water rate study for the District. The District was required to restrict summer discharge of its wastewater into the river. The District had made improvements to its treatment plant to produce recycled water and provided incentives to recycled water customers to use the water. Agreement with customers were to end within a couple of years and the District wanted to enlarge the recycled water facilities and enroll new customers into the recycled water program. The District wanted to review the economics of the improvements and determine the impacts resulting from implementing new recycled water rates. Raftelis developed a financial and rate model that considered the new customers and revised rates and the impact of providing discounted rates on wastewater customers. The District held meeting with the recycled water users and obtained input on issues of concern to them. Raftelis provided support to the District and evaluated the results of the surveys conducted to define the rates.

### City of Henderson (NV)

Mr. Pardiwala served as Project Manager for the engagement with the City of Henderson (City). In Phase I, Raftelis assisted the City in conducting a water and wastewater financial assessment. Raftelis developed a financial vision which will ultimately shape the utilities for the next ten years. As part of our conceptual design process, Raftelis recommended several alternative rate philosophies to be evaluated as part of Phase II. The Model was also developed to evaluate certain rate philosophies and user charge structure modifications focused on improving the equitable recovery of costs from different user classes, legal defensibility of the rates and system development

charges, revenue predictability, and conservation incentives. Raftelis developed an allocation or budget for different meter sizes to ensure that the tiered rates set up would fairly collect revenues from customers. Raftelis updated the City's financial plan by participating in the City's rate implementation process. This included presentations of final findings and recommendations to City Council and the Citizen's Advisory Committee.

### City of North Las Vegas (NV)

Mr. Pardiwala was the Project Manager for the water and sewer financial planning and rate study conducted for the City of North Las Vegas (City). At the time, the City had experienced rapid growth and had a significant amount of capital projects including construction of their own treatment plant. The City faced many financial challenges at a time when there were signs of a slowing economy. Raftelis conducted a multi-year financial plan that examined various customer growth, capital funding, and rate revenue assumptions. Raftelis prepared rate models for both water and wastewater and trained City staff on their use. The models provided dashboards for ease of use and decision making.

### City of Portland (OR)

The City of Portland (City) wanted a financial planning and rate model to determine rates for its wholesale and retail customers. Mr. Pardiwala served as Project Manager for this study. The City provided wholesale water to 19 agencies under old agreement that were expiring soon. The City was finalizing long-term agreements with explicit terms on rate setting. The City wanted to develop rates consistent with the new agreement for the wholesale agencies, review rate structure alternatives for its retail customers, review impacts and provide flexibility for planning for the next 20 years.

The City's existing retail rate structure consisted of an increasing 3-tier rate structure for all customers with fixed tiers for single family customers and tiers based on the average usage in the preceding 12-month period for the remaining customers. The current retail rates applied to all classes and did not take into account peaking which factors can vary significantly from class to class. Raftelis developed alternative rate structure options for retail customers and explore the creation of more classes to increase equity and fairness and encourage conservation. Alternative rate structures included uniform volume rates, seasonal rates, increasing and "V" or "U" shaped block rates, and a range of individualized block rates with cutoffs based on average account usage, seasonal usage, or customer characteristics. Raftelis provided the City with the computer model and provided training and a manual in the user of the model.

In 2012, Mr. Pardiwala managed a bond feasibility study for the City's Bureau of Environmental Services. The City needed to issue bonds for several hundred million dollars to meet regulatory requirements related to its wastewater and stormwater systems. Raftelis met with City staff and reviewed the CIP, business processes, rates and rate setting procedures, and provided a certificate of parity showing that the City could meet its coverage requirements under the current rates so that the City could sell bonds with a good rating.

### City of Tacoma (WA)

Mr. Pardiwala was Project Manager for a study to develop financial plans and rate models for the City's Environmental Services including wastewater, surface water and solid waste utilities. The study involved development of user friendly financial and rate planning models that would allow the City to update rates on an annual basis, quickly make changes, and review rates. The model also provided capability to compare the status of the CIP, and actual revenues and expenses against budgets on a month by month basis. To make this process easy, the model was integrated with the City's SAP and E Builder system. The financial plan and rates were reviewed with input from the City's Environmental Services Commission. Raftelis turned over the models to the City, provided training and computer manuals in the use of the models.

Mr. Pardiwala also provided financial planning models to the City's water utility, which included user-friendly features and benchmarking tools to maximize improvements in operations and management.

### City of Los Angeles (CA)

Mr. Pardiwala was Project Manager on studies to develop rates and rate models for solid waste and wastewater utilities. The City wanted to have a planning tool in-house to evaluate what if scenarios, impacts and determine rates for various customers. The model incorporated many user friendly features to assist the City update rates and prepare financial plans on an annual basis. Solid waste rates included non-residential customers based on size of containers and frequency of collection.

Wastewater rates to the 27 subscribing agencies discharging to the City's wastewater treatment facilities were also determined. This involved complex calculations and allocations to wastewater loadings, conveyance distance, etc. Connection or impact fees were also included in the model. User training, model documentation, regular updates and ongoing service were also included in this project.

Mr. Pardiwala also served as Project Manager on a wheeling charges study for the Los Angeles Department of Water and Power. The City was interested in determining the appropriate charges to be levied on various customers that may wish to use the extra capacity in the City's system—from the Los Angeles Aqueduct to the distribution network—to transfer water.

### City of Pasadena (CA)

Mr. Pardiwala was Project Manager for a study for the City of Pasadena (City) to determine roll-out charges for solid waste services provided by the City. Certain customers in the City needed assistance with rolling out their containers and replacing them again. Mr. Pardiwala analyzed the costs associated with this service and set up a charge for it.

### OTHER RELEVANT PROJECT EXPERIENCE

- City of Anaheim (CA) – Water Rate Study
- City of Atwater (CA) - Water and Wastewater Rate Study

- City of Banning (CA) - Recycled Water Revenue Program
- Beaumont Cherry Valley Water District (CA) - Water Rate and Connection Fee Study
- Carpinteria Sanitary District – Wastewater Rate Study
- Casitas Municipal Water District – Water Rate Study
- Castroville Water District (CA) – Water and Wastewater Rate Study
- City of Brea (CA) - Water Rate Study, Connection Fees and Related Fees and Charges Study
- City of Brentwood (CA) - Water and Wastewater Rate Study
- City of Buenaventura (CA) – Water and Wastewater Rate Study
- City of Burbank (CA) - Bond Feasibility Study, Reclaimed Water Study, and Water and Wastewater Rate Study
- City of Carlsbad (CA) - Asset Replacement Study and Water, Wastewater and Reclaimed Water Revenue Program
- City of Chino (CA) - Valuation Study and Water Rate Study
- City of Chowchilla (CA) – Water and Wastewater Rates Study
- Clark County Water Reclamation District (NV) - Cost of Service Study
- City of Cloverdale (CA) - Water and Wastewater Connection Fees and Rate Study
- City of Corona (CA) - Water and Wastewater Rate Study
- El Toro Water District (CA) – Water Budget and Wastewater Rate Studies and Connection Fees
- City of Encinitas (CA) - Water and Wastewater Rate Study
- City of Escondido (CA) - Valuation Study, Water and Wastewater Rate Study
- City of Glendora (CA) - Water and Wastewater Financial Planning and Rate Study
- La Canada Irrigation District – Water Rate Study
- La Crescenta Water District – Water and Wastewater Rate Study
- City of Livingston (CA) – Water, Wastewater and Solid Waste Rates Study and Litigation Support
- City of Los Angeles (CA) - Wheeling Charge Review
- City of Madera (CA) - Water and Wastewater Rate Study
- Mammoth Community Water District (CA) – Water and Wastewater Rate Study
- Metropolitan Wastewater Joint Powers Authority (CA) - Wastewater Valuation Study and Capacity Valuation Study
- City of North Las Vegas (NV) – Water and Wastewater Rates Study and Model
- Ojai Valley Sanitary District – Wastewater Rate Study
- Palmdale Water District (CA) – Water Budget Rate Study
- City of Palo Alto (CA) – Water Rate Study
- City of Poway (CA) – Wastewater Rate Structure Analysis
- Ramona Municipal Water District (CA) – Water Rate Study
- Rainbow Municipal Water District (CA) - Water, Wastewater Rate and Capacity Fee Studies
- City of Rialto (CA) – SRF Funding and Water and Wastewater Rate Study
- County of San Bernardino (CA) - Water and Wastewater Rate Study and Connection fees
- City of San Fernando (CA) – Water and Wastewater Rates Study
- San Gorgonio Pass Water Agency (CA) - Financing Plan
- City of San Jose (CA) - Sewer Service Related Fees and Charges
- City of San Luis Obispo (CA) - Stormwater Financial Feasibility Study
- City of Santa Fe springs – Water Rate Study
- Santa Fe Irrigation District (CA) - Wastewater Treatment Plant Cost Evaluation, Water Connection Fees Study, and Water Rate Study and Update
- City of Santa Monica (CA) - Wastewater Rate Study
- City of Scottsdale (AZ) - Impact Fee Study
- City of South Pasadena (CA) – Water and Wastewater Rate Study
- City of Springfield (OR) – Wastewater Rates Model
- Sweetwater Authority (CA) - Water Rate Study
- City of Upland (CA) - Valuation Study
- City of Vallejo (CA) - Water Financial Plan
- Valley County Water District (CA) - Water Rate Study
- Town of Windsor (CA) - Impact Fee Review, State Revolving Fund Loan Application Assistance, Water and Wastewater Connection Fees and Rates Study, and Water and Water Reclamation Rate Studies

# Sanjay Gaur

## Project Manager

Vice President

### TECHNICAL SPECIALTIES

- Proposition 218 rate compliance
- Financial analysis
- Cost of service studies
- Conservation rate structure design
- Capacity fee studies
- Cost benefit analysis
- Econometric analysis

### PROFESSIONAL HISTORY

- Raftelis: Vice President (2015-present); Senior Manager (2012-2014); Manager (2009-2012)
- Red Oak Consulting, Division of Malcolm Pirnie (2007-2009)
- MuniFinancial (2005-2006)
- A & N Technical Services (1999–2003)
- United States Peace Corps, Bulgaria (1995-1997)

### EDUCATION

- Master of Public Administration, Public Administration/International Development, Kennedy School of Government - Harvard University (2003)
- Master of Science, Applied Economics - University of California, Santa Cruz (1994)
- Bachelor of Arts, Economics and Environmental Studies - University of California, Santa Cruz (1992)

### PROFESIONAL RECOGNITION

- Who's Who in America, 63rd Edition (2009)
- Finalist, National Venture Competition (2003); Goldman Sachs Foundation
- Roy Environmental Fellowship (2002), Kennedy School of Government, Harvard University
- Academic Scholarship (2001-2003), Kennedy School of Government, Harvard University
- Certificate of Outstanding Service (1997), United States Peace Corps

### PROFESSIONAL MEMBERSHIPS

- American Water Works Association - Rates and Charges Committee
- California Society of Municipal Finance Officers

Mr. Gaur has over 20 years of public-sector consulting experience, primarily focusing on providing financial and rate consulting services to water and wastewater utilities. His experience includes providing rate structure design, cost of service studies, financial analysis, cost benefit analysis, capacity fee studies, conservation studies, and demand forecasting for utilities spanning the west coast. He has provided consulting service to over 100 different agencies. Mr. Gaur is considered one of the leading experts in developing rates that meet Proposition 218 requirements, has exceptional public speaking skills and, due to these qualities, he is often sought out to provide assistance on rate studies that are complex and controversial. He has often provided his insight into utility rate and conservation-related matters for various publications and industry forums including: authoring articles in Journal AWWA; being quoted in various newspaper articles including the Los Angeles Times and the New York Times; participating in a forum regarding the future of water in Southern California sponsored by the Milken Institute; being quoted on National Public Radio; speaking at various industry conferences including American Water Works Association (AWWA), the Utility Management Conference, Association of California Water Agencies, and California Society of Municipal Finance Officers; and, co-authoring several industry guide books including AWWA's *Manual M1 Principles of Water Rates, Fees and Charges, 7th Edition* as well as AWWA's W*ater Rates, Fees, and the Legal Environment, Second Edition*. Mr. Gaur co-authored a chapter entitled, "Understanding Conservation and Efficiency Rate Structures," for the Fourth Edition of the industry guidebook, *Water and Wastewater Finance and Pricing: The Changing Landscape*. Mr. Gaur is also active in a number of utility-related associations, including serving as a member of AWWA's Rates and Charges Committee.

### RELEVANT PROJECT EXPERIENCE

**City of Long Beach (CA)**
In 2016, the City of Long Beach hired Raftelis in conducting a comprehensive rate study that meets the heightened standard associated with Proposition 218. Given the large percentage of the population at the poverty rate, the City was concerned about affordability, revenue stability due to the recent drought, and developing a strong nexus associated with its water and wastewater rates. Mr. Gaur served as the Project Manager and successfully assisted the City in adopting rates that meet their requirements. Since then, Mr. Gaur has provided financial and rate consulting services to the City, including how to fund stormwater services.

**Alameda County Water District (CA)**
Mr. Gaur has provided financial and rate consulting experience to Alameda County Water District since 2010. During these years, Mr. Gaur has been the Project Manager on numerous studies, including the evaluation of different types of conservation rates, development of a 25-year financial model that assists the District in evaluating different financial risks, development of drought rates, and public outreach to stakeholders. During these projects, Mr. Gaur has led a series of workshops with the Executive Management and the Board of Directors in evaluating and identifying which financial/rate solutions meet their objectives.

**East Bay Municipal Utility District (CA)**
Since 2013, Mr. Gaur has provided consulting services to East Bay Municipal Utility

District .He successfully accomplished several objectives for the District and served as the Project Manager for a comprehensive water and wastewater cost of service study. The last comprehensive cost of service study was done in 2000. As part of the study, Raftelis thoroughly examined the District's cost structure, analyzed water and wastewater flow and customers data, and evaluated alternative rate structures to develop an equitable rate structure that meets Proposition 218 requirements and the District's goals and objectives. One of the key deliverables was the administrative record, which is a document that clearly explains how the rates are derived and is a critical document to support the requirements of Proposition 218.

**Castaic Lake Water Agency (CA)**
Castaic Lake Water Agency is a wholesale water agency that is a member of the State Water Contractor. Since 2012, Mr. Gaur has provided numerous consulting services including the evaluation of different types of wholesale rates, a financial model, annexation fees, capacity fees, and other financial consulting services. Mr. Gaur has made numerous presentations to the Board of Directors and has secured their supports on critical matters.

**City of San Juan Capistrano (CA)**
In 2012, San Juan Capistrano was in the midst of a legal lawsuit over its water rates. A group of taxpayers sued the City over its water rates, saying they did not comply with Proposition 218. The City sought out an expert rate consultant to assist them in developing new rates that will meet the stringent requirements of the taxpayer group and City Council. The City hired Raftelis and Mr. Gaur served as the Project Manager for this significant project. The project required a series of six City Council Workshops, with each one lasting over 3 hours. In addition, two members of the City Council were active in supporting the lawsuit against the City. Mr. Gaur was successful in mustering support for the new rates and developing the new standard associated with the administrative record. The rates were approved and the President of the Taxpayer association expressed his support of the new rates.

**Fallbrook Public Utility District (CA)**
Fallbrook Public Utility District provides water, recycled water, and wastewater services. The District has a complex rate structure due to the fact that it provides both domestic service, special agricultural rates from the San Diego County Water Authority, normal agricultural service, and a combination of these services to the same meter. Given the recent lawsuit associated with San Juan Capistrano, the District was interested in developing a comprehensive rate study that can fund a new source of water supply and cost of service rate study that can justify the different types of rates. In 2016, Mr. Gaur served as the Project Manager on this study and was successful in developing a 180-page administrative record that clearly explains the nexus requirement associated with Proposition 218 and the adoption of the five years of rates.

**Placer County Water Agency (CA)**
Placer County Water Agency provides four major types of water services: treated retail, untreated retail, treated wholesale, and untreated wholesale. Given the complexity of the system, the agency has over 50 different types of rates. The agency has evolved over the last 60 years of existence and has acquired numerous neighboring agencies. Given the San Juan Capistrano ruling, the Agency was interested in consolidating and developing a clear rationale behind the complex services it provides. The Agency sought out Mr. Gaur to be the Project Manager on this significant study in redeveloping all the different water rates. Mr. Gaur conducted a series of workshops with Executive Management in developing a rationale and logic behind the services it provides. The 150-page administrative record was well received by the Board of Directors and they were pleased with this study. The new rates were approved in 2017.

**Las Virgenes Municipal Water District (CA)**
Since 2008, Mr. Gaur has provided financial and rate consulting services to Las Virgenes Municipal Water District. This include assisting the District in adopting a controversial rate increase, the evaluation and implementation of a water budget rate structure, capacity fees for water and wastewater services, and other financial related matters. The District receives water from only one source, Metropolitan Water District of Southern California. With the desire to implement a water budget tiered rate, Mr. Gaur assisted the District in establishing tiered rates that meet the requirements of Proposition 218.

**Santa Cruz (CA)**
Since 2012, Mr. Gaur has provided financial and rate consulting services to the City of Santa Cruz. This includes developing a financial model that can evaluate different water demand factors and associated drought rates, reserve policies, a comprehensive rate study, drought rates, capacity fees and other financial/rate matters. The drought rates study was particularly complex. The City experienced a significant drought and had to allocate water. Water use was already at a historical low level and residential water use was one of the lowest in California. With the desire of refunding a debt and low commodity revenues sales, the City needed to adopt drought rates within a short time period. Mr. Gaur was successful in adopting 5 stage drought rates and was able to assist the City in at this critical time. Lastly, Mr. Gaur assisted the City in redeveloping its rate structure so that it would meet the values of the community, while remaining both be financially sustainable and meeting the requirements of Proposition 218.

**Rancho California Water District (CA)**
Mr. Gaur has provided consulting services to Rancho California Water District since 2007. During this time, he has assisted the District in the development of a water budget rate structure. The project required the consultant to develop a flexible water budget model that could determine multiple blocks widths and allocations. The team was successfully able to accomplish this task and assisted the District in implementing the new water budget rate structure. The rates where successfully adopted in November 2009.

Mr. Gaur also assisted the District in the development of a New Water Demand Offset Fee. The New Water Demand Offset Pro-

gram is a form of funding for conservation measures that will help to create sustainable, zero water footprint development. New developments will pay fees called New Water Demand Offset Fees to create potable water savings in the existing system to support water demand generated by new developments. Water savings can be achieved by converting irrigation accounts to recycled water or installing high efficiency retrofits to replace inefficient fixtures for existing accounts in the District. Lastly, Mr. Gaur has provided consulting services on Capacity Fee studies and updating water rates.

**Western Municipal Water District (CA)**
Since 2009, Mr. Gaur has provided consulting services to Western Municipal Water District. Mr. Gaur successfully accomplished several objectives for the District including the implementation of water budget rates, which included facilitating and leading a discussion on the policy options associated with the development of water budget rates. Based on these policy options, a water budget model was developed that evaluated different allocation factors for indoor and outdoor water use, determined rate components for the corresponding tiers, and developed the corresponding rates and customer impacts.

In addition, Mr. Gaur served as the Project Manager for the development of a financial model for the District. The model has the capability of examining the 14 different fund centers of the District, develop and save different Capital Improvement Plan scenarios, examine the financial consequences of these scenarios and compare the results. In addition, the model has the ability aggregate the fund centers by water, wastewater, or by the whole District. The model is currently being utilized by the District to examine long term health of the District.

Lastly, Mr. Gaur conducted a Capacity Fee study for the District, which included water, wastewater, and recycled water. The prior Capacity Fee was outdated and significant changes were required. This study included public outreach to the Business Industry Association. Since then, Mr. Gaur has provided assistance to the District in updating its water rates and developing the administrative record required.

## OTHER RELEVANT PROJECT EXPERIENCE

- American Water Company (CA) - Water Rate Study
- Borrego Water District (CA) – Financial Planning Study, Groundwater Sustainability Plan, Water Rate Study, and Basin Management Evaluation
- City of Calexico (CA) - Water and Sewer Rate Study
- City of Camarillo (CA) – Water and Wastewater Rate Study, Financial Plan Study, and Cost of Service Study,
- Carpinteria Sanitary District (CA) – Sewer Rate and Fee Study
- Central Basin Municipal Water District (CA) – Financial Plan
- City of Chino (CA) – Water Budge Rate Design, Financial Plan Study and Cost of Service and Rate Design
- City of Chowchilla (CA) – Water and Wastewater Rate Study
- Coastside County Water District (CA) – Water Rate Study
- Contra Costa Water District (CA) – Financial Plan Study, Water Rate Study and Drought Rates Study
- City of Corona (CA) – Water Budget Rate Study, Wastewater Capacity Fees Study
- Cucamonga Valley Water District (CA) – Financial Plan, Water Conservation Rate Study, and Drought Rates
- Eastern Municipal Water District (CA) – Water Budget Study and Financial Plan Study
- East Orange County Water District (CA) - Water Budget Study, Sewer Capacity Fees Study, and Financial Plan Study
- Elsinore Valley Municipal Water District (CA) – Financial Model, Drought Rate Analysis, Water and Recycled Water Rate Study, Capacity Fee Study, and Wastewater Rate Study
- El Toro Water District (CA) – Water Budget Study and Recycled Water Financial Plan Study
- City of Escondido (CA) – Water and Wastewater Rate Study and Capacity Fees Study
- City of Glendora (CA) – Water Budget Feasibility Study
- City of Gridley (CA) – Water Rate Study
- Helix Water District (CA) – Water Rate and Cost of Service Study
- Hi-Desert Water District (CA) – Water Rate Study
- City of Hollister (CA) - Sewer Rate and Impact Fee Study, Water Rates Study, and Capacity Fee Study
- City of Huntington Beach (CA) - Sewer Rate Study, Water Budget Rate Study, and Financial Plan Study
- Imperial County Gateway County Service Area(CA) – Water and Wastewater Rate Study
- Indio Water Authority (CA) - User Fee Study and Water Rate Study
- Inland Empire Utilities Agency (CA) – Conservation Rate Structure Workshop and Financial Plan Study
- Inyo County Water Department (CA) – Water Rate Study
- Irvine Ranch Water District (CA) - Conservation Study
- Jurupa Community Services District (CA) – Water Budget Study
- La Habra Heights County Water District (CA) – Wheeling Rate Study and Financial Plan Study
- La Puente Valley County Water District (CA) – Water Rate and Fee Study
- City of Livermore (CA) – Water Cost of Service Study
- City of Livingston (CA) - Water Rate Study
- City of Lomita (CA) - Water Rate Workshop
- Los Alamos Community Services District (CA) – Water and Wastewater Rate Study
- Los Angeles Department of Water and Power (CA) - Daily Demand Estimates
- City of Lynwood (CA) - Cost Allocation Plan
- City of Malibu (CA) – Wastewater and Recycled Water Rate Study
- Mammoth Community Water District (CA) – Water Rate Study
- City of Merced (CA) - Water and Sewer Rate and Impact Fee Study
- Mesa Consolidated Water District (CA) – Financial Plan Study, Cost Comparison Study, Water and Recycled Water Cost of

Service and Rate Design Study
- Metropolitan Water District of Southern California (CA) – Drought Allocation Model, Long Range Financial Plan, and Cost of Service Evaluation
- Mill Valley – Tamalpais Community Services District (CA) – Financial Plan Study
- Mojave Water Agency (CA) – Financial Plan Study, Financial Impact Analysis for Water Exchange and Leasing Programs and Water Reliability Rate Development
- Modesto Irrigation District (CA) – Stormwater Fee Study
- Monterey Peninsula Water Management District (CA) - Water Budget Study
- Municipal Water District of Orange County (CA) - Conservation Potential Study and Rate Study
- City of Newport Beach (CA) – Water Rate Study
- City of Palo Alto (CA) – Water Cost of Service and Rate Study
- Pasadena Water and Power (CA) - Water Cost-of-Service and Rate Design Study
- City of Pomona (CA) – Rate Study
- City of Port Hueneme (CA) - Water and Solid Waste Rate Study
- City of Orange (CA) – Water and Sanitation Rate Study
- City of Reno (NV) – Wastewater Rate Study
- City of Rio Vista (CA) - Water and Sewer Rate and Impact Fee Study
- Salton Community Services District (CA) – Sewer Rate Study
- City of San Clemente (CA) – Water and Wastewater Rate Study
- San Diego County Water Authority (CA) - Indexing Model and Wholesale Water Rate
- City of San Juan Capistrano (CA) – Water Rate Study
- Santa Clara Valley Water District (CA) - Project Evaluation - Water Conservation Project
- Santa Clarita Water District (CA) – Retail Water Rate Study
- Scotts Valley Water District (CA) – Water and Recycled Water Rate Study
- City of Shasta Lake (CA) – Water Rate Study and Water and Wastewater Capacity Fee Study
- City of Sierra Madre (CA) – Water and Sewer Rate Study
- City of Signal Hill (CA) – Water Rate and Cost of Service Study
- City of Simi Valley (CA) – Sewer Rate Study
- Soquel Creek Water District (CA) – Water Rate Structure Study
- South Coast Water District (CA) – Water Budget Assessment
- South Mesa Water Company (CA) – Rate Structure and Recycled Water Rate Study
- City of South Gate (CA) - Water Impact Fee
- Sunnyslope County Water District (CA) – Water Rates and Capacity Fees
- Temescal Valley Water District (CA) – Water and Sewer Rate Study and Capacity Fee Study
- Trabuco Canyon Water District (CA) – Water Rate Study
- City of Thousand Oaks (CA) – Water and Wastewater Cost of Service and Financial Plan Study
- City of Ventura (CA) – Water and Wastewater Rate Study
- City of Vista (CA) - Sewer Rate and Connection Fee Study
- Walnut Valley Water District (CA) - Water Rate Study
- City of Watsonville (CA) – Utility Enterprise Rate Study
- Yorba Linda Water District (CA) - Sewer and Water Budget Rate Study, Financial Plan Study, and Cost of Service Rate Study
- Zone 7 Water Agency (CA) – Cost of Services Study and Water Rate Study Update

## RECENT PUBLICATIONS/RESENTATIONS

- Gaur, S., Magu, D. "California Water Rate Trends: Maintaining Affordable Rates in a Volatile Environment", Journal – American Water Works Association, September 2017, Volume 109, Number 9.
- Contributing Author to "M1 Principles of Water Rates, Fees and Charges" 7th Edition, American Water Works Association, 2017.
- Gaur, S., Giardina, R.D., Kiger, M.H., Zieburtz, W., "Committee Report: Ripples from the San Juan Capistrano Decision," Journal – American Water Works Association, September 2016, Volume 108, Number 9.
- Gaur, S., Alikhan, A., Kostiuk, K. "The Drought is over – Now is the time to develop drought rates", CSMFO Magazine, July 1, 2016.
- Gaur, S., Alikhan, A., Crea, J. "Developing Drought Rates: Why Agencies Should Prepare for a Not-So-Rainy Day", January 2016, Volume 108, Number 1.
- Gaur, S., Isaac, Habib "There's Opportunity in the San Juan Capistrano Rates Decision", Source California-Nevada Section AWWA, Fall 2015, Volume 29, Number 4.
- Gaur, S., Atwater, D., "California Water Rate Trends," Journal – American Water Works Association, January 2015, Volume 107, Number 1.
- Contributing Author to "Water and Wastewater Finance and Pricing: The Changing Landscape", 4th Edition, 2015, CRC Press, Editor: George Raftelis.
- Gaur, S., Atwater, D., Cruz, J., "Why do Water Agencies need Reserves?", Journal – American Water Works Association, November 2014, Volume 106, Number 11.
- Gaur, S., Atwater, D., Lee, J., "Conservation Rates Offer Options," CA/NV Section of American Water Works Association, Spring 2014, Volume 28, Number 2.
- Gaur, S., Lim, B., Phan, K., "California Water Rate Trends," Journal – American Water Works Association, March 2013, Volume 105, Number 3.
- Contributing Author to "Water Rates, Fees and the Legal Environment", 2nd Edition, American Water Works Association, 2010 Editor: C.(Kees) W. Corssmit.
- Hildebrand, M. Gaur, S. and Salt, K. "Water Conservation Made Legal: Water Budgets and California Law", Journal of American Water Works, 101:4 April 2009, p.85-89.
- Gaur, S. "Policy Objectives in Designing Water Rates", Journal of American Water Works, 99:5 May 2007, p.112- 116.
- Gaur, S., "Adelman and Morris Factor Analysis of Developing Countries", The Journal of Policy Modeling, Vol. 19, Issue 4, pp. 407-415, August 1997.

# Steve Gagnon PE (AZ)

## Technical Reviewer

Manager

### TECHNICAL SPECIALTIES

- Utility cost of service and rate structure studies
- Conservation rate studies
- Economic feasibility studies
- Capital Budgeting Studies
- Wastewater rate studies
- Capital recovery/Capacity fee studies
- Survey research of water and wastewater utility characteristics and rates

### PROFESSIONAL HISTORY

- Raftelis: Manager (2017-present); Senior Consultant (2014-2016)
- APTwater, Inc. (Now Ultura): Project Manager (2011-2014)
- PBS&J (now ATKINS): Project Manager – Utility Finance (2005-2011)
- Earth Tech (now AECOM): Senior Project Manager (2004-2005)
- Malcolm Pirnie, Inc. (now ARCADIS): Consultant (2002-2003)
- National Parks Conservation Association – Business Plan Initiative: Business Plan Consultant (2000)
- U.S. Army Corps of Engineers – New England Division: Project Manager (1995-1999)
- Geophex, Limited: Graduate Research Assistant (1994)

### EDUCATION

- Master of Business Administration - University of Southern California (2001)
- Master of Science in Environmental Engineering - University of Massachusetts (1995)
- Bachelor of Science in Civil Engineering - University of Massachusetts (1994)

### PROFESSIONALCERTIFICATIONS

- Registered Professional Environmental Engineer in Arizona
- Series 50 Municipal Advisor Representative

### PROFESSIONAL MEMBERSHIPS

- American Water Works Association er Works Association

Mr. Gagnon has 20 years of experience in financial analysis and environmental engineering. He has worked for leading engineering consultants as well as the federal government. His broad range of experience includes water and wastewater pricing studies, capacity fees and utility valuations. His financial experience includes water and wastewater rate studies for the City of Redlands, CA, Santa Fe Springs, Henderson, NV, City of Anaheim, La Habra Heights County Water District, Rowland Water District, Walnut Valley Water District, Sweetwater Authority, Helix Water District and Otay Water District. He has also performed strategic financial analysis of water sourcing alternatives and costing of ground water remediation alternatives, asset inventory and condition assessments, utility performance metrics, earned value analysis. He has also managed the construction and installation of water treatment equipment and oversaw Superfund remediation for the US Army.

### RELEVANT PROJECT EXPERIENCE

**City of Lakewood (CA)**
Mr. Gagnon helped the City develop cost of service based tiered water rates. Of note, Mr. Gagnon recommended revising the current practice of providing free water for the first four units of water in single family first tier. To ease the impacts of this change, the City decided to transition the rates over a 5-year period. The study included a full five-year financial plan and a review and recommendations on reserve levels.

**City of Orange (CA)**
Mr. Gagnon is helping the City update its water rates and rate structure to ensure that rates are based on cost of service principles. The study includes a financial plan to fully fund operational and capital expenses and reserves. Mr. Gagnon also helped the City establish wastewater rates for its sanitation enterprise. The rates were revised to reflect sewer whereas they were previously based on water use.

**Olivenhain Municipal Water District (CA)**
Mr. Gagnon created a drought rate model to help the Olivenhain Municipal Water District (District) develop a drought rate ordinance. The model calculated commodity rate adjustments for four drought stages. It allowed for customer voluntary cutbacks in consumption as well as cutbacks due to higher water prices using the price elasticity of water. The model will help ensure the District maintains adequate revenue in times of drought.

Mr. Gagnon helped the District update their wastewater rates and developed a customized model for its unique rate structure. The District's residential rates are a flat charge per Equivalent Dwelling Unit (EDU) and the commercial rate structure includes a service charge per EDU and a variable rate based on measured water consumption.

Mr. Gagnon also prepared valuation calculations for the system capacity required for update of water and wastewater connection and annexation fees for the District. The analysis showed that the District would benefit by changing capacity fee calculation methodologies from a growth method to a combined method, thereby imposing less restrictions on the use of capacity fee revenue.

Mr. Gagnon modeled the long-term cost of several different water sources for the District. Options included purchasing treated water, expanding their water treatment plant and purchasing untreated water from the Metropolitan Water District or partnering with other local agencies to desalinate ocean water. The model contained many variable inputs to allow "what-if" scenario analysis. Although purchasing treated water was the least costly option, the authority favored plant expansion due to other benefits such as reliability of water supply.

**City of Encinitas (San Dieguito Water District, CA)**
Mr. Gagnon helped the City establish water rates that are based on cost of service principles. Cost of service based rates creates large bill impacts for the agricultural class. Mr. Gagnon worked with City staff and the Board rate setting committee to evaluate rates and explain rate setting basics to the committee and public in a Proposition 218 public hearing.

**Sweetwater Authority (CA)**
Mr. Gagnon evaluated water rates, including drought rates, for the Sweetwater Authority in light of recent legal concerns over their current rate structure. The evaluation includes a cost of service study to clearly demonstrate the nexus between the rate for each single family tier and the associated costs to serve that tier. The study started by soliciting input from Board members regarding their water pricing objectives so that rates could be designed accordingly. Mr. Gagnon concluded the study with presentations to the District Board of Directors and the Public.

**Encina Wastewater Authority**
Mr. Gagnon is helping the Authority analyze the Net Present Value of three large capital investments: 1) their co-generation facility, 2) the heat dryer and 3) the fats, oils and greases (FOG) receiving facility that supports Encina's co-digestion facility operation. For the co-gen facility, the analysis involves calculating the Net Present Value of electricity purchase costs with and without the co-gen facility. The heat dryer analysis involves calculating the equivalent annual cost of operating solely the centrifuge (with the associated disposal cost of sludge) versus operating the heat dryer and its reduced sludge disposal costs. Lastly, he is helping the Authority analyze its options for alternative digester fuels for co-digestion to enhance digester gas production – FOG versus beer waste – based on the tipping fees and associated maintenance costs of each.

**Hi-Desert Water District**
Mr. Gagnon is helping the District establish defensible and affordable water rates for a District with a high number of low income residents. The study includes an update of their miscellaneous fees. The District has one main source of water, which limits the rate differentiation between tiers. The study includes an extensive outreach program to educate customers as to the need for rate adjustments.

**City of Port Hueneme**
The City of Port Hueneme has some of the highest water rates in the area due to the amount of capital reinvestment needed to maintain the system. Mr. Gagnon is helping City Council and Staff assess the impacts of their decisions, including capital reinvestment, loan refinancing and fixed charge pricing on customer bills. The study included a rate workshop with City Council to show Council the effects of their decisions.

**Mesa Water District**
Mesa Water District prides itself on the fact that it is no longer dependent on imported water. Mr. Gagnon helped the District revise their water and recycled water rates in a few months during a fast-paced rate study. The study included over 10 financial plan options for the Board to select from.

**City of Pomona (CA)**
Mr. Gagnon is currently helping the City establish water, recycled water and wastewater rates. He is establishing defensible tiered rates based on the City's multiple sources of water and use characteristics. He is also establishing pumping charges based on the costs associated with serving water to high elevation customers. The engagement includes working with rate committee members, Staff and council members to ascertain their rate setting goals. It also includes a 10-year financial plan and modeling rates under industry standard reserve targets.

**Channel Islands Beach Community Services District (CA)**
Mr. Gagnon helped the District establish equitable water and wastewater rates. Particularly noteworthy in this study was a class of customers that required the District to reserve capacity in the water treatment plant for possible future growth. Mr. Gagnon explained the cost causation based rate for this customer class at Board meetings and the Public Hearing. Mr. Gagnon also held special web based workshops with this customer class to explain cost of service principles and the basis for the rates.

**City of Shasta Lake (CA)**
The City of Shasta Lake's water revenue dropped significantly during the recent drought – while their water costs increased due to emergency water purchases from expensive sources. In addition, the City's infrastructure was over 80 years old which necessitated significant capital expenditures. Mr. Gagnon worked with City staff to develop a water financial plan that fully funded their capital program, reserves and operational expenses. The financial plan called for a 30% revenue increase in one year. Mr. Gagnon presented the basis for revenue adjustments and rate development at a well-attended public hearing at City Hall.

**Santa Fe Irrigation District (CA)**
Santa Fe Irrigation District has one of the largest per capita water use rates in the State due to its large lots, many of which have orchards and other agriculture requiring irrigation. Mr. Gagnon worked with City Staff and Board members to establish water cost of service based rates which included a complete restructuring of their fixed charges so that the District could pass through their fixed wholesaler charges. The consumption rates were based on the peaking characteristics of each class. Mr. Gagnon presented at a contentious Public Hearing, in which that rates were adopted, to answer Board and the Public's questions.

**Trabuco Canyon Water District (CA)**
Mr. Gagnon helped the District establish water, wastewater and recycled water rates. The Trabuco Canyon Water District's revenue plummeted significantly during the recent drought. Mr. Gagnon helped the District established rates, including drought rates, that fully funded operations, capital expenses and reserves. The District previously had a 7-tier rate structure. Mr. Gagnon helped the district establish a 4-tier rate structure in which the rates were based on the supply costs and peaking costs to serve water in each tier – as required by Proposition 218. The study started with a pricing objectives exercise so that the Board could communicate its most important rate setting goals. Mr. Gagnon presented financial plan options and rate study results and a public hearing.

**Moulton Niguel Water District (CA)**
Mr. Gagnon prepared water and wastewater capacity fees and miscellaneous fees in June of 2016. The water and wastewater capacity fees were calculated using the buy-in methodology and varied by meter size. The District also decided to implement a water demand offset fee for new water connections based on the premise that the recycled water system offsets potable water use and benefits potable water users. Mr. Gagnon attended Board meetings to help staff explain the rationale and basis for the capacity fees.

Mr. Gagnon also helped calculate miscellaneous fees by interviewing staff to assess the time and effort involved with the fees, benefit burden rates and material charges to properly calculate over three dozen fees for the water and wastewater systems. The deliverable included an excel model with which the District could update the miscellaneous fees in the future.

**City of Henderson (NV)**
Mr. Gagnon is creating water and wastewater rate and financial planning models for the City as well as updating their water and sewer system development charges. The models will be used over the next 5 to 10 years not only to calculate water and wastewater rates but also to create yearly financial statements.

**City of Redlands (CA)**
Mr. Gagnon updated the City's water and wastewater rates and development impact fees. The rate study process included workshops with the City's Utility Advisory Committee in which he presented the basics of rate setting and the financial environment of the utilities. The interactive workshops solicited input from committee members and staff regarding revenue adjustments and rates.

**Rainbow Municipal Water District (CA)**
Mr. Gagnon created water conservation based sewer rates to complement the Rainbow Municipal Water District's (District) conservation based water rate structure. These rates will be based on the actual water usage of each customer within the District. In addition, appropriate sewage strengths will be incorporated into the District's sewer user rates.

**County of San Diego (CA)**
Mr. Gagnon prepared integrated financial models for a landmark study for the County of San Diego. The study will not only be updating the sewer user, capacity, and annexation fees for the nine dependent sewer districts but will also include the economic analysis of creating one "super sanitation district". Long-range financial plans will be prepared for all of the districts as well as the super district including 10 years of operational and capital costs.

**Town of Quartzsite (AZ)**
Mr. Gagnon performed a third party rate review of a recently completed water and wastewater rate study for the Town of Quartzsite (Town). The Town is concerned with insuring that their winter RV population is paying their fair share of the water and sewer expenses.

**Town of Parker (AZ)**
Mr. Gagnon updated the Town of Parker's (Town) water rates. One of the Town's main concerns was the fairness and equity of water system cost distribution given the Town's large population of Native Americans who do not pay sales or utility taxes yet benefit from Town parks and other Town amenities. He also helped the Town establish operating and capital reserves.

**Walnut Valley Water District (CA)**
Mr. Gagnon performed the Walnut Valley Water District's (District) first professional rate study which included updating the rate structure. Mr. Gagnon created a three-tier residential rate structure to help decrease discretionary consumption and ensure the District avoids or reduces water purchase surcharges from the Metropolitan Water District. He presented his findings to District staff and the District's Board of Directors.

**Fallbrook Public Utility District (CA)**
With water shortages looming in Southern California, this progressive water and sewer district asked for help creating water conservation-based sewer rates to complement their conservation based water structure. Mr. Gagnon created rates based on the actual water usage of each customer within the Fallbrook Public Utility District (District). In addition, appropriate sewage strengths were incorporated into the District's sewer user rates.

**Otay Water District (CA)**
The Otay Water District (District) performs an update to their capacity and annexation fees every five years. In this update they changed their capacity fee from an incremental fee based on future costs to a combined fee structure using replacement costs less depreciation. They are also revised their annexation fee to recover taxes and availability charges paid by existing users who are currently inside the District's boundaries. In addition, they added a new water supply fee to recover the expansion costs of their water system. This is a new fee that addresses the issue of new development bringing their own water supply or pay for offsets.

Mr. Gagnon was also the lead economist on a fast track study to assist the District in adding further conservation incentives into their potable and reclaimed water user rates. Specifically, he added rate blocks into their non-residential and landscaping user rate structures based on specific base extra capacity cost allocations per user class. In addition, he assisted the District in the preparation of a drought/shortage rate structure that overlays their new conservation

rate structure. This drought rate structure is based on the guidelines provided by the Metropolitan Water District of Southern California and the San Diego County Water Authority.

**Rowland Water District (CA)**
Mr. Gagnon updated the Rowland Water District's (District) water rates for the second time. The District had several concerns for the most recent study which included a large debt issue for a recycled water system as well as staff increases and wholesale water rate increases. The model helped the district size its debt issue by performing a rate sensitivity analysis to the size of the debt issue.

**City of Poway (CA)**
Mr. Gagnon completely rebuilt the City of Poway's water and wastewater rate models to reflect the latest rate setting practices.

**Helix Water District (CA)**
Mr. Gagnon created an economic model to add life-line and a water waster tier to the Helix Water District's (District) three-tier rate structure. In addition, budget-based water rates were created for all irrigation accounts. The District is transitioning slowly to budget-based rates due to staffing limitations. In 2010 they will implement budget-based rates for all commercial accounts.

Mr. Gagnon also performed all of the economic modeling in the preparation of the District's first Capacity Fee Study. The capacity fee was designed to collect a buy-in portion based on replacement costs of the District's current water system and the incremental cost of adding a new water supply, the El Monte Valley Ground Water Recharge project.

**City of Anaheim (CA)**
Mr. Gagnon prepared a commercial and residential wastewater rate study for the City of Anaheim (City). The proposed rate structure was based on water consumption to replace the antiquated structure based on the number of toilets. Proper water use and wastewater return to sewer analysis is required to ensure proper revenue generation for the City.

**City of Coronado (CA)**
Mr. Gagnon is helping restructure the City of Coronado's wastewater rates from a flat parcel-based fee for residential users to one with a consumption-based charge and a fixed charge.

**City of Lemon Grove (CA)**
Mr. Gagnon helped update the commercial and residential wastewater rates for the City of Lemon Grove. The rate structure included 20 different user classes for residential, commercial, and institutional customers.

**Western Municipal Water District (CA)**
Mr. Gagnon prepared a long-range financial plan to help ensure the Western Municipal Water District's (District) financial health. Based on the District's five-year CIP, inflationary water rate adjustments, and reserve policies, the plan showed that a debt issue was needed to execute the CIP and maintain adequate reserves.

**Julian and Pine Valley Sanitation Districts (CA)**
Mr. Gagnon updated the wastewater rates and connection fees for both sanitation districts. The wastewater fees had not been updated for several years in one district and over 15 years in the other necessitating large rate increases. He developed a few different scenarios which included postponing CIP projects or lowering reserve balances, to ease ratepayers into higher rates.

**San Antonio Water System (TX)**
Mr. Gagnon prepared a sewer impact fee economic model and study for the City of San Antonio. This included a valuation of the system's facilities using several asset based approaches. Ultimately the total net book value without depreciation was selected as the basis for the valuation of the System's assets. In addition, an equity residual model was prepared that included the allocation of the present value of past and future debt service payments. The study also analyzed a number of impact fee structures to determine the most fair and equitable fee.

**La Habra Heights County Water District (CA)**
Mr. Gagnon assisted with the update in water user rates, capacity charges, and long-range financial plan for the La Habra Heights County Water District (District). The 2001 study set the District's user rates for five years and expired in 2005. The District had recently completed an updated Water Master Plan and wished to incorporate the new cost of replacement capital facilities for the next ten years into their long-range financial plan and user rates.

**City of La Habra (CA)**
Mr. Gagnon helped prepare the City of La Habra's (City) first professional sewer user rate study. This study followed industry standards and an EPA approved rate structure. The City plans to create a formal enterprise fund for their sewer utility to properly finance their sewer operations and maintenance. He developed the long-range financial plan modeled year-end cash reserves to ensure execution of the City's $21 million capital improvement program and to fund operations and maintenance.

**City of Webster (TX)**
Mr. Gagnon is constructing a stormwater model for the City of Webster (City). The rates are based on the impervious surface of each parcel. The City plans using water meters to bill customers.

**City of Norman (OK)**
Mr. Gagnon is constructing a stormwater rate model for the City of Norman. The model is constructed in several different ways to allow the city council to choose from alternative rate structures, including the contentious issue of whether or not Oklahoma University, which owns large parcels of impervious surface area, will support the stormwater utility.

**Boxelder County (CO)**
Mr. Gagnon assisted Boxelder County (County) in the determination of how they will finance their required stormwater improvements. They plan to create a stormwater utility through diverse funding sources including impact and user fees, a community financing district, and grants and loans. The goal of this study was to identify

and size a system of improvements which will achieve the greatest defined economic benefit (both local and regional) per dollar of cost, based on the 100-year floodplain extents.

**City of Fullerton (CA)**
Mr. Gagnon conducted a field audit to determine appropriate return to sewer flows as well as fats, oils and greases surcharge rates for the top 50 industrial water customers in the City of Fullerton.

## UTILITY AND WATER RIGHT VALUATIONS EXPERIENCE

**Blue Plains Wastewater Treatment (DC)**
Mr. Gagnon is valuing the largest advanced wastewater treatment plant in the world (370 MGD) using several different valuation methods for Metropolitan Washington Council of Governments. The study values capacity rights in a treatment plant shared by several users. Valuation methodologies include original cost, reproduction cost, and market comparables.

**Metro Wastewater Joint Powers Authority (CA)**
Mr. Gagnon updated a prior valuation study which values treatment capacity in the San Diego Metropolitan Wastewater System. The valuation study considered several different valuation methodologies including the asset approach, prior sale (market comparables); buyer's avoided cost, seller's potential future cost and alternative investment value.

**City of Pico Rivera (CA)**
Mr. Gagnon is slated to help the City of Pico Rivera value groundwater pumping rights. Groundwater pumping rights will likely be valued using both a market comparables approach and a buyer's avoided cost approach.

## OTHER FINANCIAL AND MANAGEMENT STUDIES

**Town of Parker (AZ)**
Mr. Gagnon is performing a benchmarking analysis of the Town of Parker's (Town) water, parks and recreation and streets departments due to efficiency concerns. The study will compare the Town's cost efficiency with other small towns.

**Marine Corps Base Camp Pendleton (CA)**
Mr. Gagnon led an asset inventory and condition assessment of the water and wastewater systems on Marine Corps Base Camp Pendleton. The inventory included field visits and literature reviews to document and describe the extent and condition of all utility assets. Asset data was compiled in a database and linked to GIS mapping.

**Olivenhain Municipal Water District (CA)**
Mr. Gagnon developed an economic model that evaluates the cost benefit analysis of four different water supply options including desalinization, increased use of recycled water, and expansion of their existing water treatment plant using membrane technology. Proposed funding levels were prepared for the long-range financial plan to match projects against the revenue levels necessary to support them.

**Confidential Fortune 500 Aerospace Corporation (CA)**
Mr. Gagnon created an excel based financial model to cost and budget one of the largest corporate environmental liabilities – a nine-mile long plume of rocket fuel-related contamination – underlying several cities in southern California. Remediation strategies were constantly changing and, thus, the model simulated costs for numerous remediation alternatives. The model also allowed for monthly and yearly budgeting and total clean-up expenditures.

**Earth Tech (CA)**
Mr. Gagnon developed an Operation Excellence Plan to ensure client satisfaction on the execution of a multimillion dollar Master Services Agreement with a Fortune 500 Aerospace Corporation. The plan provided guidance in many areas including QA/QC, client feedback, staff allocation, etc. The plan also included performance measures to evaluate client satisfaction, program success, and failures.

**Otay Water District (CA)**
Mr. Gagnon assisted in facilitating performance metric workshops with the Otay Water District management staff. The workshops discussed performance metric basics, analyzed dozens of performance metrics, how to calculate them, and eventually helped staff narrow down the metrics they believed were best for their utility.

**Keweenaw National Historical Park, National Park Service (MI)**
Mr. Gagnon coauthored a business plan submitted to the U.S. Congress to seek additional funding to expand a national park in Michigan. The business plan included a historical cost accounting analysis of prior fund use and projected future fund needs.

**U.S. Army Sudbury Annex Superfund Site (MA)**
Mr. Gagnon was the Project Manager for the remediation and real estate transfer of a 2,000-acre army ammunition depot and research installation in central Massachusetts. Mr. Gagnon oversaw project funds, environmental studies, and construction contracts with consulting firms and partnered with the U.S. EPA to determine clean-up goals and strategies.

# Nancy Phan

## Lead Analyst

Consultant

**SPECIALTIES**

- Financial modeling
- Utility rate studies
- Data analysis

**PROFESSIONAL HISTORY**

- Raftelis: Consultant (2018-present); Associate Consultant (2016-2017)
- Microsoft Corporation – Partner Account Specialist (2015-2016)

**EDUCATION**

- Bachelor of Arts in Business Economics – University of California, Irvine (2015)

Ms. Phan has a background in business economics with a focus on data analysis, writing, and communication. Her expertise in working with large data sets brings efficiency and refinement to her financial modeling, and her emphasis on writing establishes a clear and concise communication style. She is particularly interested in improving established processes to increase efficiency and provide creative solutions for her clients. Her experience in working with water, wastewater, and stormwater agencies across the nation have informed her approach to working with utility agencies.

### RELEVANT PROJECT EXPERIENCE

**Contra Costa Water District (CA)**
Ms. Phan served as the consultant for Contra Costa Water District's water rate study. The study involved developing a new rate structure for the District's treated and untreated water systems. The project involved a complete restructuring of the District's treated and untreated water rates to sustain operational and capital needs, enhance equity and fairness amongst the different customer classes, and minimize customer impacts to the extent possible. The water rates were calculated according to cost of service principles and are compliant with Proposition 218.

**County of Ventura (CA)**
Ms. Phan assisted the County of Ventura in developing water rates for four different districts in the County's service area. The rate study included unique issues related to serving agricultural customers. The proposed rate structure modified the current structure to provide for greater simplicity and ease of implementation. Ms. Phan developed the four financial models and wrote their corresponding reports to explain the process. She also wrote a model manual for the County to update and use the model in the future and assisted in developing bill calculators for each of the districts.

**La Habra Heights County Water District (CA)**
Ms. Phan developed water rates for the La Habra Heights County Water District. She projected the District's ten-year financial plan, analyzed the costs of the system, and allocated those costs to determine the proposed water rates. In addition, she developed a capital financing plan for the District to help plan for its large capital obligations during the study period. A formal reserve policy was recommended for this study. The resulting water rates were based on cost of service principles and minimized customer impacts.

**Zone 7 Water Agency (CA)**
Ms. Phan served as the consultant for the Zone 7 Water Agency's wholesale water rate study update. The update included projecting a long-range financial plan, developing a cost of service analysis, and determining fair and equitable rates for the Agency's direct and retail customers. The Agency was experiencing revenue shortages due to low water usage, and to enhance revenue stability, she assisted in developing a modified rate structure that is both beneficial and fair to the Agency and its customers.

**City of Escondido (CA)**
Ms. Phan assisted the City of Escondido with developing water and wastewater rates. The rate study included determining a long-term financial plan, analyzing and distributing the City's costs to each customer class, and determining rates that are fair and equitable for both systems. The study also involved determining pass-through rates for Metropolitan Water District and

San Diego County Water Authority costs. The proposed rates are compliant with Proposition 218 and maintain the City's financial sufficiency in light of changing water supply conditions.

### Selma-Kingsburg-Fowler County Sanitation District (CA)

Ms. Phan served as the consultant for the Selma-Kingsburg-Fowler County Sanitation District's wastewater rate study. The District operates the treatment facilities and oversees the collection systems owned by the Cities of Selma, Kingsburg and Fowler. The study involved developing wastewater rates for the District and individual fixed charges to fund each of the three cities' replacement and refurbishment capital projects. The proposed rates are based on cost of service principles, are complaint with Proposition 218, and maintain the financial sufficiency of the District and its three member Cities.

### City of La Habra (CA)

Ms. Phan assisted the City of La Habra in developing wastewater rates and connection fees. The rate study involved an update of the current rate structure to enhance fairness and equity for the City's wastewater customers. She developed four rate structure scenarios to best meet the City's objectives. The revenue requirements, which includes operating and capital expenses, were allocated to each customer class using wastewater flow, which is more defensible for a collection only system. The resulting rates are compliant with Proposition 218, are fair and easy to understand for the City's customers, and recover sufficient revenue for the system's operations.

### Rainbow Municipal Water District (CA)

Ms. Phan served as the consultant for the Rainbow Municipal Water District's wastewater system. She developed four rate structure options for wastewater rates to be simple for customers to understand and better align with cost of service principles. The study involved projecting the District's long-range financial plan, which included large capital expense obligations. Ms. Phan analyzed funding scenarios for these projects and their effects on the District's wastewater rates. The cost of service based rates allow the District to fund its operating costs and necessary capital projects.

## OTHER RELEVANT PROJECT EXPERIENCE

- City of Monterey Park (CA)
- County of Kauai, Department of Water (HI)
- City of Port Hueneme (CA)
- City of South Pasadena (CA)
- City of Torrance (CA)
- Antelope Valley East Kern Water Agency (CA)
- Ontario Municipal Utilities Company (CA)
- City of Chino (CA)
- Temescal Valley Water District (CA)
- City of Benicia (CA)
- City of San Gabriel (CA)
- City of Pomona (CA)
- Vallejo Flood and Wastewater District (CA)

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# APPENDIX B: SAMPLE REPORT

# LONG BEACH
# WATER DEPARTMENT

## COST OF SERVICE AND RATE STUDY

Final Report / February 1, 2017

Long Beach Water

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February 1, 2017

Mr. Anatole Falagan
Assistant General Manager
Long Beach Water Department
1800 E. Wardlow Rd.
Long Beach, CA 90807 – 4994

**Subject: Long Beach Water Department – Cost of Service and Rate Study Report**

Dear Mr. Falagan,

Raftelis Financial Consultants, Inc. (RFC) is pleased to provide this Cost of Service and Rate Study Report (Report) for the Long Beach Water Department (LBWD or Department) to develop water, recycled water and sewer rates that are equitable and compliant with Proposition 218. In particular, this Report contains the following:

- Legal framework surrounding Proposition 218, particularly with respect to potable water and recycled water and sewer rates.
- Revisions to water rate structure.
- Recommended policy revisions.
- Cost of service analysis and development of water, recycled water and sewer rates that meet the Proposition 218 requirements.

The Report summarizes the key findings and results related to the revision of the water rate structure, development of water, recycled water and sewer rates and customer impact analyses for proposed rates.

It has been a pleasure working with you, and we thank you and the Department staff for the support provided during the course of this study.

Sincerely,
***RAFTELIS FINANCIAL CONSULTANTS, INC.***

**Sanjay Gaur**
*Vice President*

**Khanh Phan**
*Senior Consultant*

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# GLOSSARY

| Terms | Descriptions |
|---|---|
| **AF** | Acre foot / Acre feet |
| **AWWA** | American Water Works Association |
| **CCF** | Centum Cubic Feet = 100 cubic feet = 748 gallons |
| **COS** | Cost of Service |
| **EFU** | Equivalent Fire Unit |
| **EMU** | Equivalent Meter Unit |
| **FY** | Fiscal Year (October 1 - September 30) |
| **GPCD** | Gallons per capita per day |
| **GPM** | Gallons per minute |
| **LBWD** | Long Beach Water Department |
| **LCC** | Lakewood Country Club |
| **LOC** | Line of Credit |
| **LW** | Water supply from Lakewood |
| ***M1 Manual*** | *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1, 6th edition* published by AWWA |
| **MD** | Max Day Peaking Factor |
| **MFR** | Multi-Family Residential |
| **MGD** | Million Gallons per Day |
| **MH** | Max Hour Peaking Factor |
| **MWD** | Metropolitan Water District of Southern California |
| **O&M** | Operations and Maintenance |
| **RFC** | Raftelis Financial Consultants, Inc. |
| **RW** | Recycled Water |
| **SFR** | Single Family Residential |
| **WRD** | Water Replenishment District of Southern California |

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# EXECUTIVE SUMMARY

## 1.1 - BACKGROUND OF THE STUDY

The Long Beach Water Department (LBWD or Department) maintains a system of water, sewer, and recycled water infrastructure that provides services to nearly 470,000 Long Beach residents. LBWD receives its potable water supply from two main sources: groundwater produced from the Central Groundwater Basin, regulated by the Water Replenishment District of Southern California (WRD) and purchases from the Metropolitan Water District of Southern California (MWD).

The current water and sewer rates were developed in a previous Rate Study conducted in March 1996 and updated annually across the board to account for rising operating and capital costs. Government Code 54999.7(c) requires that water and wastewater agencies must conduct a cost of service study a minimum of every 10 years. In early 2016, LBWD engaged Raftelis Financial Consultants (RFC) to conduct a Cost of Service and Rate Design for its Water and Sewer services.

The major objectives of the Study include the following:

1. Conduct cost of service analyses for Water, Recycled Water and Sewer services
2. Design an alternative rate structure to better align water supply costs with rates, and more equitably recover costs from customers
3. Conduct a sensitivity and impact analysis on proposed rates
4. Develop an administrative record that demonstrates nexus between LBWD's costs and rates to meet the requirements of Proposition 218.

This Cost of Service and Rate Design Report (Report) summarizes the key findings and results related to the revision of the water rate structure, development of water, recycled water and sewer rates and customer impact analyses for proposed rates.

## 1.2 - REVISION TO WATER RATE STRUCTURE AND OTHER POLICY RECOMMENDATIONS

RFC conducted a pricing objectives exercise wherein LBWD executive management ranked a number of pricing objectives. The top 10 pricing objectives are used as guiding principles for this Study.[1] Table 1-1 shows the proposed water rate structure, developed based on the pricing objectives and discussion with LBWD staff and the Board of Water Commission. Residential customers will maintain a 3-tier inclining rate structure, with tier definitions revised to better align with water supply availabilities. Non-residential use for both potable and recycled water

[1] *See Section 4 for details*

**Table 1-1: Proposed Water Rate Structures**

| Customer Class | Current Rate Structure | Proposed to Evaluate | Why? |
|---|---|---|---|
| **Residential (RES)** | Inclining Tier | Revised Inclining 3-Tier | Current rate structure achieves the pricing objectives of the City |
| **Irrigation (IRR)** | Uniform | Uniform | Use water budget information to develop programs for customers |
| **Industrial / Commercial** | Uniform | Uniform | Programs are more effective in promoting conservation than pricing |
| **Recycled Water (RW)** | Uniform | Uniform | Use water budget information to develop programs for customers |

**Table 1-2: Proposed Residential Water Tier Definitions**

| | Current Tiers | Revised Tiers[2] | Basis |
|---|---|---|---|
| **Tier 1** | Single Family: 0 – 5 CCF<br>Duplex: 0 – 2.5 CCF<br>Multi Family: 0 – 2.5 CCF | **0 – 6 CCF** | Groundwater Availability<br>→ 6 CCF per DU |
| **Tier 2** | Single Family: 6 – 15 CCF<br>Duplex: 2.6 – 13 CCF<br>Multi-Family: 2.6 – 9 CCF | **7 – 13 CCF** | Lakewood & MWD Tier 1 Availability<br>→ 7 CCF per DU |
| **Tier 3** | Above Tier 2 | **Above 13 CCF** | Next water supply source:<br>MWD Tier 2 |

services, including commercial and irrigation use, will maintain uniform rates.

To better align residential usage tiers with available water supply, RFC proposes to define tier breakpoints by water supply source. Tier 1 includes the first 6 CCF per dwelling unit, which is based on available groundwater sources that are allocated equally to all LBWD customers. Tier 2 use encompasses the next 7 CCF per dwelling unit, which is based on the amount of available imported water from MWD and the water purchase agreement with City of Lakewood. Tier 3 includes all use above 13 CCF per dwelling unit, which can potentially be met using water supply from MWD at the MWD Tier 2 rate. Tier 3 is designed to send a stronger conservation signal regarding the true value of the source of water supply. Please refer to Section 4.2 for additional details.

LBWD will continue to maintain the Exemption Program for qualified customers to provide affordable water and sewer use for disadvantaged customers, based on direction from the Board of LBWD Water Commission and staff. The current program waives the sewer bills for qualified customers, and water use within Tier 1 is charged at lower Tier 1A rates. Based on available resources in the Water and Sewer Funds to support the Exemption program, RFC and LBWD staff recommend that Tier 1 water use be waived for qualifying customers (Tier 1A = $0/CCF) and each qualified bill have $5 bill credit per month to offset the impact from the changes in the program. LBWD may decide to review the continuation or adjustment of the bill credit in the future. However, they will pay sewer bills and other water charges at the same rate as other residential customers.

## 1.3 - PROPOSED WATER, RECYCLED WATER AND SEWER RATES

To calculate fair and equitable rates so that users pay in proportion to the cost of providing

[2] *Applied to All Residential Classes per Dwelling Unit*

**Table 1-3: Proposed Water and Recycled Water Daily Service Charges**

| Meter Size | Billing & Customer Service | Services & Capacity | Proposed FY 2017 | Proposed Daily FY 2017 | Current Daily FY 2017 | % Change |
|---|---|---|---|---|---|---|
| | A | B | C = A + B | D = C x 12 /365 | E | F = D/E - 1 |
| **5/8" & 3/4"** | $4.63 | $12.09 | $16.72 | **$0.550** | $0.489 | **12%** |
| **1"** | $4.63 | $20.15 | $24.78 | **$0.815** | $0.736 | **11%** |
| **1 1/2"** | $4.63 | $40.30 | $44.93 | **$1.478** | $1.375 | **7%** |
| **2"** | $4.63 | $64.48 | $69.11 | **$2.273** | $2.037 | **12%** |
| **3"** | $4.63 | $141.05 | $145.68 | **$4.790** | $4.220 | **14%** |
| **4"** | $4.63 | $241.80 | $246.43 | **$8.102** | $6.677 | **21%** |
| **6"** | $4.63 | $544.05 | $548.68 | **$18.039** | $12.306 | **47%** |
| **8"** | $4.63 | $1,128.40 | $1,133.03 | **$37.251** | $19.315 | **93%** |
| **10"** | $4.63 | $1,692.60 | $1,697.23 | **$55.800** | $31.635 | **76%** |
| **12"** | $4.63 | $2,135.90 | $2,140.53 | **$70.374** | $38.662 | **82%** |
| **16"** | $4.63 | $3,143.40 | $3,148.03 | **$103.497** | $63.986 | **62%** |

service, RFC performed a cost allocation of the total FY 2017 revenue requirements, consistent with industry standards as outlined in the *M1 Manual*[3] as well as Proposition 218 requirements. A detailed cost of service analysis is included in Sections 6 and 7 of the Report.

### 1.3.1 - PROPOSED WATER AND RECYCLED WATER RATES

RFC performed a cost allocation of the total revenue requirements in order to calculate fair and equitable rates where users pay proportionately to their cost of providing service. This methodology is consistent with industry standards and in compliance with Proposition 218 requirements. Table 1-3 and Table 1-4 show the proposed water and recycled water daily service charges and private fireline daily service charges for FY 2017. A detailed cost of service analysis is included in Section 6 of the Report.

Proposition 218 requires a nexus between the rates and costs of providing service. To meet this requirement, RFC identified five different components of the quantity rates, including Water Supply, Delivery, Peaking Cost, Conservation and Revenue Offset. Table 1-5 shows the FY 2017 calculated rates for each rate component for all Water and Recycled Water customer classes. Table 1-6 summarizes the proposed Water and Recycled Water rate structure and corresponding water quantity rates for FY 2017.

### 1.3.2 - PROPOSED SEWER RATES

Based on the results of the cost of service analysis conducted for sewer services, Table 1-7 and Table 1-8 summarize the proposed daily sewer service charges and sewer volumetric rates for FY 2017. A detailed cost of service analysis and rate calculation is discussed in Section 7 of the Report.

Users will continue to pay daily sewer service charges, which vary by meter size, along with volumetric charges per 100 cubic feet (CCF) of water furnished.

[3] *"Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1," 6th edition published by AWWA*

## Table 1-4: Proposed Private Fireline Daily Service Charges

| Size | Billing & Customer Service | Private Fire Capacity | Proposed FY 2017 | Proposed Daily FY 2017 | Current Daily FY 2017 | % Change |
|---|---|---|---|---|---|---|
| | A | B | C = A + B | D =C x 12 /365 | E | F = D/E - 1 |
| **2"** | $4.63 | $5.25 | $9.88 | **$0.325** | $1.020 | **-68%** |
| **3"** | $4.63 | $15.25 | $19.88 | **$0.654** | $1.745 | **-63%** |
| **4"** | $4.63 | $32.50 | $37.13 | **$1.221** | $2.577 | **-53%** |
| **6"** | $4.63 | $94.40 | $99.03 | **$3.256** | $4.391 | **-26%** |
| **8"** | $4.63 | $201.18 | $205.81 | **$6.767** | $6.438 | **5%** |
| **10"** | $4.63 | $361.78 | $366.41 | **$12.047** | $8.709 | **38%** |
| **12"** | $4.63 | $584.38 | $589.01 | **$19.365** | $10.976 | **76%** |
| **16"** | $4.63 | $1,245.33 | $1,249.96 | **$41.095** | $16.094 | **155%** |

## Table 1-5: Proposed Water and Recycled Water Quantity Rate Components

| | Water Supply | Delivery | Peaking | Conservation | Revenue Offset | Proposed FY 2017 |
|---|---|---|---|---|---|---|
| | A | B | C | D | E | F = A + B + C + D + E |
| **Residential** | | | | | | |
| Tier IA | $1.055 | $0.579 | $0.361 | $0.000 | -$1.995 | **$0.000** |
| Tier IB | $1.055 | $0.579 | $0.361 | $0.000 | -$0.074 | **$1.921** |
| Tier II | $2.645 | $0.579 | $0.454 | $0.000 | $0.000 | **$3.678** |
| Tier III | $2.907 | $0.579 | $0.651 | $1.229 | $0.000 | **$5.366** |
| **Non-Residential** | $1.747 | $0.579 | $0.405 | $0.127 | $0.000 | **$2.858** |
| **RW** | | | | | | |
| Peaking | $0.000 | $1.221 | $0.638 | $0.000 | $0.000 | **$1.859** |
| Non-Peaking | $0.000 | $1.221 | $0.357 | $0.000 | $0.000 | **$1.578** |
| Interruptible | $0.000 | $1.221 | $0.357 | $0.000 | $0.000 | **$1.578** |

## Table 1-6: Proposed Water and Recycled Water Quantity Rates ($ / CCF)

| | Current Tier Widths[4] | Proposed Tier Widths | Current FY 2017 ($ / CCF) | Proposed FY 2017 ($ / CCF) |
|---|---|---|---|---|
| **Residential** | | | | |
| Tier IA | 5 CCF | 6 CCF | **$1.427** | **$0.000** |
| Tier IB | 5 CCF | 6 CCF | **$2.569** | **$1.921** |
| Tier II | 10 CCF | 7 CCF | **$2.854** | **$3.678** |
| Tier III | Above 15 CCF | Above 13 CCF | **$4.281** | **$5.366** |
| **Non-Residential** | | | **$2.854** | **$2.858** |
| **Recycled Water** | | | | |
| Peaking | Uniform | Uniform | **$1.998** | **$1.859** |
| Non-Peaking | Uniform | Uniform | **$1.427** | **$1.578** |
| Interruptible | Uniform | Uniform | **$1.427** | **$1.578** |

## Table 1-7: Proposed Sewer Daily Service Charges for FY 2017

| | Billing & Customer Services | Sewer Services | Proposed FY 2017 | Current | % Change |
|---|---|---|---|---|---|
| | A | B | C = A + B | D | E = C / D – 1 |
| **5/8" & 3/4"** | $0.065 | $0.181 | **$0.246** | $0.281 | -12.5% |
| **1"** | $0.065 | $0.300 | **$0.365** | $0.445 | -18.0% |
| **1 1/2"** | $0.065 | $0.892 | **$0.957** | $0.811 | 18.0% |
| **2"** | $0.065 | $1.584 | **$1.649** | $1.177 | 40.1% |
| **3"** | $0.065 | $3.777 | **$3.842** | $2.435 | 57.8% |
| **4"** | $0.065 | $5.493 | **$5.558** | $3.856 | 44.1% |
| **6"** | $0.065 | $15.417 | **$15.482** | $7.104 | 117.9% |
| **8"** | $0.065 | $16.347 | **$16.412** | $11.159 | 47.1% |
| **10"** | $0.065 | $25.340 | **$25.405** | $18.255 | 39.2% |
| **12"** | $0.065 | $31.977 | **$32.042** | $22.315 | 43.6% |
| **16"** | $0.065 | $47.060 | **$47.125** | $36.514 | 29.1% |

*[4] Shown Single Family tiers only, Multi Family and Duplex accounts have different current tier widths (see Table 1-2)*

Volumetric charges for residential customers are computed based on the average of actual water use during the winter billing periods. The average volume will be the cap volume of actual water use returning to sewer system on which the volumetric sewer rate is charged for the next twelve-month period beginning with May's billing period. Each year, the average volume will be recalculated for the following twelve-month period. For those residential customers with no previous history of use during the winter billing periods, the average volume of customers with the same meter size will be used.

### 1.3.3 - CUSTOMER IMPACT ANALYSIS

Before implementing any rate structure recommendations, it is important to understand how the proposed rate structure will impact the LBWD's customers. Customer impact analysis is a powerful tool which can be used to assist elected officials in making informed decisions. Table 1-9 summarizes the combined water and sewer impact analyses by customer class, based on the proposed rates and projected number of accounts and usage. The residential customer class will see very minimal impact (-0.45%) under proposed water and sewer rates, whereas non-residential and recycled water customer classes will see more impact from the proposed rates, which is 5.12% and 2.67% respectively.

Figure 1-1 shows the combined water and sewer bills of typical residential customers with 5/8" x ¾" meters for a 30-day monthly billing period with assumed maximum of 10 CCF billed sewer flows (aka sewer average volume) at various water consumption levels under current and proposed rate structure and rates. Users using 6 CCF per month will see $3.39 reduction (or -8.2%) in their monthly bill, whereas users with 12 CCF per month will see minor increase of $1.55 (or 2.6%). Residential users using 30 CCF or more per month will see greater impacts. The proposed rate structure and rates send a stronger conservation pricing signal while maintaining affordability for essential use, which are part of the top 10 pricing objectives ranked by LBWD.

Similarly, Figure 1-2 provides the sample combined water and sewer bills for residential customers that qualify for the exemption program. Low water users, using 6 CCF or less per month, will see $3.44 reduction (-13.9%) in their monthly bills, whereas customers using 20 CCF or more per month will see more impacts on their monthly water and sewer bills.

In summary, the rates calculated in this study for water, recycled water and sewer follow industry standard principles of equitable cost-of-service allocations, and are thus compliant with Proposition 218. The remainder of this report details the background information utilized by RFC in carrying out this study, along with thorough explanation of the cost-of-service analyses and consequent revisions to LBWD's rate structure.

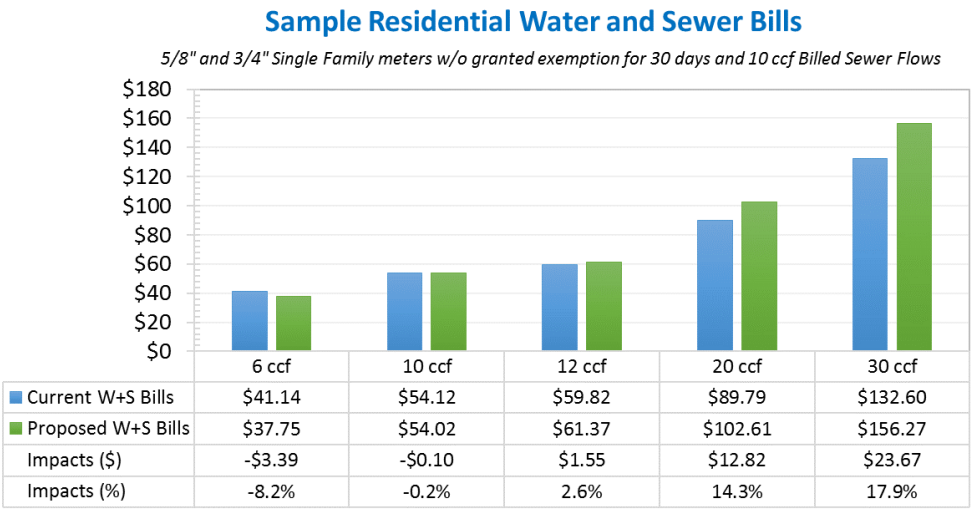
**Table 1-8: Proposed Sewer Volumetric Rates for FY 2017**

| | Proposed FY 2017 Rates ($ / CCF) |
|---|---|
| Flow Based (1) | $0.284 |
| Sewer Services (2) | $0.106 |
| **Sewer Volumetric Rates (1) +(2)** | **$0.390** |

## Table 1-9: Combined Water & Sewer Customer Impact Analysis

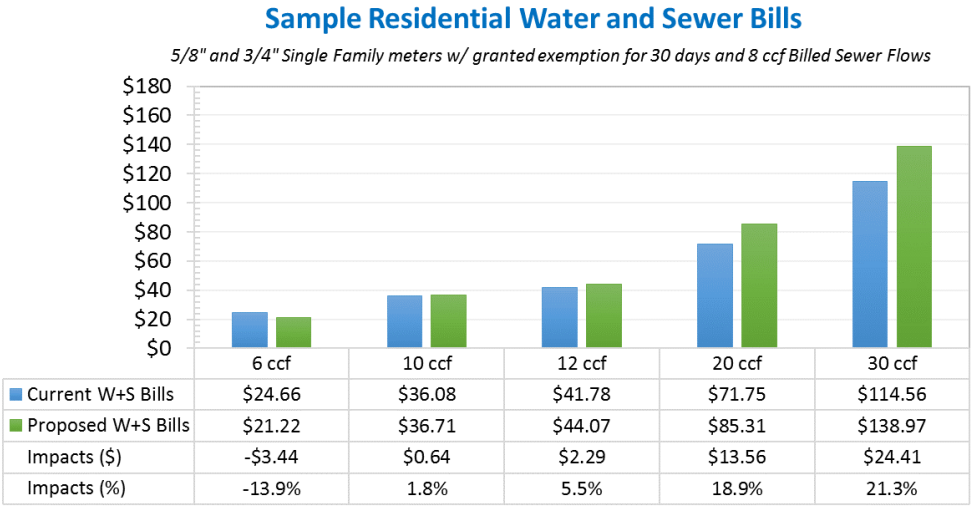
| Customer Classes | Projected FY 2017 Revenues under Current Rates (A) | Projected FY 2017 Revenues under Proposed Rates (B) | % Impact (C = B/A-1) |
|---|---|---|---|
| **Residential** | $75,957,211 | $75,613,197 | -0.45% |
| **Non-Residential** | $27,890,715 | $29,317,656 | 5.12% |
| **Private Fire** | $1,862,389 | $1,606,747 | -13.73% |
| **RW** | $3,599,285 | $3,695,459 | 2.67% |
| **Total Water & Sewer Revenues from Rates** | **$109,309,601** | **$110,233,059** | **0.84%** |

## Figure 1-1: Sample Residential Combined Water and Sewer Bills




| | 6 ccf | 10 ccf | 12 ccf | 20 ccf | 30 ccf |
|---|---|---|---|---|---|
| Current W+S Bills | $41.14 | $54.12 | $59.82 | $89.79 | $132.60 |
| Proposed W+S Bills | $37.75 | $54.02 | $61.37 | $102.61 | $156.27 |
| Impacts ($) | -$3.39 | -$0.10 | $1.55 | $12.82 | $23.67 |
| Impacts (%) | -8.2% | -0.2% | 2.6% | 14.3% | 17.9% |

## Figure 1-2: Sample Exempted Residential Combined Water & Sewer Bills




| | 6 ccf | 10 ccf | 12 ccf | 20 ccf | 30 ccf |
|---|---|---|---|---|---|
| Current W+S Bills | $24.66 | $36.08 | $41.78 | $71.75 | $114.56 |
| Proposed W+S Bills | $21.22 | $36.71 | $44.07 | $85.31 | $138.97 |
| Impacts ($) | -$3.44 | $0.64 | $2.29 | $13.56 | $24.41 |
| Impacts (%) | -13.9% | 1.8% | 5.5% | 18.9% | 21.3% |

# INTRODUCTION

## 2.1 - OVERVIEW OF LONG BEACH WATER DEPARTMENT

The Long Beach Water Department (LBWD or Department) maintains a system of water, recycled water and sewer infrastructure that provides services to nearly 470,000 Long Beach residents. LBWD receives its potable water supply from two main sources: groundwater and purchases from the Metropolitan Water District of Southern California (MWD). LBWD's Groundwater Treatment Plant, one of the largest in the nation, can produce up to 60 million gallons per day (MGD) of drinking water that is delivered through over 900 miles of transmission and distribution mains. LBWD meets a portion of its non-potable water demand through recycled water services. Recycled water is produced at the Long Beach Water Reclamation Plant which can treat up to 18 MGD of wastewater effluent. In addition, LBWD operates and maintains nearly 765 miles of sanitary sewer lines, which send over 40 MGD of wastewater flow to treatment plants operated by Los Angeles County. The remaining portion of the City's wastewater is delivered to the Long Beach Water Reclamation Plant.

## 2.2 - BACKGROUND OF THE STUDY

LBWD's Comprehensive Annual Financial Report (CAFR) for the year ending September 30, 2015, indicates that the Department's Water and Sewer Funds have low levels of long-term debt and very high debt service coverage. LBWD's water conservation efforts have been exceptionally effective at reducing per capita daily water use. Furthermore, through Governor's Brown Executive Order for Mandatory Conservation (Executive Order B-29-15), the State Water Resources Control Board draft water reduction target for the City of Long Beach is 16% below water usage in 2013. This target is significantly less than many other California municipalities; however, still a significant conservation measure to achieve given the current per capita water use of the City's customers.

The current water and sewer rates were developed in the previous Rate Study conducted in March 1996 and updated annually across the board to account for rising operating and capital costs. The current water rate structure contains both fixed service charges and quantity rates. The fixed daily service charge is based on meter size. Residential usage is billed using a three tier structure that varies by type, including residential, single family, duplex and multi-family. All non-residential usage (commercial, industrial, irrigation) is billed on a uniform

quantity rate. The three Recycled Water (RW) customer classes, including peaking, non-peaking and interruptible, are billed the same fixed daily service charges as regular water services and uniform rates which are set at a percentage of Tier II potable water rates. Sewer customers are also billed a daily sewer service charge based on meter size and a single uniform volumetric rate on all billed sewer flows regardless of customer class.

Government Code Section 54999 mandates that a cost of service analysis be done every 10 years to ensure that rates are equitable and fair to customers. In addition, Proposition 218 requires that utility rates cannot be "arbitrary and capricious," meaning that the rate-setting methodology must be sound and that there must be a nexus between the costs and the rates charged. The recent Orange County Superior Court ruling in the litigation between Capistrano Taxpayer Association (CTA) and the City of San Juan Capistrano reinforces the importance of administrative records to substantiate the nexus between the rates and the cost of providing water and sewer services.

In early 2016, LBWD engaged Raftelis Financial Consultants (RFC) to conduct a Cost of Service and Rate Design for its Water, Recycled Water and Sewer services that meet the requirements of Proposition 218.

The major objectives of the Study include the following:

1. Conduct cost of service analyses for Water, Recycled Water and Sewer services
2. Design an alternative rate structure to better align water supply costs with rates, and more equitably recover costs from customers
3. Conduct a sensitivity and impact analysis on proposed rates
4. Develop an administrative record that demonstrates nexus between LBWD's costs and rates to meet the requirements of Proposition 218.

This Cost of Service and Rate Design Report (Report) summarizes the key findings and results related to the revision of the water rate structure, development of water, recycled water and sewer rates and customer impact analyses for proposed rates.

## 2.3 - KEY INFORMATION USED IN THE STUDY

The Study utilized the following, but not limited to, key information provided by the Department:

1. Fiscal Year 2015 Consumption Data (October 2014 to September 2015) for all water, recycled water and sewer accounts served within the LBWD service area
   - Water data provided on July 9, 2016
   - Recycled water data provided on February 17, 2016
   - Sewer data provided on June 10, 2016
2. FY 2017 Operating Budget for Water and Sewer Funds provided on April 14, 2016
3. Debt Service Schedule for Outstanding Water Debts and Estimated Sewer Debt provided on June 24, 2016
4. 10-year CIP project cost estimates for FY 2017 – FY 2026 provided by LBWD on April 14, 2016 for Water Fund and Sewer Fund summarized by project type
5. Fixed Asset Balances provided by LBWD as of September 30, 2015 provided on February 18, 2016
6. Current water, recycled water and sewer rates effective on October 1, 2016
7. Peaking demand for max day and max hour provided on Feb 22, 2016
8. Fire flow requirements for the Water system provided on Oct 11, 2016
9. Reserve Policy Approved on August 18, 2016 (Board Policy 2016-34)
10. Beginning Water Reserve Balances as of Oct 1, 2015 (FY 2016) and Oct 1, 2016 (FY 2017) provided on April 27, 2016

## 2.4 - FY 2017 CURRENT REVENUES FROM WATER AND SEWER RATES

The current water and sewer rates were originally developed in the previous Rate Study conducted in March 1996 and updated annually across the board to account for rising operating and capital costs. The following sections detail the current rates and projected number of services and quantity sales for water and sewer services for FY 2017 to be used as part of the analysis.

### 2.4.1 - CURRENT WATER & RECYCLED WATER REVENUES FROM RATES

The current water rates were last approved in 2016 and made effective on October 1, 2016.

## Table 2-1: Current Water Daily Service Charges and Projected FY 2017 Service Connections

| Meter Size | Current Daily Service Charges | Projected FY 2017 Number of Service Connections | | | | |
|---|---|---|---|---|---|---|
| | | Residential | Non-Residential | Recycled Water | Private Fireline | Total Water Accounts |
| **Water & RW** | | | | | | |
| 5/8" x 3/4" | $0.489 | 66,668 | 2,567 | 1 | | **69,236** |
| 1" | $0.736 | 9,647 | 1,558 | 2 | | **11,207** |
| 1 1/2" | $1.375 | 3,031 | 1,202 | 12 | | **4,245** |
| 2" | $2.037 | 801 | 1,831 | 37 | | **2,669** |
| 3" | $4.220 | 120 | 373 | 17 | | **510** |
| 4" | $6.677 | 34 | 140 | 23 | | **197** |
| 6" | $12.306 | 31 | 69 | 16 | | **116** |
| 8" | $19.315 | 10 | 53 | 7 | | **70** |
| 10" | $31.635 | 0 | 20 | 1 | | **21** |
| 12" | $38.662 | 1 | 3 | 0 | | **4** |
| 16" | $63.986 | 0 | 0 | 0 | | **0** |
| **Private Fireline** | | | | | | |
| 2" | $1.020 | | | | 61 | **61** |
| 3" | $1.745 | | | | 51 | **51** |
| 4" | $2.577 | | | | 351 | **351** |
| 6" | $4.391 | | | | 415 | **415** |
| 8" | $6.438 | | | | 261 | **261** |
| 10" | $8.709 | | | | 55 | **55** |
| 12" | $10.976 | | | | 3 | **3** |
| 16" | $16.094 | | | | 2 | **2** |
| **Total Number of Water Service Connections** | | **80,343** | **7,816** | **116** | **1,199** | **88,275** |

Water, recycled water, and private fireline services pay daily service charges based on meter size on monthly billing cycles, shown in Table 2-1. Table 2-1 also shows the projected number of service connections by customer class for FY 2017 provided by LBWD. Non-residential customers include industrial, commercial and irrigation services. Residential customers include single family residential, duplex and multi-family residential services. No account growth is assumed for FY 2017.

Water services also pay quantity rates, shown in Table 2-3, which consist of tiered rates for residential and uniform rates for non-residential, including commercial, irrigation and industrial services. Single family, duplex and multifamily residential services currently have different tier definitions per dwelling unit, shown in Table 2-2. In an effort to provide affordability for low income and/or disabled senior residents, LBWD utilizes a Tier IA discounted rate, which only applies to customers qualifying

### Table 2-2: Current Residential Tier Definitions

| Residential Monthly Tier Widths / DU | Single Family | Duplex | Multi Family |
|---|---|---|---|
| **Tier IA** | 0 – 5.0 CCF | 0 – 2.5 CCF | 0 – 2.5 CCF |
| **Tier IB** | 0 – 5.0 CCF | 0 – 2.5 CCF | 0 – 2.5 CCF |
| **Tier II** | 6 – 15 CCF | 2.6 – 13 CCF | 2.6 – 9 CCF |
| **Tier III** | above 15 CCF | above 13 CCF | above 9 CCF |

### Table 2-3: Current Quantity Rates and Projected Water Sales for FY 2017

| | Projected Water Sales Under Current Rate Structure (CCF) | Current Quantity Rates ($ / CCF) | FY 2017 Revenues from Quantity Rates |
|---|---|---|---|
| | A | B | C = A x B |
| **Potable Water Services** | | | |
| **Residential (Tiered)** | 15,171,032 | | $43,310,974 |
| Tier IA | 72,510 | $1.427 | $103,472 |
| Tier IB | 6,426,453 | $2.569 | $16,509,558 |
| Tier II | 7,307,066 | $2.854 | $20,854,366 |
| Tier III | 1,365,003 | $4.281 | $5,843,578 |
| **Non-Residential (Uniform)** | 7,046,540 | $2.854 | $20,110,825 |
| **Total Potable Sales** | **22,217,572 CCF** | | **$63,421,799** |
| **Recycled Water Services** | | | |
| Peaking | 1,071,512 | $1.998 | $2,140,881 |
| Non-Peaking | 414,249 | $1.427 | $591,133 |
| Interruptible | 292,914 | $1.427 | $417,988 |
| Contract Rate | 175,313 | $1.141 | $200,032 |
| **Total Recycled Water Sales** | **1,953,988 CCF** | | **$3,350,035** |

for an exemption from the City's Utility Users Tax in accordance with Chapter 3.68 of the Long Beach Municipal Code. All other residential customers are billed using Tier IB, Tier II and Tier III water rates. Recycled water services are also billed using uniform quantity rates based on customer class (peaking, non-peaking and interruptible).

Table 2-3 shows the projected water sales for FY 2017 under the current rate structure for water and recycled water services along with the calculations for revenues from current quantity rates. On February 20, 1998, the County of Los Angeles and LBWD executed the First Amendment to Agreement WD-1604 regarding recycled water at Lakewood County Club (LCC). This amendment codifies

**Table 2-4: FY 2017 Projected Revenues from Current Water Rates**

| Customer Classes | Service Charges | Quantity Rates | FY 2017 Revenues from Rates |
|---|---|---|---|
| | A | B (Table 2-3) | C = A + B |
| **Residential** | $17,099,090 | $43,310,974 | $60,410,064 |
| **Non-Residential** | $4,713,896 | $20,110,825 | $24,824,721 |
| **Recycled Water** | $249,250 | $3,350,035 | $3,599,285 |
| **Private Fireline** | $1,862,389 | | $1,862,389 |
| **Total** | **$23,924,625 (26.4%)** | **$66,771,834 (73.6%)** | **$90,696,459** |

*Daily service charge × number of accounts with 1" meter × 365 days of service*
*$0.736 × 2 accounts × 365 days = $537.28*

the price for recycled water to LCC as the rate that LCC posts for sale of potable water to third parties under LCC's own water right. The current contract rate for LCC is shown in Table 2-3 and subject to the Agreement WD-1604 terms.

Table 2-4 summarizes the projected revenues from current rates for residential, non-residential, recycled water and private fireline services. Annual service charges revenues are calculated using current daily service charges and number of accounts (shown in Table 2-1) for 365 days of service for each meter size. For example, the revenue calculation for 1" recycled water meters is shown above.

This calculation is repeated for all meter sizes, customer classes and private fireline services to arrive at the total revenues from service charges for FY 2017, as shown in Table 2-4 column A. In FY 2017, LBWD projects to collect 26.4% of its revenues from rates from fixed service charges, or $23.92M of $90.70M in total revenue.

### 2.4.2 - CURRENT SEWER REVENUES FROM RATES

The charges for all sewer service consist of both a daily service charge by meter size and a volumetric rate per 100 cubic feet (CCF) of water furnished. The volumetric sewer rate does not apply to fire services. Volumetric sewer rates for residential customers (single family, duplex and multi-family) are computed based on the average of actual potable water use during the winter billing periods (December to March). The winter billing periods used is determined by the meter reading schedule for the account. The actual winter usage is divided by the number of winter days to obtain an average volume. The average volume is the base volume on which the volumetric sewer rate is charged for the next twelve-month period beginning with May's billing periods. Each year, the average volume is recalculated for the succeeding twelve-month periods. For those residential customers with no previous history of use during the winter billing periods, the average volume of customers with the same meter size will be used. For sewer customers who do not receive water services from the LBWD, volumetric sewer rate is based on the average volume for the customer's water service size.

Table 2-5 shows current sewer daily service charges along with FY 2017 projected sewer service connections by customer class and meter size. Similar to revenues from current rates calculated for water services, the calculation for 1" non-residential sewer meters are shown on the following page.

This calculation is repeated for all meter sizes and customer classes to arrive at the total sewer service

*Daily service charge × number of accounts with 1" meter × 365 days of service*
*$0.445 × 1,089 accounts × 365 days = $176,880.83*

charges revenues for FY 2017 as shown in Table 2-7 column A.

Table 2-6 shows the current volumetric sewer rates and projected billed sewer flows (CCF) along with the projected revenues from volumetric rates. Table 2-7 summarizes the projected revenues from current rates for residential and non-residential customers. In FY 2017, LBWD projects to collect 63.4% of its revenues from rates from fixed service charges, or $11.8M of $18.6M in total revenue.

### Table 2-5: Current Sewer Daily Service Charges and Projected FY 2017 Service Connections

| Meter Size | Current Sewer Daily Service Charges | Projected FY 2017 Number of Sewer Service Connections | | |
|---|---|---|---|---|
| | | Residential | Non-Residential[5] | Total Sewer Services |
| 5/8" x 3/4" | $0.281 | 64,738 | 2,704 | 67,442 |
| 1" | $0.445 | 9,646 | 1,089 | 10,735 |
| 1 1/2" | $0.811 | 3,106 | 829 | 3,935 |
| 2" | $1.177 | 1,468 | 659 | 2,127 |
| 3" | $2.435 | 288 | 107 | 395 |
| 4" | $3.856 | 104 | 44 | 148 |
| 6" | $7.104 | 70 | 14 | 84 |
| 8" | $11.159 | 38 | 10 | 48 |
| 10" | $18.255 | 6 | 2 | 8 |
| 12" | $22.315 | 4 | 0 | 4 |
| 16" | $36.514 | 0 | 0 | 0 |
| **Total** | | **79,468** | **5,458** | **84,926** |

### Table 2-6: Current Volumetric Sewer Rate and Projected Billed Sewer Flows for FY 2017

| Customer Classes | Billed Sewer Flows (CCF) | Volumetric Sewer Rate ($ / CCF) | FY 2017 Revenues from Volumetric Rates |
|---|---|---|---|
| | A | B | C = A x B |
| **Residential** | 12,767,381 | $0.390 | $4,979,279 |
| **Non-Residential** | 4,707,404 | $0.390 | $1,835,888 |
| **Total** | **17,474,785 CCF** | **$0.390** | **$6,815,166** |

### Table 2-7: FY 2017 Projected Revenues from Current Sewer Rates

| Customer Classes | Service Charges | Quantity Rates | FY 2017 Revenues from Rates |
|---|---|---|---|
| **Residential** | $10,567,869 | $4,979,279 | $15,547,148 |
| **Non-Residential** | $1,230,107 | $1,835,888 | $3,065,995 |
| **Total** | **$11,797,976 (63.4%)** | **$6,815,166 (36.6%)** | **$18,613,142** |

[5] *Non-Residential: Commercial, Industrial, Industrial Sewer only, Sewer only services*

# LEGAL FRAMEWORK AND RATE SETTING METHODOLOGY

## 3.1 - CALIFORNIA CONSTITUTION - ARTICLE XIII D, SECTION 6 (PROPOSITION 218)

Proposition 218, reflected in the California Constitution as Article XIII D, was enacted in 1996 to ensure that rates and fees are reasonable and proportional to the cost of providing service. The principal requirements for fairness of the fees, as they relate to public water service, are as follows:

1. A property-related charge (such as water and recycled water rates) imposed by a public agency on a parcel shall not exceed the costs required to provide the property related service.
2. Revenues derived by the charge shall not be used for any purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of property.
5. A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge.

As stated in AWWA's *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1, 6th edition (M1 Manual)*, "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Proposition 218 requires that water rates cannot be "arbitrary and capricious," meaning that the rate-setting methodology must be sound and that there must be a nexus between the costs and the rates charged. This study follows industry standard rate setting methodologies set forth by the *M1 Manual*, adhering to Proposition 218 requirements by developing rates that do not exceed the proportionate cost of

providing water services.

## 3.2 - CALIFORNIA CONSTITUTION - ARTICLE X, SECTION 2

Article X, Section 2 of the California Constitution (established in 1976) states the following:

*"It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare."*

Article X, Section 2 of the State Constitution institutes the need to preserve the State's water supplies and to discourage the wasteful or unreasonable use of water by encouraging conservation. As such, public agencies are constitutionally mandated to maximize the beneficial use of water, prevent waste, and encourage conservation.

In addition, Section 106 of the Water Code declares that the highest-priority use of water is for domestic purposes, with irrigation secondary. To meet the objectives of Article X, Section 2, Water Code Section 375 et seq., a water purveyor may utilize its water rate design to incentivize the efficient use of water. The agency may establish tiered rates, based on the availability of water from each source, to incentivize

customers to use water efficiently, so long as the rates also account for the proportional costs of water provision in compliance with Proposition 218.

### TIERED RATES

"Inclining" tier rate structures (synonymous with "tiered" rates), when properly designed and differentiated by customer class, allow a water utility to send consistent price signals to customers. Tiered rates meet the requirements of Proposition 218 as long as the tiered rates reasonably reflect the proportionate cost of providing service to users in each tier.

## 3.3 - COST-BASED RATE-SETTING METHODOLOGY

As stated in the *M1 Manual*, "the costs of water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." To develop utility rates that comply with Proposition 218 and industry standards while meeting other goals and objectives of the utility, RFC carries out a detailed analysis in four major steps, as discussed below.

### CALCULATE REVENUE REQUIREMENT

The rate-making process starts by determining the test year (rate setting year) revenue requirement, which for this study is FY 2017. The revenue requirement should sufficiently fund the utility's O&M, debt service, capital expenses, and target reserve balances based on a long-term financial plan.

### COST OF SERVICE ANALYSIS (COS)

The annual cost of providing water service is distributed among customer classes commensurate with their service requirements. A COS analysis involves the following:

1. Functionalize costs. Examples of functions are supply, treatment, transmission, distribution, storage, meter servicing, and customer billing and collection.
2. Allocate functionalized costs to cost causation components. Cost causation components include base, maximum day, maximum hour[6], conservation, public fire protection, meter service, and customer servicing and billing costs.
3. Distribute cost causation components, using unit costs, to customer classes in proportion to their demands on the water system. This is described in the *M1 Manual* published by AWWA.

A COS analysis considers both the average quantity of water consumed (base costs) and the peak rate at which it is consumed (peaking or capacity costs as identified by maximum day and maximum hour demands).[7] Peaking costs are costs that are incurred during peak times of consumption. There are additional costs associated with designing, constructing, operating and maintaining facilities to meet peak demands. These peak demand costs need to be allocated to those imposing such costs on the utility. In other words, not all customer classes share the same responsibility for peaking related costs.

### RATE DESIGN AND CALCULATIONS

Rates do more than simply recover costs. Within the legal framework and industry standards, properly designed rates should support and optimize a blend of various utility objectives, such as promoting water conservation, affordability for essential needs, and revenue stability among other objectives. Rates may also act as a public information tool in communicating these objectives to customers.

### RATE ADOPTION

Rate adoption is the last step of the rate-making process to comply with Proposition 218. RFC documents the rate study results in this report to serve as the utility's administrative record and a public education tool about the proposed changes, the rationale and justifications behind the changes, and their anticipated financial impacts.

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[6] *Maximum day and maximum hour costs are collectively referred to as peaking costs or capacity costs.*

[7] *System capacity is the system's ability to supply water to all delivery points at the time when demanded. Coincident peaking factors are calculated for each customer class at the time of greatest system demand. The time of greatest demand is known as peak demand. Both the operating costs and capital asset related costs incurred to accommodate the peak flows are generally allocated to each customer class based upon the class's relative demands during the peak month, day, and hour event.*

# **REVISION** TO WATER RATE STRUCTURES

## 4.1 - PRICING OBJECTIVES EXERCISE AND RESULTS

Each rate structure has its own strengths and weaknesses, and there is no perfect "one-size-fits-all" rate structure that addresses all pricing objectives. The key pricing objectives that are considered most important by a utility will work as a fundamental framework for the design and development of the appropriate rate structure for that utility. Currently, there are four common types of conservation rate structures: uniform, seasonal, inclining tiered and water budget-based tiered rates.

1. **A uniform rate structure** charges customers a uniform rate per unit of water consumed. This rate remains constant regardless of usage, and such a structure was developed to better reflect the costs of providing water services, such as treatment costs or pumping costs to customers while maintaining revenue stability, ease of administration, implementation, and understanding. However, uniform rates poorly address conservation needs and do not necessarily provide affordability for essential use.
2. **A seasonal rate structure** charges customers volumetric rates which vary based on the season. Normally, these rate structures provide a greater conservation incentive during the summer season when the demand for water is the greatest, while maintaining overall simplicity. However, because seasonal rates generally drive much of the utility's revenues during the peak season (which is often more volatile because of weather and economic conditions), revenues under seasonal rates tend to be more unstable. Also, seasonal rates may affect the affordability of water during the peak season for essential use. This type of rate structure is common in communities that are focused on reducing peak demand or summer water use.
3. **Inclining tiered rates** also charge volumetric rates, but the charge per unit of water increases as consumption increases. Inclining tiered rates may address conservation needs, while providing simplicity and ease of administration. Also, depending on the behavior of individual customers, inclining tiered rates may provide affordability for essential usage. However, inclining tiered rates can be disadvantageous to large water users which may have larger families or irrigation areas than the average customer.
4. **Water budget-based tiered rate structures** were developed as a tool for water resource management during the severe drought in the 1990s where each customer was given an allocation of water use based on an efficiency target for indoor and outdoor usage. The allocation target was then translated into an individualized tiered rate structure to promote water efficiency. Water budget rate structures can provide revenue stability, affordability for essential use, and equity in allocating different water supply sources. Challenges with this rate structure include high administrative and implementation costs. Many of these administrative and implementation costs are incurred to conduct a successful public outreach campaign to improve customer understanding and to encourage efficient use of water.

### Table 4-1: Ranking Pricing Objectives and Policy Principles

| Administration | Equity | Appropriate Funding Mechanisms | Rate Stability & Affordability | Promotes Efficiency / Conservation |
|---|---|---|---|---|
| • Customer Understanding<br>• Easy to Implement<br>• Easy to Administer | • Equitable in Allocating CIP Cost<br>• Perceived to be Fair to the Public<br>• Align Supply & Demand | • Revenue Stability<br>• Revenue Sufficiency<br>• Potential Funding Mechanism for Alt. Water Supply & Conservation Programs | • Rate Stability<br>• Mitigate Customer Impact<br>• Affordability for Essential Use | • Promotes Conservation<br>• Tool for Drought Management Action Plan<br>• Promotes Efficiency<br>• Rewards Past Conservation Effort<br>• Economic Development<br>• Based on Individual Needs<br>• Scientific Method |

### Table 4-2: Top 10 Pricing Objectives Ranked by LBWD Staff

| Pricing Objectives | Rank |
|---|---|
| **Revenue Sufficiency** | 1 |
| **Promotes Conservation** | 1 |
| *Fair to the Public* | 3 |
| *Easy to Administer* | 4 |
| *Rate Stability* | 4 |
| *Customer Understanding* | 4 |
| *Affordability for Essential Use* | 4 |
| Enhance Revenue Stability | 8 |
| Mitigate Customer Impact | 8 |
| Provide Funding Mechanism for Recycling/ Conservation Program | 8 |

To determine which rate structures to evaluate, RFC collaborated with LBWD staff and identified a list of pricing objectives (Table 4-1) that relate to LBWD's unique characteristics and needs. In March 2016, RFC requested direction from LBWD staff on the policy priorities that would drive the rate design process (refer to Appendix 9.1 for detailed descriptions of each policy principle and associated pricing objectives). The top 10 pricing objectives (shown in Table 4-2[8]) are used as rate design and rate-setting principles for the Study.

[8] *See Appendix 9.2 for details*

Table 4-3: Proposed Water Rate Structures

| Customer Class | Current Rate Structure | Proposed to Evaluate | Why? |
|---|---|---|---|
| **Residential (RES)** | Inclining Tier | Revised Inclining 3-Tier | Current rate structure achieves the pricing objectives of the City |
| **Irrigation (IRR)** | Uniform | Uniform | Use water budget information to develop programs for customers |
| **Industrial / Commercial** | Uniform | Uniform | Programs are more effective in promoting conservation than pricing |
| **Recycled Water (RW)** | Uniform | Uniform | Use water budget information to develop programs for customers |

## 4.2 - REVISION TO WATER RATE STRUCTURES

### 4.2.1 - PROPOSED WATER RATE STRUCTURE REVISIONS

Tiered Rates, when properly designed, allow a water utility to send consistent price incentives for conservation to customers. Due to heightened interest in water conservation, tiered rates have seen widespread use, especially in relatively water-scarce regions, such as the State of California. Promoting conservation, being easy to administer and for customers to understand and providing affordability for essential use are among the top ranked pricing objectives for LBWD. The current 3-tier inclining rate structure for residential customers achieves most of these pricing objectives. RFC recommends that LBWD retains uniform rates for non-residential uses and revises the current 3-tier rate structure to better align with the current water supply cost structure. For heterogeneous non-residential use, including irrigation, industrial, and commercial uses, conservation programs and water budgeting are more effective in promoting conservation than pricing. For irrigation and recycled water customers, LBWD staff suggested to use water budget information to develop programs for customers to achieve better efficiency and ultimately promote effective conservation.

### 4.2.2 - Allocation of Water Supply Sources and Tier Definitions

#### *4.2.2.1 - Water Supply Sources*

LBWD meets needs of its customers through a diverse portfolio of water resources, including local groundwater combined with imported supplies. Ownership of water rights, or Allowed Pumping Allocation (APA) in the Central Groundwater Basin allows LBWD to extract 32,692 AF groundwater through 31 active wells and pump to the Department groundwater treatment plant. The Department pays a pump assessment to the Water Replenishment District of Southern California (WRD), for water produced from the wells, in addition to electricity, maintenance and treatment costs at the treatment plant.

In September 25 2012, City of Long Beach entered a water purchase agreement (Agreement No WD-3039) with City of Lakewood for LBWD to purchase surplus water rights of 900 AF per year for up to four years from City of Lakewood at the inter-tie connection on Palo Verde Avenue, south of Carson street. The quantity of water flowing through the inter-tie connection facility from Lakewood to Long Beach shall be based on the reading taken from the inter-connection meter. The per acre-foot price of water purchase shall be Lakewood O&M costs plus replenishment assessment paid by Lakewood to the WRD plus a $100 premium.

The balance of water supply needed to meet the City's demand for potable (drinking) water is treated water purchased from MWD. MWD's water supplies originate from two sources: the Colorado River, via the 242-mile Colorado River Aqueduct and Northern California's Bay-Delta region, via the 441-mile California Aqueduct. LBWD has been a member of MWD since 1931.

**Table 4-4: Potable Water Supply Sources**

| Water Supply Sources | Available for Purchase (AF) | Available for Sales (After 3.4% loss) | |
|---|---|---|---|
| | A | B = A / (1-3.4%) | C = B x 435.6 |
| Groundwater | 32,692 AF | 31,617 AF | 13,772,374 CCF |
| Lakewood | 900 AF | 870 AF | 22,202,962 CCF |
| MWD Tier 1 | 51,804 AF | 50,101 AF | |
| MWD Tier 2 | No Limit | No Limit | No Limit |

**Table 4-5: Potable Water Supply Availability for Residential Use**

| | Descriptions | FY 2017 | Notes |
|---|---|---|---|
| 1 | Dwelling Units (DU) | 169,896 Units | Water Customer Data |
| 2 | Total Groundwater Availability | 31,617 AF<br>13,772,374 CCF | After 3.4% water loss |
| **3** | **Groundwater Availability per Dwelling Unit** | **6 CCF / DU** | 13,772,374 CCF / 169,896 DU /12 bills (round down to the nearest 1 CCF) |
| 4 | Lakewood / MWD Tier 1 Blend Availability for Residential Use | 34,805 AF<br>15,161,056 CCF | After 3.4% water loss<br>Residential Use = 68% of Total Usage |
| **5** | **Lakewood / MWD Tier 1 Blend Availability per Dwelling Unit** | **7 CCF / DU** | 15,161,056 CCF / 169,896 DU / 12 bills (round down to the nearest 1 CCF) |

LBWD can purchase up to 51,804 AF from MWD at MWD Tier 1 Full-service treated rate for potable demand within its service area.

Table 4-4 summarizes the available water for purchase by source and available water for sales to meet potable water needs within LBWD's service area after 3.4% of unaccounted water loss.

***4.2.2.2 Residential Tier Revisions and Water Supply Allocation to Customer Classes***

According to Article X of the California Constitution, water is a scarce resource and should be reserved to beneficial use to the fullest extent possible. Beneficial use by decreasing order of importance includes essential use for health and safety (most important water use), economic activities (commercial and industrial use) and outdoor activities or aesthetic use. In a limited water resource situation, water should be reserved to meet essential uses first before other beneficial uses.

Table 4-5 summarizes the allocation of water supply sources to residential use. There are 169,896 dwelling residential units within the LBWD service area, using approximately 68% of the LBWD's total annual consumption in FY 2016. If all available groundwater within APA (31,617 AF after 3.4% water loss) is equally distributed to all residential units, every residential dwelling unit is entitled to 6 CCF/ month of groundwater to use to meet their essential need for health and safety. 50,971 AF of Lakewood/MWD Tier 1 blend water (870 AF from Lakewood + 50,101AF from MWD Tier 1 after water loss) are allocated equally to residential (68% or 34,805 AF) and non-residential use based on FY 2016 sales. 34,805 AF of Lakewood / MWD Tier 1 blend water

### Table 4-6: Proposed Residential Water Tier Definitions

| | Current Tiers | Revised Tiers[9] | Basis |
|---|---|---|---|
| **Tier 1** | Single Family: 0 – 5 CCF<br>Duplex: 0 – 2.5 CCF<br>Multi Family: 0 – 2.5 CCF | **0 – 6 CCF** | Groundwater Availability<br>→ 6 CCF per DU |
| **Tier 2** | Single Family: 6 – 15 CCF<br>Duplex: 2.6 – 13 CCF<br>Multi-Family: 2.6 – 9 CCF | **7 – 13 CCF** | Lakewood & MWD Tier 1 Availability<br>→ 7 CCF per DU |
| **Tier 3** | Above Tier 2 | **Above 13 CCF** | Next water supply source:<br>MWD Tier 2 |

### Table 4-7: Allocated Water Supply and Proposed Residential Tier Definitions

| | Proposed Tier Widths | Residential Dwelling Units | Projected Potential Demand |
|---|---|---|---|
| | A | B | C = A x B x 12 bills /yr |
| Groundwater | 6 CCF | 169,896 Units | 9,841,470 CCF[10] |
| Lakewood / MWD Tier 1 Blend | 7 CCF | 169,896 Units | 14,271,264 CCF |

allocating to all residential dwelling units yields approximately 7 CCF / dwelling unit for every monthly billing period.

To better align residential usage tiers with available water supply, RFC proposes to define tier breakpoints by water supply source. Tier 1 includes the first 6 CCF per dwelling unit, which is based on available groundwater sources that are allocated equally to all LBWD customers. Tier 2 use encompasses the next 7 CCF per dwelling unit, which is based on the amount of available imported water from MWD and the water purchase agreement with City of Lakewood. Tier 3 includes all use above 13 CCF per dwelling unit, which can potentially be met using water supply from MWD at the MWD Tier 2 rate. Tier 3 is designed to send a stronger conservation signal regarding the true value of the source of water supply. Table 4-6 summarizes the current and proposed tier definitions for residential customer classes.

Based on tier definitions and residential dwelling units, Table 4-7 estimates the projected potential demand for residential use for each water supply source. Based on FY 2015 residential usage data, projected usage consumed in the first 6 CCF per month, which is considered non-volatile and drought-proof, is approximately 80.45% of total potential demand. 9,841,470 CCF of groundwater are projected to meet residential Tier 1 use.

Table 4-8 shows the water supply allocation to customer classes. Residual unused groundwater (3.93 million CCF) is used to meet non-residential demand. 7.9 million CCF of Lakewood / MWD Tier 1 blend residual water from residential use is projected for non-residential demand.

[9] *Applied to All Residential Classes per Dwelling Unit*

[10] *Based on FY 2015 Residential usage data, projected usage consumed in the first 6 CCF per month is approximately 80.45% of total potential demand (80.45% x 6 CCF x 12 bills x 169,896 DUs = 80.45% x 12,232,512 CCF = 9,841,470 CCF)*

[11] *2016 Long Beach Water Rate Model Final.xlsm concluded in October 24, 2016*

**Table 4-8: Water Supply Allocation to Customer Classes**

| | Available for Sales | Residential (1st priority) | Non-Residential (Residual) |
|---|---|---|---|
| | A = Table 4-4 Column C | B = Table 4-7 Column C | C = A – B |
| Groundwater | 13,772,374 CCF | 9,841,470 CCF | 3,930,904 CCF |
| Lakewood / MWD Tier 1 Blend | 22,202,962 CCF | 14,271,264 CCF | 7,931,698 CCF |

## 4.3 - USAGE ANALYSIS AND CUSTOMER CLASSES PEAKING FACTORS

As part of this study, RFC developed "2016 Long Beach Rate Model" (Model), a Microsoft Excel-based Model[11], to examine multiple rate structures and customer impacts resulting from various water costs, water supply and allocation of other water service related costs. As with any computer model, the value of the output is highly dependent on the inputs. The major inputs in the water usage analysis module of the Model include:

- Monthly water consumption records for FY 2015 (October 2014 to September 2015), serving as the baseline consumption behavior for rate structure evaluation.
- All water accounts: 80,343 residential accounts, 1,062 irrigation accounts and 6,714 commercial/industrial accounts along with 116 recycled water accounts. 1,199 private fireline services are not included.

The effects of expanding Tier I and reducing Tier II under the proposed residential tier revision to reflect available water supply sources for different water demand are observed in Figures 4-1 and 4-2. Figure 4-1 compares the residential bill distribution in current and proposed tiers. Under the proposed tier revision, 39.7% of residential bills only use Tier I, increased from 23.5% under current tiers. 37.9% of residential bills use up to Tier II (13 CCF / DU per month), decreased from 62.1% under current tiers. Figure 4-2 compares residential usage distribution in current and proposed tiers. Under proposed tier revision, 64.9% of residential usage consumed in Tier I, increased from 41.8% under current tiers. 24.8% of residential use in Tier II, decreased from 47.5% under current tiers. Tier III usage is projected to be approximately 10.3% of annual residential usage.

Figure 4-3 shows the monthly usage for all usage types throughout FY 2015. Tier I residential usage is relatively stable throughout the year, ranging from 717K CCF to 875K CCF. Tier II residential usage fluctuates more, from a low of 246K to a high of 421K CCF. Tier III residential usage fluctuates the most, with a range of 19K CCF to 250K CCF. Non-residential usage peaks more than Tier I usage but less than Tier II usage, ranging from 501K CCF to 672K CCF. October 2014 had the highest usage of the year, with 2.2 million CCF.

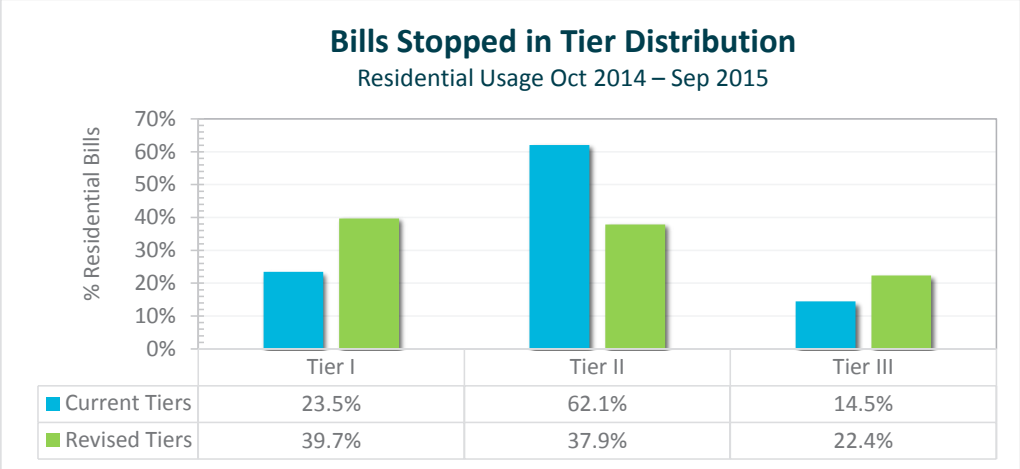
Peaking factors, which are ratios of max month usage over average month usage, are calculated for each usage type in Table 4-9. The overall potable water system has a peaking facto of 1.21, whereas max month (Oct 2014) usage is 21% higher than average month usage. Corresponding to the results observed in Figure 4-3, Tier I residential usage has the lowest peaking factor at 1.07, Tier III usage has the highest peaking factor of 1.92. Tier II usage peaking factor is at 1.34, higher than non-residential (1.20) and Tier I usage and lower than Tier III usage.

Recycled water usage of peaking customer class is mostly for outdoor irrigation, thus is the most volatile throughout the year varying with weather and seasonality of plant growth, as shown in Figure 4-4.

Similar to potable water peaking characteristic, Table 4-10 calculates the peaking factors for RW services. Peaking customers

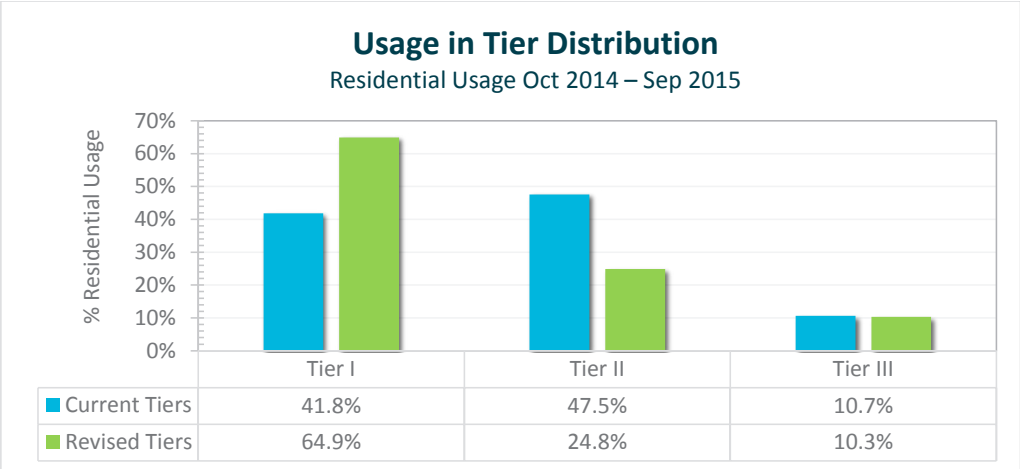
[11] *2016 Long Beach Water Rate Model Final.xlsm concluded in October 24, 2016*

## Figure 4-1: FY 2015 Residential Bills Stopped in Tier Distribution



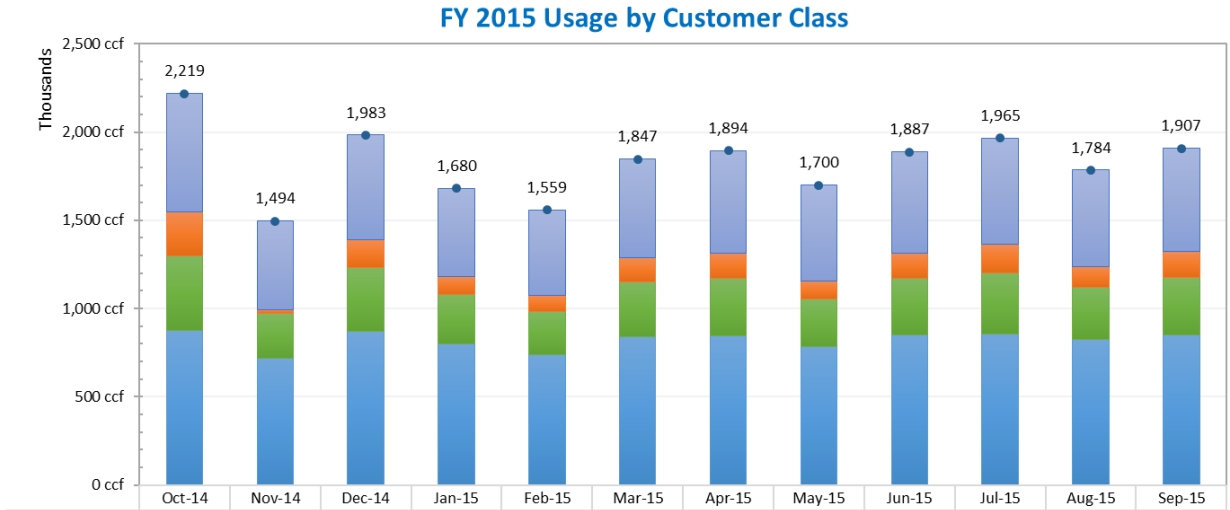

| | Tier I | Tier II | Tier III |
|---|---|---|---|
| Current Tiers | 23.5% | 62.1% | 14.5% |
| Revised Tiers | 39.7% | 37.9% | 22.4% |

## Figure 4-2: FY 2015 Residential Usage in Tier Distribution




| | Tier I | Tier II | Tier III |
|---|---|---|---|
| Current Tiers | 41.8% | 47.5% | 10.7% |
| Revised Tiers | 64.9% | 24.8% | 10.3% |

## Figure 4-3: FY 2015 Usage and Peaking Characteristics

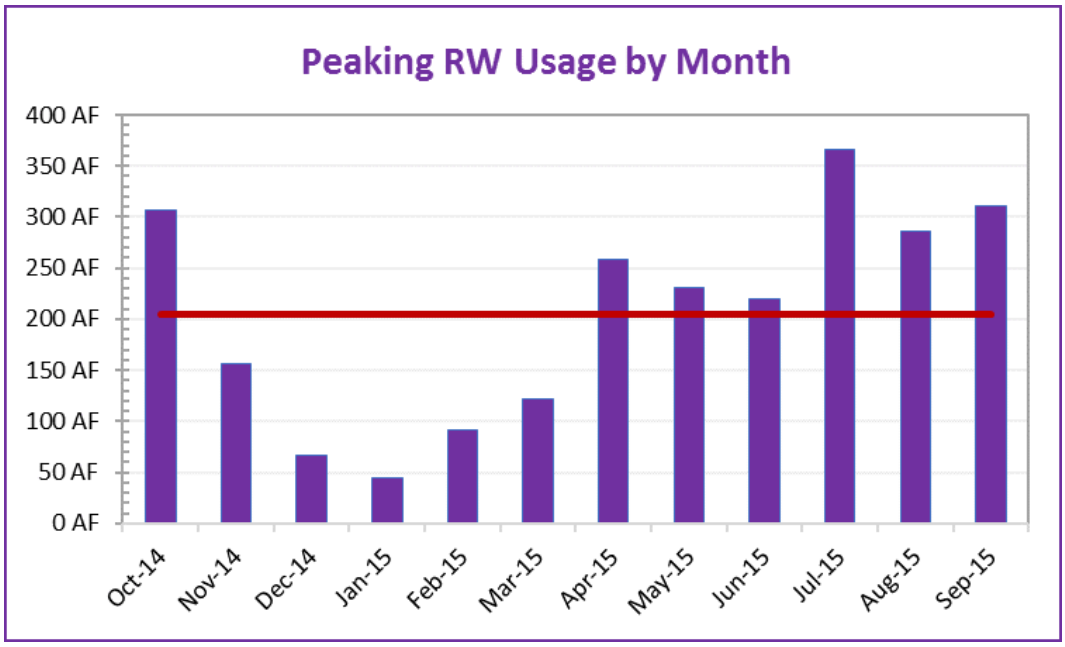



| | Oct-14 | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 | Apr-15 | May-15 | Jun-15 | Jul-15 | Aug-15 | Sep-15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Non-Residential | 672,364 | 501,300 | 591,085 | 499,725 | 486,392 | 561,161 | 583,274 | 543,391 | 570,761 | 603,399 | 547,733 | 586,093 |
| Tier III | 249,937 | 18,809 | 162,206 | 100,845 | 87,817 | 136,368 | 142,487 | 102,248 | 142,963 | 159,053 | 114,023 | 143,268 |
| Tier II | 421,159 | 257,162 | 361,233 | 281,080 | 245,915 | 310,897 | 323,049 | 271,173 | 323,659 | 348,282 | 296,023 | 329,906 |
| Tier I | 875,044 | 717,211 | 868,156 | 798,352 | 738,508 | 838,093 | 845,282 | 782,812 | 849,248 | 854,387 | 826,252 | 848,125 |
| Total | 2,218,504 | 1,494,482 | 1,982,680 | 1,680,002 | 1,558,632 | 1,846,519 | 1,894,092 | 1,699,624 | 1,886,631 | 1,965,121 | 1,784,031 | 1,907,392 |

## Table 4-9: FY 2015 Potable Water Sales and Peaking Characteristics

| Potable Sales | Max Month (Oct 2014) | Average Month for FY 2015 | Peaking Factor |
|---|---|---|---|
| | A | B | C = A / B |
| **Residential** | **1,546,140** | **1,264,253** | **1.22** |
| Tier I | 875,044 | 820,123 | 1.07 |
| Tier II | 421,159 | 314,128 | 1.34 |
| Tier III | 249,937 | 130,002 | 1.92 |
| **Non Residential** | **672,364** | **562,223** | **1.20** |
| **Total** | **2,218,504** | **1,826,476** | **1.21** |

## Figure 4-4: FY 2015 RW Peaking Characteristics for Peaking Users




## Table 4-10: FY 2015 Recycled Water Sales and Peaking Characteristics

| Recycled Water Sales | Max Month (July 2015) | Average Month for FY 2015 | Peaking Factor |
|---|---|---|---|
| **Customer Class** | A | B | C = A / B |
| **Peaking** | 336 AF | 205 AF | **1.79** |
| **Non-Peaking** | | | **1.00** |
| **Interruptible** | | | **1.00** |

### Table 4-11: Projected FY 2017 Potable Water Sales under Proposed Tier Definitions

| | Potable Sales | Usage Distribution | FY 2017 Projected Sales Under Proposed Tiers (CCF) | Notes |
|---|---|---|---|---|
| | | A | B | |
| **1** | **Residential** | | **15,171,032** | *Table 2-3* |
| 2 | Tier IA | 0.5% | 82,306 | *B1 x A2* |
| 3 | Tier IB | 64.3% | 9,759,164 | *B1 x A3* |
| 4 | Tier II | 24.8% | 3,769,538 | *B1 x A4* |
| 5 | Tier III | 10.3% | 1,560,024 | *B1 x A5* |
| **6** | **Non Residential** | | **7,046,540** | *Table 2-3* |
| **7** | **Total** | | **22,217,572** | **[1] + [6]** |

peak 1.79x in July 2015 compare to average month in FY 2015. Non-peaking and interruptible peaking factors are set at 1.00 by default. Non-peaking customers by definition have relatively flat consumption patterns throughout the year and LBWD shall have the right to reclassify the customers to peaking class from water consumption audits if peaking behavior is observed. Interruptible customers are the first customer group subject to interruption of service during shortage and/or peak usage exceeding the RW production.

Table 4-11 shows the projected FY 2017 water sales under proposed tier definitions using the usage distribution in tiers obtained from the water usage analysis for residential customers. The following information is used for the rate development in Section 6.2 of the Report.

# EXEMPTION PROGRAM **REVISIONS**

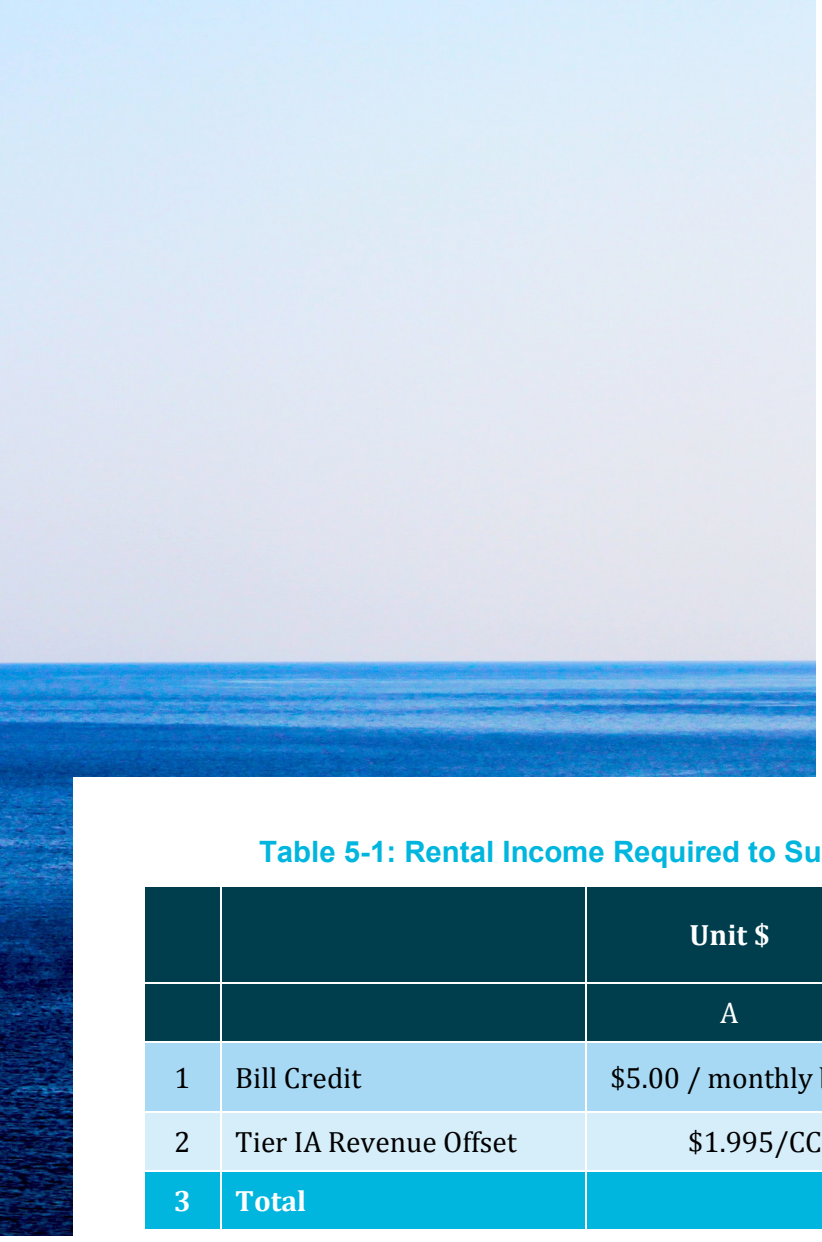
## 5.1 - CURRENT EXEMPTION PROGRAM FOR ELIGIBLE CUSTOMERS

In the current water rate resolution (Resolution No. WD-1357), residential customers who have been granted an exemption from the City's Utility Users Tax in accordance with Chapter 3.68 of the Long Beach Municipal Code, eligible customers or customers granted exemption, pay a discounted Tier IA rate (50% of Tier II rate) for their Tier I usage instead of Tier IB rate (90% of Tier II rate) and have their total sewer bill waived, including both daily sewer service charges and volumetric rates. Eligible customers from the Exemption Program include:

- Low income senior: customers must be at least 62 years of age and meet certain income requirements
- Low-Income Disabled: Customers who have a qualifying disability as defined in Section 223 of the Social Security Act (42 U.S.C. 423) and Section 102(b)(5) of the Developmentally Disabled Assistance and Bill of Rights Act [42 U.S.C. 6001(7)], and meet income requirements.

## 5.2 - RECOMMENDATIONS

The LBWD Board of Water Commission commits to continue the Exemption Program to provide affordability for essential water use for eligible customers in needs in conjunction with the City of Long Beach Utility Users Tax Exemption Program. Based on cost of service principles, cross subsidy between enterprises and customers are restricted and revenues from rates should not be used for any other purpose except



THE LBWD BOARD OF WATER COMMISSION COMMITS TO CONTINUE THE EXEMPTION PROGRAM TO **PROVIDE AFFORDABILITY FOR ESSENTIAL WATER USE** FOR ELIGIBLE CUSTOMERS IN NEEDS IN CONJUNCTION WITH THE CITY OF LONG BEACH UTILITY USERS TAX EXEMPTION PROGRAM.

**Table 5-1: Rental Income Required to Support the Exemption Program for Water**

| | | Unit $ | Qualified Units | Total Rental Income Required for the Program |
|---|---|---|---|---|
| | | A | B | C = A x B |
| 1 | Bill Credit | $5.00 / monthly bill | 1,448 accounts or 17,376 bills | $86,880 |
| 2 | Tier IA Revenue Offset | $1.995/CCF[12] | 82,306 CCF[13] | $209,714 |
| **3** | **Total** | | | **$296,594** |

recovering the costs of providing the rendered services. Based on review of unrestricted and qualified funding sources available for the Exemption Program for Water and Sewer Funds, the Water Fund has rental income qualified to be used to support the Program whereas the Sewer Fund does not have any non-rate unrestricted revenues. RFC and LBWD staff recommend the following changes:

- Eligible customers will pay full sewer bills similar to all residential customers including daily sewer service charges and volumetric charges;
- Eligible customers will have their usage charge in Tier I waived (Tier IA = $0)
  - Eligible Users will pay daily water service charges and Tier II and Tier III usage rates like all residential customers
- Eligible customers will receive $5 credit on their water bills in FY 2017 to help transition from the old program. LBWD reserves the right to review the continuation or revision of this bill credit annually based on the projected rental income.

Table 5-1 illustrates the estimated rental income required to support the Exemption Program, based on 2017 projected sales in Tier IA and FY 2015 consumption profiles and number of water accounts qualified for the Exemption Program.

*[12] Include water supply and delivery rate components. See Section 6.2 for water supply and delivery rates calculations.*

*[13] Estimated by FY 2015 Residential usage, 0.543% of Residential sales are eligible for Tier IA rate*

# WATER COST OF SERVICE AND RATES

## 6.1 - WATER COST OF SERVICE ANALYSIS

This Rate Study conforms to the principles set forth in the enabling statutes and the rates abide by the cost-of-service provisions of Proposition 218.

### 6.1.1 - PROPORTIONALITY

Demonstrating proportionality when calculating rates is a critical component of ensuring compliance with Proposition 218. For costs that are recovered through the agency's proposed fixed meter charge, the Study spread the costs either over all accounts or by meter size, depending on the type of expense. As such, customer classes and usage are not considered nor necessary for calculating each customer's fixed charge. Conversely, costs that are determined as variable are allocated among customer classes based on their demand on the system. As stated in the *M1 Manual*, the AWWA Rates and Charges Subcommittee agree with the Proposition 218 that "the costs of water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." The agency's revenue requirements are, by definition, the cost of providing service. This cost is then used as the basis to develop unit costs for the water components and to allocate costs to the various customer classes in proportion to the water services rendered.

Individual customer demands vary depending on the nature of the use at the location where service is provided. For example, water service demand for a family residing in a typical single-family home is different than the water service demand for an irrigation customer, primarily due to peak use behavior which drives the need for and costs of sizing infrastructure to meet this demand. The concept of proportionality requires that cost allocations consider both the average quantity of water consumed (base) and the peak rate at which it is consumed (peaking). A water system is designed to meet peak demands. The additional costs associated with designing, constructing and maintaining facilities to meet these peak demands must be allocated to those customers whose usage requires facilities to upsize in response to peak demand.

In allocating the costs of service, the industry standard as promulgated by AWWA's *M1 Manual* is to group customers with similar system needs and demands into customer classes. Rates are then developed for each customer class, with each individual customer paying the customer class' average allocated cost of service.

Generally speaking, customers place the following demands on the water system and water supplies:

- The system capacity[14] (for treatment, storage, and distribution) that must be maintained to provide reliable service to all customers at all times
- The level of water efficiency as a collective group
- The number of customers requiring customer services such as bill processing, customer service support, and other administrative services

A customer class consists of a group of customers, with common characteristics, who share responsibility for certain costs incurred by the utility. Joint costs are proportionately shared among all customers in the system based

[14] *System capacity is the system's ability to supply water to all delivery points at the time when demanded. The time of greatest demand is known as peak demand.*

Figure 6-1: Cost of Service Process

on their service requirements; some specific costs, such as pumping charges, are borne by a subgroup of customers based on the characteristics of that group alone (i.e. elevation zone).

### 6.1.2 - WATER COST OF SERVICE ANALYSIS

A cost of service analysis distributes a utility's revenue requirements (costs) to each customer class. Figure 6-1 provides a general overview of a cost-of-service analysis. Each step shown below will be described in greater detail in the subsections below.

#### 6.1.2.1 - Step 1 – Determine Revenue Requirement

In this Study, water rates are calculated for FY 2017 (known as the Test Year), by calculating water purchase costs and by using LBWD's FY 2017 budget. Test Year revenue requirements are used in the cost allocation process. According to Government Code 54999.7(c), LBWD should review the cost of service analysis at least once every five to ten years to ensure that the rates are consistent with the costs of providing service.

The revenue requirement determination is based upon the premise that the utility must generate annual revenues to meet O&M expenses, any debt service needs, reserve funding to achieve target levels, and capital investment needs. Revenues from sources other than water rates and charges (e.g. revenues from miscellaneous services) are deducted from the rate revenue requirement. FY 2017 revenues from rates to be recovered from the LBWD's water customers are calculated in Table 6-1. The Water Fund currently has 2 debts: Series 2010 Bonds and Series 2012 Bonds with total principal and interest payments in FY 2017 of $2.99M and $902K, respectively. Capital replacement projects estimated / budgeted by LBWD is $12.588M, of which $3.73M is estimated to be funded from capital reserves for FY 2017. Revenue requirements including O&M expenses, debt service and capital project expenditures, total to $98.2M. Other operating revenues include unmetered water sales from construction sales and water reimbursement of imported water purchase for Vander Lans facility.[15] Non-operating revenues include interest income, rental income, service connection, grants, other reimbursements, and other miscellaneous non-operating revenues. Other reimbursements include reimbursements received from MWD for the LBWD's Lawn-to-Garden Conservation Incentive Program and the reimbursement of the O&M costs of Vander Lans facility.[16] Grants are non-recur-

*[15] Since Oct 1, 2005, LBWD through a contract with WRD has operated the Leo J. Vander Lans Advanced Water Treatment Facility, which enables WRD to use recycled water from the Long Beach Water Reclamation Plant to replace imported MWD water previously supplied to the Alamitos Barrier. In 2015, the Vander Lans facility expansion was completed, providing the operation flexibility to meet the needs of the barrier almost completely with recycled water and minimize imported water needs. The Alamitos Barrier is an engineered freshwater pressure ridge and seawater trough constructed to prevent seawater instruction into the Central Groundwater Basin of Los Angeles County and neighboring Orange County Groundwater Basin. (according the LBWD CAFR 2015)*

*[16] Includes 100% of labor costs, 75% of Power, chemical and other treatment reclaimed distribution costs incurred in the LBWD's Treatment Reclaimed Distribution cost center along with reimbursement from WRD of RW raw water used at the Vander Lans facility at $100/AF.*

### Table 6-1: Revenue Requirement from Water and Recycled Water Rates for FY 2017

| | CURRENT REVENUE REQUIREMENTS | FY 2017 | Sources / Notes |
|---|---|---|---|
| 1 | **REVENUE REQUIREMENTS** | | |
| 2 | O&M Expenses | $85,471,436 | *From Fund 310 Operating Budget* |
| 3 | Debt Service | $3,894,775 | *Water debt service schedules for Series 2010 and 2012 Bonds* |
| 4 | Capital Replacement Projects | $12,588,000 | *From Water Fund Project Cost Estimated provided by LBWD staff for FY 2017* |
| 5 | Reserve Funding | -$3,728,992 | *Amount of reserve used to fund capital replacement projects for FY 2017*[17] |
| 6 | **SUBTOTAL REVENUE REQUIREMENTS** | **$98,225,219** | *Sum rows 2 to row 5* |
| 7 | | | |
| 8 | ***Less Other Revenues*** | | |
| 9 | Other Operating Revenues | $1,094,927 | *From Fund 310 Operating Budget* |
| 10 | **Non-Operating Revenues** | | |
| 11 | Interest | $75,705 | *From Fund 310 Operating Budget* |
| 12 | Rental Income | $1,024,900 | *From Fund 310 Operating Budget* |
| 13 | Service Connection | $305,000 | *From Fund 310 Operating Budget* |
| 14 | Grants | $750,000 | *From Fund 310 Operating Budget* |
| 15 | Other Reimbursement | $4,224,488 | *From Fund 310 Operating Budget* |
| 16 | Other Non-Operating Revenues | $53,740 | *From Fund 310 Operating Budget* |
| 17 | | | |
| 18 | **SUBTOTAL NON-OPERATING REVENUES** | **$7,528,760** | *Sum rows 9 to row 14* |
| 19 | | | |
| 20 | **NET REVENUE REQUIREMENTS FROM RATES** | **$90,696,459** | ***Row [6] – Row [18]*** |

ring cash receipts from qualifying federal programs. All non-rate revenues total $7.5M. Total revenue requirements from rates in FY 2017 are net at $90.7M as shown in Table 6-1, which is the same as revenues from current rates shown in Table 2-4.

#### 6.1.2.2 - Step 2 – Functionalize Costs and Allocate Functionalized Costs to Cost Causation Categories

To derive the cost to serve each customer class, costs first need to be functionalized. This step involves the arrangement of overall costs into various functions. The water utility costs are categorized into the following functions:

- **Potable water supply** – direct water supply costs to produce potable water before distributing to customers, including power costs for treatment and pumping from groundwater wells, chemical costs, water pump tax from WRD, and costs of purchasing water from City

[17] *This is amount reserve needed to be used in FY 2017 to fully fund capital expenditures under the revenues from current rates.*

of Lakewood and MWD

- **Production Plant and Source of Supply** – operating and capital costs associated with production facilities to produce water
- **Treatment** – costs associated with treating water to potable water standards, excluding power and chemical costs
- **Transmission** – costs associated with transporting water from the point of treatment through a major trunk to locations within the distribution systems
- **Distribution** – costs associated with the smaller local service distribution mains transporting water to specific locations within the service area
- **Storage** – costs associated with water storage within the distribution or transmission systems
- **Pumping** – cost associated with pumping water from the treatment facilities to the transmission and distribution systems
- **Fire protection** – costs associated with installing and maintaining fire hydrants
- **Meter service** – costs associated with providing customer water meters and associated with testing and replacements
- **General & Administrative** – represents all other costs that do not serve a specific function
- **Billing and customer service** – billing costs including meter reading, billing and collection costs associated with preparing a water customer bill and processing funds received from water users. Customer service costs include costs associated with administering customer accounts such as processing complaints, responding to customer inquiries, performing

### Table 6-2: FY 2016 Functionalized O&M Costs

| Functions | FY 2017 O&M Costs |
|---|---|
| Potable Water Supply | $36,596,215 |
| Production Plant | $4,798,328 |
| Treatment | $7,824,925 |
| Transmission (T) | $8,692,558 |
| Distribution (D) | $1,779,447 |
| Meter Services | $2,095,742 |
| Gen & Admin | $14,370,962 |
| Billing | $1,390,162 |
| Customer Service | $2,453,301 |
| Conservation | $2,807,270 |
| Capitalized Costs | -$800,000 |
| RW Average Demand | $3,462,526 |
| **Total** | **$85,471,436** |

### Table 6-3: FY 2016 Functionalized Fixed Asset Values

| Functions | FY 2017 Replacement Costs for Fixed Asset As of 9/30/2015 |
|---|---|
| Source of Supply | $37,740,655 |
| Treatment | $125,392,118 |
| Transmission (T) | $26,711,702 |
| Distribution (D) | $278,090,268 |
| Storage | $70,008,952 |
| Pumping | $3,402,747 |
| Fire Protection | $20,053,958 |
| Meter Services | $102,178,335 |
| Gen & Admin | $133,371,142 |
| Billing | |
| Customer Service | $1,630,089 |
| Conservation | |
| RW Storage | $371,216 |
| RW Distribution | $77,970,327 |
| **Total** | **$876,921,507** |

rereads, etc.

- **Conservation** – costs associated with conservation programs and services offered to LBWD customers
- **Capitalized costs** – capitalized interest expenses of debt service financing capital replacement projects
- **RW average demand** – costs associated with meeting average day RW demands

Working closely with LBWD staff, RFC reviewed and functionalized LBWD's O&M expenses and asset list for the water and recycled water systems. Table 6-2 summarizes the functionalized O&M costs for LBWD for Water Fund (Fund 310) for test year FY 2017. Table 6-3 shows the fixed asset values of the Water Fund using replacement costs. To reduce rate variability from year to year, allocation of fixed assets to cost causations is used for the approximation of long-term cost of capital to be used for allocating capital related costs of the revenue requirements. Replacement costs, escalated from original costs to current dollars using Engineering News Record – Construction Cost Index (ENR CCI) of Los Angeles, consider changes in the value of money over time, and thus provide more consistent allocation of costs.

RFC used the Base-Extra Capacity method, as described in the AWWA *M1 Manual*, which consists of a number of cost causation components. Functionalization of costs allows for better allocation of costs to the cost causation components, which include:

- **Water Supply Costs** are direct costs incurred to produce or purchase water
- **Base Costs** are the operating and capital costs of the water system associated with serving customers at a constant, or average, rate of use.
- **Extra Capacity Costs** or peaking costs represent the costs incurred to meet customer peak demands for water in

excess of average day usage. Total extra capacity costs are subdivided into costs associated with maximum day and maximum hour demands. The maximum day demand is the maximum amount of water used in a single day in a year. The maximum hour **(Max Hour)** demand is the maximum usage in an hour on the maximum usage day **(Max Day)**. Various facilities are designed to meet customer peaking needs. For example, transmission lines or reservoirs (storage) are designed to meet Max Day requirements. Both have to be designed larger than they would be if the same amount of water were being used at a constant rate throughout the year. The cost associated with constructing a larger line or reservoir is based on system wide peaking factors. For example, if the Max Day factor is 2.0, then certain system facilities have to be designed at least twice as large as required to meet average daily demand. In this case, half of the cost would be allocated to Base (or average day demand) and the other half allocated to Max Day. The calculation of the Max Hour and Max Day demands is explained below.

- **Customer Service Related Costs** include such costs as meter reading, billing, collecting, and customer accounting.
- **Meter Costs** or meter service costs include maintenance and capital costs associated with servicing meters. These costs are assigned based on meter size or equivalent meter capacity.
- **Fire Protection** includes proportional costs to provide fire protection capacity
- **Conservation** includes costs associated with conservation programs and service offered for LBWD customers
- **Revenue Offset** includes non-rate revenues that can be used to provide affordability for essential use and other affordability programs

Peaking costs are further divided into maximum day and maximum hour demand. The maximum day demand is the maximum amount of water used in a single day in a year. The maximum hour demand is the maximum usage in an hour on the maximum usage day. Different facilities, such as distribution and storage facilities, and the O&M costs associated with those facilities are designed to meet the peaking demands of customers. Therefore, extra capacity[18] costs include the O&M and capital costs associated with meeting peak customer demand. This method is consistent with the AWWA *M1 Manual* and is widely used in the water industry to perform COS analyses.

After functionalizing expenses, the next step is to allocate the functionalized expenses to cost causation components. To do so, we must identify system-wide peaking factors. The system-wide peaking factors are used to derive the cost component allocation bases (i.e., percentages). Functionalized expenses are then allocated to the cost causation components using these allocation bases. To understand the interpretation of the percentages, we must first establish the base use as the average daily demand during the year.

The base demand is assigned a value of 1.0, which signifies no peaking demands. The Max Day and Max Hour values shown in Table 6-4 and Table 6-5 are calculated by dividing the max day or max hour demand in million gallons per day (MGD) by the average demand in million gallons per day. The max day peaking factor of 1.40 means that the system delivers 1.40 times the amount of water it does during an average day.

To determine the relative proportion of costs to assign to Supply, Base Delivery, Maximum Day, and Maximum Hour, allocations are calculated based on these factors. Cost components that are solely related to providing average day demand (ADD), are allocated entirely to Base Fixed. Cost components that are designed to meet Max Day peaks, such as reservoirs and transmission facilities, are allocated to both Base and Max Day factors.

The Max Day factor of the LBWD's system is 1.40, which means that Max Day demand is expected to be 140 percent of the average day capacity. Calculating the Max Day allocation of functional costs to the cost causation components results in the equation at the top of the following page.

[18] *The terms extra capacity, peaking, and capacity costs are used interchangeably.*

### Table 6-4: Potable Water System Peaking Demand

| | Potable Water | Calendar Year 2014 | Peaking Factors | Notes |
|---|---|---|---|---|
| 1 | Average Day Demand | 51.27 MGD | 1.00 | [1] / [1] |
| 2 | Max Day Demand | 71.96 MGD | 1.40 | [2] / [1] |
| 3 | Peak Hour Demand | 127.49 MGD | 2.49 | [3] / [1] |

### Table 6-5: Recycled Water System Peaking Demand

| | Recycled Water | Calendar Year 2014 | Peaking Factors | Notes |
|---|---|---|---|---|
| 1 | Average Day Demand | 5.28 MGD | 1.00 | [1] / [1] |
| 2 | Max Day Demand | 13.30 MGD | 2.52 | [2] / [1] |
| 3 | Peak Hour Demand | 25.87 MGD | 4.90 | [3] / [1] |

$$\text{Base Fixed Allocation} = \frac{\text{Base Fixed}}{\text{Max Day}} = \frac{1}{1.40} \approx 71.2\%$$

$$\text{Max Day Allocation} = 1 - \text{Base/Max Day} \approx 28.8\%$$

Facilities designed for Max Hour peaks, such as distribution system facilities, are allocated similarly. The Max Hour factor is 3.38, so Max Hour facilities are designed to provide 338 percent of the average day capacity. The allocation of Max Hour facilities is shown below.

The results of the allocation are presented below. These percentages are then applied to the operating and capital improvement expenses to allocate costs amongst Base, Max Day, and Max Hour cost components. The factors shown below are taken from Table 6-4 and Table 6-5 above.

Water system infrastructure is designed to meet peak demand plus fire protection. To appropriately allocate cost to cost causation categories for functional costs which have fire protection function, such as storage, distribution, pumping, fire protection requirement is needed. Based on fire demand estimates provided by LBWD staff shown in Table 6-7, 20.7% of the water system capacity is reserved for

$$\text{Base Fixed Allocation} = \frac{\text{Base}}{\text{Max Hour}} = \frac{1}{2.49} \approx 40.2\%$$

$$\text{Max Day Allocation} = \frac{\text{Max Day - Base}}{\text{Max Hour}} = \frac{1.40 - 1.00}{2.49} \approx 16.2\%$$

$$\text{Max Hour Allocation} = 1 - 40.2\% - 16.2\% \approx 43.6\%$$

### Table 6-6: Allocation of Extra Capacity Functional Costs to Cost Categories

| Functional Cost | 2014 Production | Peaking Factors | Base Fixed Allocation | Max Day Allocation | Max Hour Allocation | RW Base Fixed | RW Max Day | RW Max Hour |
|---|---|---|---|---|---|---|---|---|
| **Water** | | | | | | | | |
| Average Day | 51.27 MGD | 1.00 | 100.0% | | | | | |
| Max Day | 71.96 MGD | 1.40 | 71.2% | 28.8% | | | | |
| Peak Hour | 127.49 MGD | 2.49 | 40.2% | 16.2% | 43.6% | | | |
| **Recycled Water** | | | | | | | | |
| Average Day | 5.28 MGD | 1.00 | | | | 100.0% | | |
| Max Day | 13.30 MGD | 2.52 | | | | 39.7% | 60.3% | |
| Peak Hour | 25.87 MGD | 4.90 | | | | 20.4% | 31.0% | 48.6% |

### Table 6-7: Fire Protection Requirements

| | Potable Water | | Notes |
|---|---|---|---|
| 1 | Fire Demand | 18.81 MGD | *Estimated for population of 500,000[19] - see Appendix 9.4 for details* |
| 2 | Max Day Demand | 71.96 MGD | *Table 6-4* |
| 3 | Fire Protection % | 20.7% | *[1] / [2]* |

fire protection demand. Therefore, storage, transmission, and distribution costs will have 20.7% allocated to fire protection cost categories.

Table 6-8 summarizes the allocation of functional water costs to cost causation categories. All treated groundwater (61.7%) and purchased water (38.3%) are blended in storage tanks to be used for all water needs including fire protection. Groundwater requires pumping, whereas purchased water does not incur any pumping costs. Thus 61.7% of water in storage tanks has pumping and treatment costs, that is also used for fire protection (20.7% of the system costs), thus 12.8% of pumping and treatment costs are allocated to fire protection. 79.3% of storage and transmission costs are used to meet max day potable demand, or 56.5% for base fixed (71.2% of 79.3%) and 22.8% for max day (28.8% of 79.3%). Similarly, 79.3% of distribution costs are used to meet max hour demand, or 31.9% for base fixed, 12.9% for max day and 34.5% for max hour.

Similarly, Table 6-9 summarizes the allocation of RW functional costs to RW supply, RW base fixed, RW max day and RW max hour cost causation categories.

Using the allocation factors from Table 6-8 and functional costs from Table 6-2, Table 6-10 summarizes the allocation of FY 2017 O&M expenses to cost categories and allocation percentage for operating related costs. Similarly, Table 6-11 summarizes the allocation of Water Fund fixed asset values (by replacement costs as of September 30, 2015) to cost categories and allocation percentage for capital related costs.

[19] *Using formulas by American Insurance Association, as provided by LBWD Staff*

## Table 6-8: Allocation of Water Functional Costs to Cost Categories

| Functions | Water Supply | Base Fixed | Max Day | Max Hour | Billing & CS | Meters & Services | Conser-vation | G&A | Fire Protection |
|---|---|---|---|---|---|---|---|---|---|
| **Potable Supply** | 100.0% | | | | | | | | |
| **Production Plant** | | 100.0% | | | | | | | |
| **Storage** | | 56.5% | 22.8% | 0.0% | | | | | 20.7% |
| **Pumping** | | 62.1% | 25.1% | 0.0% | | | | | 12.8% |
| **Treatment** | | 62.1% | 25.1% | 0.0% | | | | | 12.8% |
| **Transmission (T)** | | 56.5% | 22.8% | 0.0% | | | | | 20.7% |
| **Distribution (D)** | | 31.9% | 12.9% | 34.5% | | | | | 20.7% |
| **Source of Supply** | | 100.0% | 0.0% | 0.0% | | | | | |
| **Fire Protection** | | | | | | | | | 100% |
| **Meter Services** | | | | | | 100.0% | | | |
| **Gen & Admin** | | | | | | | | 100% | |
| **Billing** | | | | | 100.0% | | | | |
| **Customer Service** | | | | | 100.0% | | | | |
| **Conservation** | | | | | | | 100% | | |

## Table 6-9: Allocation of Recycled Water Functional Costs to Cost Categories

| RW Functions | RW Supply | RW Base Fixed | RW Max Day | RW Max Hour |
|---|---|---|---|---|
| **RW Average Demand** | | 100.0% | | |
| **RW Supply** | 100.0% | | | |
| **RW Storage** | | 39.7% | 60.3% | 0.0% |
| **RW Pumping** | | 20.4% | 31.0% | 48.6% |
| **RW Treatment** | | 39.7% | 60.3% | 0.0% |
| **RW Distribution** | | 20.4% | 31.0% | 48.6% |

## Table 6-10: Results of O&M Cost Allocations

| Cost Categories | FY 2017 O&M | Allocation Factors |
|---|---|---|
| **Water Supply** | $36,596,215 | 42.8% |
| **Base Fixed** | $14,898,581 | 17.4% |
| **Max Day** | $4,089,850 | 4.8% |
| **Max Hour** | $526,822 | 0.6% |
| **Billing & Customer Service** | $3,841,976 | 4.5% |
| **Meters & Services** | $2,002,527 | 2.3% |
| **Conservation** | $2,807,270 | 3.3% |
| **Rev Offsets** | $0 | 0.0% |
| **General** | $14,249,290 | 16.7% |
| **Fire Protection** | $3,067,850 | 3.6% |
| **RW Supply** | $0 | 0.0% |
| **RW Base Fixed** | $3,447,874 | 4.0% |
| **RW Max Day** | -$22,256 | 0.0% |
| **RW Max Hour** | -$34,562 | 0.0% |
| **Total** | **$85,471,436** | **100.0%** |

## Table 6-11: Results of Asset Value Cost Allocations

| Cost Categories | RC Asset Value | Allocation Factors |
|---|---|---|
| **Water Supply** | $0 | 0.0% |
| **Base Fixed** | $261,041,906 | 29.8% |
| **Max Day** | $90,113,183 | 10.3% |
| **Max Hour** | $96,020,998 | 10.9% |
| **Billing & Customer Service** | $1,630,089 | 0.2% |
| **Meters & Services** | $102,178,335 | 11.7% |
| **Conservation** | $0 | 0.0% |
| **Rev Offsets** | $0 | 0.0% |
| **General** | $133,371,142 | 15.2% |
| **Fire Protection** | $114,224,311 | 13.0% |
| **RW Supply** | $0 | 0.0% |
| **RW Base Fixed** | $16,060,912 | 1.8% |
| **RW Max Day** | $24,395,551 | 2.8% |
| **RW Max Hour** | $37,885,079 | 4.3% |
| **Total** | **$876,921,507** | |

### 6.1.2.3 - Step 3 – Allocation of Revenue Requirements to Cost Causation Categories

Table 6-12 shows the total revenue requirement for each cost category defined in Table 6-1. Note that debt service, capital replacement, reserve funding, and certain non-operating revenues are considered capital revenue requirements.

Table 6-13 details the result of allocating the various revenue requirements to the aforementioned cost categories. For more detailed calculations, see Appendix 9.8.

General costs are reallocated to all cost categories, excluding water supply, conservation and revenue offsets, are shown in Table 6-14.

Table 6-15 lists and illustrates the calculation of fire capacity for public and private fire protection. According to the *M1 Manual*, fire capacity is equal the port size to the power of 2.63. 6" fire hydrants include two 2-inch and one 4-inch ports with 50.70 equivalent fire capacity, whereas 8" fire hydrants include two 2-inch and one 6-inch ports with equivalent fire capacity of 123.69. The fire protection

**Table 6-12: Revenue Requirements and Allocation Factors**

| | CURRENT REVENUE REQUIREMENTS | FY 2017 | Allocation Factors |
|---|---|---|---|
| 1 | **REVENUE REQUIREMENTS** | | |
| 2 | O&M Expenses | $85,471,436 | *Table 6-10* |
| 3 | Debt Service | $3,894,775 | *Table* 6-11 |
| 4 | Capital Replacement Projects | $12,588,000 | *Table* 6-11 |
| 5 | Reserve Funding | -$3,728,992 | *Table* 6-11 |
| 6 | **SUBTOTAL REVENUE REQUIREMENTS** | **$98,225,219** | |
| 7 | | | |
| *8* | ***Less Other Revenues*** | | |
| 9 | Other Operating Revenues | $1,094,927 | *100% to General* |
| 10 | **Non-Operating Revenues** | | |
| 11 | Interest | $75,705 | *100% to General* |
| 12 | Rental Income | $1,024,900 | *100% to Revenue Offset* |
| 13 | Service Connection | $305,000 | *Table* 6-11 |
| 14 | Grants | $750,000 | *Table* 6-11 |
| 15 | Other Reimbursement | $4,224,488 | *100% to General* |
| 16 | Other Non-Operating Revenues | $53,740 | *100% to General* |
| 17 | | | |
| 18 | **SUBTOTAL NON-OPERATING REVENUES** | **$7,528,760** | |
| 19 | | | |
| 20 | **NET REVENUE REQUIREMENTS FROM RATES** | **$90,696,459** | |

## Table 6-13: Net Revenues from Rates Allocated to Cost Causation Categories

| | Cost Categories | FY 2017 Net Revenues from Rates |
|---|---|---|
| 1 | Water Supply | $36,596,215 |
| 2 | Base Fixed | $18,381,073 |
| 3 | Max Day | $5,292,026 |
| 4 | Max Hour | $1,807,813 |
| 5 | Billing & Customer Service | $3,863,722 |
| 6 | Meters & Services | $3,365,662 |
| 7 | Conservation | $2,807,270 |
| 8 | Rev Offsets | -$1,024,900 |
| 9 | General | $10,579,700 |
| 10 | Fire Protection | $4,591,686 |
| 11 | RW Supply | $0 |
| 12 | RW Base Fixed | $3,662,139 |
| 13 | RW Max Day | $303,199 |
| 14 | RW Max Hour | $470,853 |
| 15 | **Total** | **$90,696,459** |

## Table 6-14: General Cost Reallocation

| | Cost Categories | FY 2017 Net Revenues from Rates | General Cost Reallocation | | |
|---|---|---|---|---|---|
| | | | Net Rev | % | Allocated |
| | | A | B | C = B / B15 | D = A9 x C |
| 1 | Water Supply | $36,596,215 | N/A | | |
| 2 | Base Fixed | $18,381,073 | $18,381,073 | 49.5% | $5,235,118 |
| 3 | Max Day | $5,292,026 | $5,292,026 | 14.2% | $1,507,223 |
| 4 | Max Hour | $1,807,813 | $1,807,813 | 4.9% | $514,884 |
| 5 | Billing & Customer Service | $3,863,722 | $3,863,722 | 10.4% | $1,100,428 |
| 6 | Meters & Services | $3,365,662 | $3,365,662 | 9.1% | $958,575 |
| 7 | Conservation | $2,807,270 | N/A | | |
| 8 | Rev Offsets | -$1,024,900 | N/A | | |
| 9 | General | $10,579,700 | N/A | | |
| 10 | Fire Protection | $4,591,686 | N/A | | |
| 11 | RW Supply | $0 | N/A | | |
| 12 | RW Base Fixed | $3,662,139 | $3,662,139 | 9.9% | $1,043,015 |
| 13 | RW Max Day | $303,199 | $303,199 | 0.8% | $86,354 |
| 14 | RW Max Hour | $470,853 | $470,853 | 1.3% | $134,104 |
| 15 | **Total** | **$90,696,459** | **$37,146,488** | **100%** | **$10,579,700** |

## Table 6-15: FY 2017 Fire Protection Capacity

| | Port Size (inch) | Fire Capacity by Port Size[20] | 6" Fire Hydrant (2 x 2-in + 1x4-in) | 8" Fire Hydrant (2 x 2-in + 1 x 6-in) | # of Private Fireline | Private Fireline Fire Capacity |
|---|---|---|---|---|---|---|
| | A | B | C | D | E | F = B x E |
| **1** | 2 | 6.19 | 12.38 | 12.38 | 61 | 378 |
| **2** | 3 | 17.98 | | | 51 | 917 |
| **3** | 4 | 38.32 | 38.32 | | 351 | 13,450 |
| **4** | 6 | 111.31 | | 111.31 | 415 | 46,194 |
| **5** | 8 | 237.21 | | | 261 | 61,911 |
| **6** | 10 | 426.58 | | | 55 | 23,462 |
| **7** | 12 | 689.04 | | | 3 | 2,067 |
| **8** | 16 | 1,468.37 | | | 2 | 2,937 |
| **9** | | **Fire Capacity** | **50.70** | **123.69** | **1,199** | **151,315** |
| **10** | | Public Fire Hydrants | 6,888 | 3 | | |
| **11** | | Public Fire Demand | 349,220 | 372 | | |
| **12** | | Private Fire Hydrants | 490 | | | |
| **13** | | Private Fire Capacity[21] | 24,843 | | | **151,315** |
| **14** | | **Total Fire Capacity [11] + [13]** | **374,063** | **371** | | **151,315** |

system includes 6,888 6" public fire hydrants and three 8" public fire hydrants, 490 6" private fire hydrants and 1,199 private fire-line services with varied port size. Total public fire protection capacity is equal to 349,592 equivalent units and private fire protection capacity is equal to 176,518 equivalent units as shown in Table 6-16. About 66.5% of fire protection for LBWD's water system is reserved for public fire protection, which is reallocated to all benefiting customers within the service area (shown in Table 6-17) and the remaining 33.5% of fire protection costs represents the private fire protection costs, to be paid for by customers who have a private fire service meter. Public fire protection (i.e. hydrants) costs are related to the capacity of water system that is allocated to providing fire protection, not the actual costs of putting out fires.

Table 6-18 summarizes the results from Table 6-13, Table 6-14 and Table 6-17 to show the revenues from rates after general and public fire protection cost reallocation. Table 6-19 shows the summary of revenue requirements by cost categories to be recovered from water and RW rates.

### 6.1.2.4 - Step 4 – Cost Allocations to Rate Components

According to the *M1 Manual*, the cost-of-service approach to setting water rates results in the proportionate distribution of costs to each customer or

[20] *AWWA M1 Manual, Fire Demand = Port Size^2.63*

[21] *Private Fire Hydrant Demand = 490 6-in hydrants x 50.70 = 24,843*

## Table 6-16: Public and Private Fire Protection Capacity

| | Fire Capacity (Table 6-15) | % of Total Fire Capacity | Notes |
|---|---|---|---|
| **Public Fire** | 349,592 | 66.5% | 6,888 6-in x 50.70 + 3 8-in x 123.69 |
| **Private Fire** | 176,518 | 33.5% | Sum Row 13 in Table 6-15 |
| **Total Fire Capacity** | **525,750** | | |

## Table 6-17: Public Protection Cost Reallocation

| | Cost Categories | FY 2017 Net Revenues from Rates | Public Protection Cost Reallocation | | |
|---|---|---|---|---|---|
| | | | Net Rev | % | Allocated |
| | | *A* | *B* | *C = B / B15* | *D = 66.5% xA10 x C* |
| **1** | Water Supply | $36,596,215 | N/A | | |
| **2** | Base Fixed | $18,381,073 | $18,381,073 | 84.5% | $2,580,660 |
| **3** | Max Day | $5,292,026 | N/A | | |
| **4** | Max Hour | $1,807,813 | N/A | | |
| **5** | Billing & Customer Service | $3,863,722 | N/A | | |
| **6** | Meters & Services | $3,365,662 | $3,365,662 | 15.5% | $472,531 |
| **7** | Conservation | $2,807,270 | N/A | | |
| **8** | Rev Offsets | -$1,024,900 | N/A | | |
| **9** | General | $10,579,700 | N/A | | |
| **10** | Fire Protection | $4,591,686 | N/A | | |
| **11** | RW Supply | $0 | N/A | | |
| **12** | RW Base Fixed | $3,662,139 | N/A | | |
| **13** | RW Max Day | $303,199 | N/A | | |
| **14** | RW Max Hour | $470,853 | N/A | | |
| **15** | **Total** | **$90,696,459** | **$21,746,735** | **100%** | **$3,053,191**[22] |

[22] *66.49% of $4.59M*

## Table 6-18: Reallocated Revenue Requirements

| | Cost Categories | FY 2017 Net Revenues from Rates | General Cost Reallocation | Public Fire Protection Reallocation | Reallocated Net Revenues from Rates |
|---|---|---|---|---|---|
| | | *A* | *B (Table 6-14)* | *C (Table 6-17)* | *D = A +B + C* |
| **1** | Water Supply | $36,596,215 | | | $36,596,215 |
| **2** | Base Fixed | $18,381,073 | $5,235,118 | $2,580,660 | $26,196,851 |
| **3** | Max Day | $5,292,026 | $1,507,223 | | $6,799,249 |
| **4** | Max Hour | $1,807,813 | $514,884 | | $2,322,697 |
| **5** | Billing & Customer Service | $3,863,722 | $1,100,428 | | $4,964,150 |
| **6** | Meters & Services | $3,365,662 | $958,575 | $472,531 | $4,796,767 |
| **7** | Conservation | $2,807,270 | | | $2,807,270 |
| **8** | Rev Offsets | -$1,024,900 | | | -$1,024,900 |
| **9** | General | $10,579,700 | -$10,579,700 | | $0 |
| **10** | Fire Protection | $4,591,686 | | -$3,055,191 | $1,538,496 |
| **11** | RW Supply | $0 | | | $0 |
| **12** | RW Base Fixed | $3,662,139 | $1,043,015 | | $4,705,153 |
| **13** | RW Max Day | $303,199 | $86,354 | | $389,553 |
| **14** | RW Max Hour | $470,853 | $134,104 | | $604,957 |
| **15** | **Total** | **$90,696,459** | | | **$90,696,459** |

## Table 6-19: FY 2017 Revenue Requirements by Cost Category

| | Cost Categories | FY 2017 |
|---|---|---|
| | *A* | *B (Table 6-18)* |
| **1** | Water Supply | $36,596,215 |
| **2** | Potable Base Fixed | $26,196,851 |
| **3** | RW Base Fixed | $4,705,153 |
| **4** | Potable Peaking (Max Day + Max Hour) | $9,121,946 |
| **5** | RW Peaking (RW Max Day + RW Max Hour) | $994,510 |
| **6** | Billing & Customer Service | $4,964,150 |
| **7** | Meters & Services | $4,796,767 |
| **8** | Conservation | $2,807,270 |
| **9** | Rev Offsets | -$1,024,900 |
| **10** | Private Fire Services | $1,538,496 |
| **11** | **Total** | **$90,696,459** |

## Table 6-20: Cost Allocations to Rate Components

| | Cost Categories | FY 2017 | Daily Service Charges | Water Quantity Rates | RW Quantity Rates |
|---|---|---|---|---|---|
| | A | B (Table 6-19) | C | D | E |
| 1 | Water Supply | $36,596,215 | | $36,596,215 | |
| 2 | Potable Base Fixed | $26,196,851 | $13,334,197 | $12,862,654 | |
| 3 | RW Base Fixed | $4,705,153 | $2,394,923 | | $2,310,230 |
| 4 | Potable Peaking | $9,121,946 | | $9,121,946 | |
| 5 | RW Peaking | $994,510 | | | $994,510 |
| 6 | Billing & Customer Service | $4,964,150 | $4,964,150 | | |
| 7 | Meters & Services | $4,796,767 | $4,796,767 | | |
| 8 | Conservation | $2,807,270 | | $2,807,270 | |
| 9 | Rev Offsets | -$1,024,900 | | -$1,024,900 | |
| 10 | Private Fire Services | $1,538,496 | $1,538,496 | | |
| **11** | **Total** | **$90,696,459** | **$27,028,533** | **$60,363,185** | **$3,304,741** |

customer class based on the proportional costs that each class incurs. A dual set of fees—fixed and variable—is an extension of this cost causation theory. The components of water system costs (Table 6-19) are recovered through either daily service charges, water quantity rates, RW quantity rates or a combination of the three. As shown in Table 6-20, the entirety of water supply costs is recovered from water quantity rates along with potable peaking costs, conservation program costs and revenue offsets. RW peaking costs are calculated under the RW peaking rate component of RW quantity rates. Billing and customer service along with meters and services costs are fixed service costs thus should be collected from daily service charges. Private fire services costs will be paid for by customers who have a private fire service meter under private fireline daily service charges. To provide revenue stability for LBWD, a portion of the potable and RW base fixed costs is allocated to daily service charges in order to collect approximately 30% of revenues from the fixed charges, increased from 26.4% at current rates. The remaining potable base fixed and RW base fixed costs are collected in the water and RW quantity rates, respectively. Table 6-21, Table 6-22 and Table 6-23 are derived from Table 6-20 based on rate components for fixed charges, water quantity rates and RW quantity rates.

The fixed service charges consist of three components: billing and customer service, services & capacity and private fire demand totaling $27M in FY 2017 (Table 6-21), increased from $23.9M from current rates.

Water quantity rates are comprised of water supply costs, delivery, peaking, conservation and revenue offset rate components (Table 6-22). The water supply rate recovers direct water supply costs. The delivery rate collects the remaining water system fixed cost to deliver water to end users. The peaking rate collects the peaking costs of potable water system. The conservation rate reflects the conservation program costs from upper tiers to promote conservation from large users. The revenue offset rate is used to provide affordability for essential use. A portion of rental income is used to provide

## Table 6-21: FY 2017 Fixed Service Charges Revenue Requirements

| | Rate Components | Cost Categories | FY 2017 | |
|---|---|---|---|---|
| | *A* | *B* | *C (Table 6-20)* | *D* |
| **1** | **Billing & Customer Service** | Billing & CS | $4,964,150 | $4,964,150 |
| **2** | **Services & Capacity** | Potable Base Fixed | $13,334,197 | $20,525,887 |
| **3** | | RW Base Fixed | $2,394,923 | |
| **4** | | Meters & Services | $4,796,767 | |
| **5** | **Private Fire Capacity** | Private Fire Services | $1,538,496 | $1,538,496 |
| **6** | **Total** | **29.8% Fixed** | **$27,028,533** | **$27,028,533** |
| **7** | **Current** | **26.4% Fixed** | **$23,924,625** | |

## Table 6-22: FY 2017 Water Quantity Rate Revenue Requirements

| | Rate Components | Cost Categories | FY 2017 |
|---|---|---|---|
| | *A* | *B* | *C (Table 6-20)* |
| **1** | **Water Supply** | Water Supply | $36,596,215 |
| **2** | **Delivery** | Potable Base Fixed | $12,862,654 |
| **3** | **Peaking** | Potable Peaking | $9,121,946 |
| **4** | **Conservation** | Conservation | $2,807,270 |
| **5** | **Revenue Offset** | Revenue Offset | -$1,024,900 |
| **6** | **Total** | **66.6%** | **$60,363,185** |
| **7** | **Current** | **69.9%** | **$63,421,799** |

## Table 6-23: FY 2017 Recycled Water Quantity Rate Revenue Requirements

| | Rate Components | Cost Categories | FY 2017 |
|---|---|---|---|
| | *A* | *B* | *C (Table 6-20)* |
| **1** | **Delivery** | RW Base Fixed | $2,310,230 |
| **2** | **Peaking** | RW Peaking | $994,510 |
| **3** | **Total** | **3.6% of Total Rev Req** | **$3,304,741** |
| **4** | **Current** | **3.7% of Total Rev Req** | **$3,350,035** |

funding for the Exemption program as discussion in Section 5. The remaining rental income is reserved to provide affordability for Tier I, which represents basic and essential usage. As more water system costs are recovered through fixed charges (increased from $23.9M to $27M), less revenue is collected through water quantity rates (decrease from $63.4M to $60.4M).

RW quantity rates include two rate components, RW peaking and delivery rates, which recover $3.30M, a slight decrease from the current revenue of $3.35M, as shown in Table 6-23.

## 6.2 - DEVELOPMENT OF PROPOSED WATER RATES

### 6.2.1 - PROPOSED FIXED SERVICE CHARGES

There are three components that comprise the daily service charges: billing & customer service, services & capacity, and private fire services. This charge recognizes the fact that even when a customer does not use any water, LBWD incurs fixed costs in connection with the maintenance of the meters, the ability or readiness to serve each connection, and/or the billing services provided to each connection.

The services and capacity component collects capacity related costs. Capacity related costs can be allocated to the daily service charge by meter size. This reflects the fact that larger meters have the potential to demand more capacity compared to smaller meters. The potential capacity demanded is proportional to the potential flow through each meter size as established by the AWWA

hydraulic capacity ratios which are shown in the "AWWA Meter Ratio" column D of Table 6-24. The ratios depict the potential flow through each meter size compared to the flow through a ¾" meter, which is the base meter size for this Study. For example, the flow through a 2" meter is approximately 5.33 times that of a ¾" meter. Similarly, according to AWWA *M1 Manual*, 3-inch fireline has 2.90 times more fire capacity than 2-inch fireline, as derived and noted in Table 6-25.

### Table 6-24: AWWA Meter Capacity Ratios

| Meter Size | Meter Types | AWWA Max Capacity[23] | AWWA Meter Ratios |
|---|---|---|---|
| *A* | *B* | *C* | *D = C / 30 gpm* |
| **5/8" x 3/4"** | Displacement | 30 gpm | 1.00 |
| **1"** | Displacement | 50 gpm | 1.67 |
| **1 1/2"** | Displacement | 100 gpm | 3.33 |
| **2"** | Displacement | 160 gpm | 5.33 |
| **3"** | Compound Type Class II | 350 gpm | 11.67 |
| **4"** | Compound Type Class II | 600 gpm | 20.00 |
| **6"** | Compound Type Class II | 1,350 gpm | 45.00 |
| **8"** | Turbine Class II | 2,800 gpm | 93.33 |
| **10"** | Turbine Class II | 4,200 gpm | 140.00 |
| **12"** | Turbine Class II | 5,300 gpm | 176.67 |
| **16"** | Turbine Class II | 7,800 gpm | 260.00 |

### Table 6-25: Fire Protection Capacity Ratios

| Port Size (inch) | Fire Protection Capacity by Port Size[24] | Fire Protection Capacity Ratio |
|---|---|---|
| A | B | C = B /6.19 |
| **2** | 6.19 | 1.00 |
| **3** | 17.98 | 2.90 |
| **4** | 38.32 | 6.19 |
| **6** | 111.31 | 17.98 |
| **8** | 237.21 | 38.32 |
| **10** | 426.58 | 68.91 |
| **12** | 689.04 | 111.31 |
| **16** | 1,468.37 | 237.21 |

[23] *Safe maximum operating capacity (AWWA M1 Manual Exhibit B, Table B-1)*

[24] *AWWA M1 Manual, Fire Capacity = Port Size^2.63*

Table 6-26 summarizes the projected number of water and RW accounts and private fireline services in FY 2017 and illustrates the calculations for equivalent units of service for each fixed service charge component. LBWD bills customer on monthly basis, thus 89,475 (88,275 +1,199) accounts are equivalent to 1,073,688 monthly bills. The billing and customer service component recovers costs associated with meter reading, customer billing and collection, and customer service costs. These costs are the same for all meter sizes as it costs the same to provide billing and customer services to a small meter as it does for a larger meter.

Table 6-27 illustrates the development of unit service charges (line 4) for each charge component by dividing the revenue requirements (from Table 6-20) to the number of equivalent bills/meters per year (from Table 6-26).

The monthly fixed service charges for water and RW services for FY 2017 are shown in Table 6-28 along with daily service charges and comparison with current daily service charges (columns F & G). The services and capacity component for all larger meters with a meter ratio larger than 1 is scaled up using the AWWA capacity ratios shown in the "Services and Capacity Meter Ratios" column A of Table 6-28. For example, the 2" meter has a meter ratio of 5.33 and therefore has a meter capacity component

## Table 6-26: Units of Services for Fixed Charges Components

| Meter Size | # of Water & RW Accts | # of Private Fireline | Meter Ratios | | | Units of Service (EMU / yr) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Billing & CS | Services & Capacity | Private Fire Capacity | Billing & CS | Services & Capacity | Private Fire Capacity |
| | *A* | *B* | *C* | *D* | *E* | *F = (A+B)xCx12* | *G = A x D x 12* | *H=BxEx12* |
| **5/8" x 3/4"** | 69,236 | | 1.00 | 1.00 | | 830,832 | 830,832 | 0 |
| **1"** | 11,207 | | 1.00 | 1.67 | | 134,484 | 224,140 | 0 |
| **1 1/2"** | 4,245 | | 1.00 | 3.33 | | 50,940 | 169,800 | 0 |
| **2"** | 2,669 | 61 | 1.00 | 5.33 | 1.00 | 32,760 | 170,816 | 732 |
| **3"** | 510 | 51 | 1.00 | 11.67 | 2.90 | 6,732 | 71,400 | 1,778 |
| **4"** | 197 | 351 | 1.00 | 20.00 | 6.19 | 6,576 | 47,280 | 26,073 |
| **6"** | 116 | 415 | 1.00 | 45.00 | 17.98 | 6,372 | 62,640 | 89,548 |
| **8"** | 70 | 261 | 1.00 | 93.33 | 38.32 | 3,972 | 78,400 | 120,016 |
| **10"** | 21 | 55 | 1.00 | 140.00 | 68.91 | 912 | 35,280 | 45,482 |
| **12"** | 4 | 3 | 1.00 | 176.67 | 111.31 | 84 | 8,480 | 4,007 |
| **16"** | 0 | 2 | 1.00 | 260.00 | 237.21 | 24 | 0 | 5,693 |
| **Total** | **88,275** | **1,199** | | | | **1,073,688** | **1,699,068** | **293,329** |

## Table 6-27: Development of Unit Fixed Service Charges

| | | Billing & CS | Services & Capacity | Private Fire Capacity | Notes |
|---|---|---|---|---|---|
| **1** | Revenue Requirements | $4,964,150 | $20,525,887 | $1,538,496 | *Table 6-20* |
| **2** | Units of Service | 1,073,688 | 1,699,068 | 293,329 | *Table 6-26* |
| **3** | | monthly bills / yr | EMU / yr | EMU / yr | |
| **4** | **Unit Cost of Service** | **$4.63** | **$12.09** | **$5.25** | ***[1] / [2] rounded up to $0.01*** |

of $64.48 ($12.09 x 5.33, rounded to the nearest $0.01). Daily service charges (column E) are calculated using monthly service charges (column D) multiplied by 12 monthly billing periods divided by 365 days per year. The proposed daily service charge for 5/8"x3/4" meters is $0.550, 12% increase from current charge at $0.489.

Similarly, Table 6-29 shows the development of the daily service charges for private fireline services. The charges include billing and customer service (column B), which is uniform for all connection sizes, and private fire capacity (column C) components varied by connection size (column A). Fireline services with connection sizes of 6" or less will see decrease in the service charges whereas larger connections will see increasing impact.

## Table 6-28: Proposed Daily Service Charges for Water and Recycled Water Services

| Meter Size | Services & Capacity Meter Ratios | Monthly Fixed Charges | | | Proposed Daily FY 2017 | Current Daily FY 2017 | % Change |
|---|---|---|---|---|---|---|---|
| | | Billing & CS | Services & Capacity[25] | Proposed FY 2017 | | | |
| | *A (Table 6-24)* | *B* | *C =A x 12.09* | *D =B+ C* | *E =D x 12 /365* | *F* | *G =E/F - 1* |
| **5/8" x 3/4"** | 1.00 | $4.63 | $12.09 | $16.72 | **$0.550** | $0.489 | **12%** |
| **1"** | 1.67 | $4.63 | $20.15 | $24.78 | **$0.815** | $0.736 | **11%** |
| **1 1/2"** | 3.33 | $4.63 | $40.30 | $44.93 | **$1.478** | $1.375 | **7%** |
| **2"** | 5.33 | $4.63 | $64.48 | $69.11 | **$2.273** | $2.037 | **12%** |
| **3"** | 11.67 | $4.63 | $141.05 | $145.68 | **$4.790** | $4.220 | **14%** |
| **4"** | 20.00 | $4.63 | $241.80 | $246.43 | **$8.102** | $6.677 | **21%** |
| **6"** | 45.00 | $4.63 | $544.05 | $548.68 | **$18.039** | $12.306 | **47%** |
| **8"** | 93.33 | $4.63 | $1,128.40 | $1,133.03 | **$37.251** | $19.315 | **93%** |
| **10"** | 140.00 | $4.63 | $1,692.60 | $1,697.23 | **$55.800** | $31.635 | **76%** |
| **12"** | 176.67 | $4.63 | $2,135.90 | $2,140.53 | **$70.374** | $38.662 | **82%** |
| **16"** | 260.00 | $4.63 | $3,143.40 | $3,148.03 | **$103.497** | $63.986 | **62%** |

## Table 6-29: Proposed Daily Service Charges for Private Fireline Services

| Size | Fire Capacity Meter Ratio | Monthly Fixed Charge | | | Proposed Daily FY 2017 | Current Daily FY 2017 | % Change |
|---|---|---|---|---|---|---|---|
| | | Billing & Customer Service | Private Fire Capacity | Proposed FY 2017 | | | |
| | A (Table 6-25) | B | C = A x $5.25 | D = B + C | E = D x 12 /365 | F | G = E/F - 1 |
| **2"** | 1.00 | $4.63 | $5.25 | $9.88 | **$0.325** | $1.020 | **-68%** |
| **3"** | 2.90 | $4.63 | $15.25 | $19.88 | **$0.654** | $1.745 | **-63%** |
| **4"** | 6.19 | $4.63 | $32.50 | $37.13 | **$1.221** | $2.577 | **-53%** |
| **6"** | 17.98 | $4.63 | $94.40 | $99.03 | **$3.256** | $4.391 | **-26%** |
| **8"** | 38.32 | $4.63 | $201.18 | $205.81 | **$6.767** | $6.438 | **5%** |
| **10"** | 68.91 | $4.63 | $361.78 | $366.41 | **$12.047** | $8.709 | **38%** |
| **12"** | 111.31 | $4.63 | $584.38 | $589.01 | **$19.365** | $10.976 | **76%** |
| **16"** | 237.21 | $4.63 | $1,245.33 | $1,249.96 | **$41.095** | $16.094 | **155%** |

[29] *Rounded to $0.01*

### 6.2.2 - PROPOSED WATER AND RECYCLED WATER QUANTITY RATES

#### 6.2.2.1 - Proposed Water Quantity Rates

Water quantity rates are comprised of water supply costs, delivery, peaking, conservation and revenue offset rate components (Table 6-30).

Proposition 218 does not specify the type of rate structure as long as the rates justify the cost of serving customers. Table 6-31 summarizes the rationale used to justify water quantity rates. Water supply rates are determined by allocating water supply sources (discussed in Section 4.2.2). The delivery rate is a uniform cost recovery for all usage types. The peaking rate is allocated to customer classes and tier usage using proportional peaking factors (discussed in Section 4.3). The conservation rate is allocated uniformly to all customer classes, however, residential classes have conservation costs collected in Tier III to promote conservation from large usage. A portion of rental income is used to provide funding for the Exemption program as discussion in Section 5. The remaining rental income is reserved to provide affordability for Tier I, which represents basic and essential usage.

**Table 6-30: Water Quantity Rate Component Descriptions**

| Water Quantity Rate Components | Descriptions |
|---|---|
| **Water Supply** | Recovering Water Supply Related Costs (Fixed & Variable) |
| **Delivery** | Recovering remaining fixed costs of delivering water to customers |
| **Peaking** | Recovering peaking costs |
| **Conservation** | Recovering conservation program related costs |
| **Revenue Offset** | Using Rental income (unrestricted revenues) to provide affordability for essential use |

**Table 6-31: Water Quantity Rate Components Framework**

| | Water Supply | Delivery | Peaking | Conservation | Revenue Offset |
|---|---|---|---|---|---|
| Note | Water supply source allocation | Uniform for all usage | Proportional to Peaking factors | Usage allocation | Rental income for affordable essential use |
| **Residential** | | | | | |
| Tier IA | Groundwater | x | x | | xxx |
| Tier IB | Groundwater | x | x | | x |
| Tier II | Blended LW + MWD Tier 1 | x | xx | | |
| Tier III | MWD Tier 2 | x | xxx | xx | |
| **Non-Residential** | Blended GW + LW + MWD | x | xxx | x | |

***6.2.2.1.1 - Water Supply Rates***

Table 6-32 shows the availability of LBWD water supply sources and their associated variable rates. $294/AF or $0.70 / CCF represents the water pump tax assessed by WRD for every unit of groundwater pumped from groundwater wells within LBWD service area within 32,692AF groundwater rights (discussed in Section 4.2.2). The blended rate of Lakewood and MWD Tier 1 water is $2.29 / CCF (shown in the Lakewood/MWD Tier 1 Blended Unit Rate Calculation equation).

Non-residential blended water supply rate is the weighted average rates of available water supply sources allocated for non-residential customer classes (shown in the Non-Residential Blended Water Supply Rate Calculation equation and Table 6-33).

**Table 6-32: Water Supply Sources – Quantity and Unit Cost Information**

| Water Supply Sources | Available for Purchase (AF) | Available for Sales (After 3.4% loss) | Unit Cost[26] | Unit Rate[27] (with 3.4% loss) | |
|---|---|---|---|---|---|
| | A | B = A / (1+3.4%) | C | D = C / 435.6 / (1+3.4%) | |
| Groundwater | 32,692 AF | 31,617 AF | $ 294 / AF | $0.700 / CCF | $0.700 / CCF |
| Lakewood | 900 AF | 870 AF | $ 573 / AF | $1.362 / CCF | $2.290 / CCF |
| MWD Tier 1 | 51,804 AF | 50,101 AF | $970 / AF | $2.306 / CCF | |
| MWD Tier 2 | | | $1,074 / AF | $2.552 / CCF | $2.552 / CCF |

**Lakewood/MWD Tier 1 Blended Unit Rate Calculation**

$$\text{Lakewood / MWD Tier 1 Blend Unit Rate} = \frac{900 * \$1.362 + 51{,}804 \times \$2.306}{(900 + 51{,}804)} = \$2.290/CCF$$

**Table 6-33: Non-Residential Blended Water Supply Rates**

| Non-Residential | Unit Rate | FY 2017 | |
|---|---|---|---|
| **Non-Residential Projected Sales** | | **7,046,540 CCF** | **16,177 AF** |
| Groundwater ($0.699 /CCF) | $0.700/ CCF | 3,930,904 CCF | 9,024 AF |
| Lakewood ($1.361 /CCF) | $1.362 / CCF | 135,446 CCF | 311 AF |
| MWD Tier 1 ($2.304 /CCF) | $2.306/ CCF | 2,980,190 CCF | 6,842 AF |
| **Blended Rate (Weighted Average)** | **$1.392/ CCF** | | |

**Non-Residential Blended Water Supply Rate Calculation**

$$\text{Non-Residential Blended Rate} = \frac{3{,}930{,}904 * \$0.70 + 135{,}446 * \$1.362 + 2{,}980{,}190 \times \$2.306}{7{,}046{,}540} = \$1.392$$

[26] *Weighted average cost for Fiscal Year (See Appendix for Details)*

[27] *May have rounding errors*

All other direct water supply costs include power costs for pumping and treatment, chemical costs and MWD fixed costs such as Readiness-to-Serve (RTS) and capacity charges, documented in the Fund 310 Operating Budget provided to RFC by LBWD staff. Table 6-34 calculates the uniform unit rate to be applied to water supply rates for all usage.

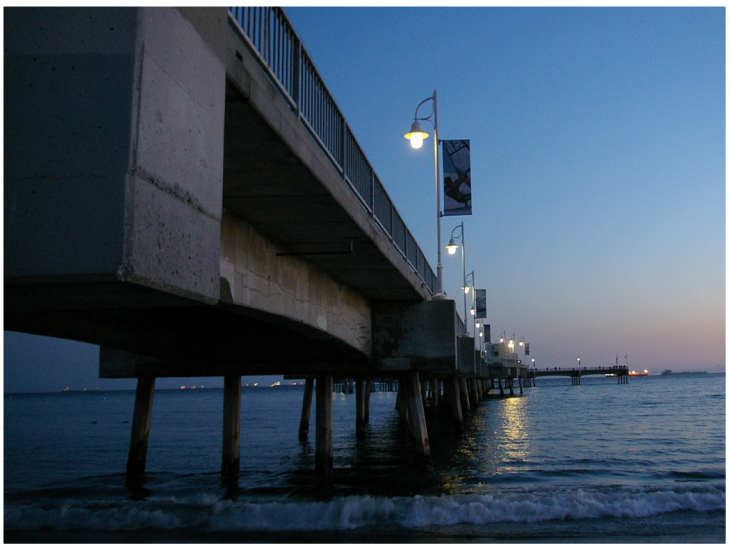
Table 6-35 summarizes the all-in water supply rates for all usage types. Residential Tier I demand is met by groundwater; thus the Tier I water supply rate ($1.055/CCF) reflects the groundwater unit variable rate ($0.70/CCF) plus the other water supply rate ($0.355/CCF). If all residential usage exceeds Tier II, LBWD will have to buy the next marginal water supply source,

**Table 6-34: Other Water Supply Unit Rate**

| | Other Water Supply Costs | FY 2017 | Notes |
|---|---|---|---|
| **1** | Power - Treatment | $1,918,074 | *From Fund 310 Operating Budget* |
| **2** | Power - Pumping | $1,809,114 | *From Fund 310 Operating Budget* |
| **3** | Chemical | $1,511,640 | *From Fund 310 Operating Budget* |
| **4** | MWD Fixed Costs (RTS & Capacity Charges) | $2,646,020 | *From Fund 310 Operating Budget* |
| **5** | **Total Other Water Supply Costs** | **$7,884,847** | *Sum of [1] to [4]* |
| **6** | Projected Sales for FY 2017 | 22,217,572 CCF | *Table 4-11* |
| **7** | **Unit Rate** | **$0.355/CCF** | **[5] / [6]** |

**Table 6-35: FY 2017 Water Supply Rates**

| | Water Supply Sources | Variable Water Supply Rates | Other Water Supply Rates | All-in Water Supply Rates | Projected Sales |
|---|---|---|---|---|---|
| | A *(Table 4-6)* | B | C | D = B + C | E *(Table 4-11)* |
| **Residential** | | | | | |
| Tier I | Groundwater | $0.700 | $0.355 | **$1.055 / CCF** | 9,841,470 CCF |
| Tier II | Lakewood MWD Tier 1 | $2.290 | $0.355 | **$2.645 / CCF** | 3,769,538 CCF |
| Tier III | MWD Tier 2 | $2.552 | $0.355 | **$2.907 / CCF** | 1,560,024 CCF |
| **Non-Residential** | Blended | $1.392 | $0.355 | **$1.747 / CCF** | 7,046,540 CCF |



MWD Tier 2, at higher variable rate, $2.552/CCF, plus other water supply rates. Non-residential water supply rate is $1.747/CCF, which is derived from the $1.392/CCF blended variable unit rate (shown in Table 6-33) and the other water supply unit rate ($0.355/CCF).

#### *6.2.2.1.2 - Delivery Rates*

The delivery rate is a uniform rate that is applied to all usage (22,217,572 CCF) to recover remaining potable base fixed costs (from Table 6-22), as shown in Table 6-36.

#### *6.2.2.1.3 - Peaking Rates*

Peaking costs are recovered from users based on their respective peaking characteristics determined in Table 4-9. Table 6-37 shows the equivalent peaking usage units for each usage type with respect to the corresponding peaking factors.

**Table 6-36: Development of Water Delivery Rate**

| | | Delivery Rate | Notes |
|---|---|---|---|
| **1** | Revenue Requirements | $12,862,654 | *Table 6-22* |
| **2** | Units of Service | 22,217,572 CCF | *Table 4-11* |
| **3** | **Unit Cost of Service** | **$0.579** | ***[1] / [2] rounded up to $0.001*** |

Table 6-38 illustrates the development of water peaking rates for each usage type. Peaking costs for the potable water system ($9.12M from Table 6-22) are divided by equivalent peaking usage to derive to $0.338/CCF for the peaking unit cost of service. The peaking unit cost is then multiplied to the peaking factors of each usage type to derive the respective peaking rates. The calculated rates are rounded up to the nearest $0.001/CCF.

***6.2.2.1.4 - Conservation Rates***

Similarly, conservation rates are calculated for residential and non-residential classes in Table 6-39. Residential Tier III users will be the focus of the conservation program, thus residential conservation program costs ($1.916M) are recovered from Tier III users only. Table 6-40 shows the conservation rates for all usage types.

***6.2.2.1.5 - Revenue Offsets***

As discussed in Section 5, rental

**Table 6-37: Equivalent Peaking Usage Units**

| | Potable Sales | Peaking Factors | FY 2017 Projected Sales (CCF) | Equivalent Peaking Usage (CCF) |
|---|---|---|---|---|
| | | *A (Table 4-9)* | *B (Table 4-11)* | *C = A x B* |
| **1** | **Residential** | **1.22** | **15,171,032** | **18,553,680** |
| 2 | Tier IA | 1.07 | 82,306 | 87,818 |
| 3 | Tier IB | 1.07 | 9,759,164 | 10,412,710 |
| 4 | Tier II | 1.34 | 3,769,538 | 5,053,908 |
| 5 | Tier III | 1.92 | 1,560,024 | 2,999,244 |
| **6** | **Non Residential** | **1.20** | **7,046,540** | **8,426,974** |
| **7** | **Total ([1] + [6])** | **1.21** | **22,217,572** | **26,980,654** |

**Table 6-38: Development of Water Peaking Rate**

| | | Peaking Factors | Peaking Rate | Notes |
|---|---|---|---|---|
| | | A | B | |
| **1** | Revenue Requirements | | $9,121,946 | *Table 6-22* |
| **2** | Units of Service | | 26,980,654 CCF | *Table 6-37* |
| **3** | **Unit Cost of Service** | | **$0.338** | ***[1] / [2]*** |
| **4** | **Residential** | | | |
| **5** | Tier IA | 1.07 | $0.361 | *[B3] x[ A5] rounded up to $0.001* |
| **6** | Tier IB | 1.07 | $0.361 | *[B3] x[ A6] rounded up to $0.001* |
| **7** | Tier II | 1.34 | $0.454 | *[B3] x[ A7] rounded up to $0.001* |
| **8** | Tier III | 1.92 | $0.651 | *[B3] x[ A8] rounded up to $0.001* |
| **9** | **Non-Residential** | 1.20 | $0.405 | *[B3] x[ A9] rounded up to $0.001* |

income will be used first to fund the exemption program to provide a waiver for Tier I usage (Tier IA = $0/CCF) for qualified customers. The true cost of providing water service for Tier I usage before any revenue offset is $1.995 comprised of water supply, delivery and peaking rates, as shown in Table 6-41. Table 6-42 shows step-by-step calculations of the revenue offsets applicable to Tier IB usage using remaining of rental income after funding the exemption program to provide some rate incentive and affordability for basic and essential usage.

Table 6-43 shows the revenue offset rates for each usage type.

#### *6.2.2.1.6 - Proposed Water Quantity Rates*

The various water quantity rate components from Table 6-35, Table 6-38, Table 6-40 and Table 6-43 for each usage type are combined for each customer class in Table 6-44. Table 6-45 summarizes the FY 2017 proposed water quantity rates for all water usage

**Table 6-39: Development of Conservation Rates**

| | | Projected Sales (CCF) | Conservation Rate | Notes |
|---|---|---|---|---|
| | | A | B | |
| **1** | Revenue Requirements | | $2,807,270 | *Table 6-22* |
| **2** | Units of Service | | 22,217,572 CCF | *Table 4-11* |
| **3** | **Unit Cost of Service** | | **$0.127** | ***[1] / [2] rounded up to $0.001*** |
| **4** | Residential | 15,171,032 (68.3%) | $1,916,914 | *68.3% x [B1]* |
| **5** | Non-Residential | 7,046,540 (31.7%) | $890,356 | *31.7% x [B1]* |
| **6** | **Unit Conservation Rate** | | | |
| **7** | Residential | Tier III = 1,560,024 | $1.229 / CCF | *[B4]/[A7] rounded up to $0.001* |
| **8** | Non-Residential | All = 7,046,540 | $0.127 / CCF | *[B5]/[A8] rounded up to $0.001* |

**Table 6-40: FY 2017 Proposed Conservation Rates**

| | | Conservation Rate ($/CCF) |
|---|---|---|
| **1** | **Residential** | |
| 2 | Tier IA | $0.000 |
| 3 | Tier IB | $0.000 |
| 4 | Tier II | $0.000 |
| 5 | Tier III | $1.229 |
| **6** | **Non Residential** | **$0.127** |

**Table 6-41: Tier IA Costs**

| Components | Tier IA Costs | Notes |
|---|---|---|
| **Water Supply** | $1.055 | *Table 6-35* |
| **Delivery** | $0.579 | *Table 6-36* |
| **Peaking** | $0.361 | *Table 6-38* |
| **Conservation** | $0.000 | *Table 6-39* |
| **Total** | **$1.995** | |

## Table 6-42: Development of Revenue Offset Rates

| | | Revenue Offset Rate | Notes |
|---|---|---|---|
| **1** | Rental Income | -$1,024,900 | *Table 6-22* |
| **2** | **Uses for Exemption Program** | | |
| **3** | $5/month Bill Credit | -$86,880 | *1,448 qualified accounts x $5 x 12 bills/yr* |
| **4** | Offsetting All Tier IA Costs | -$209,714 | *-$1.995(Table 6-41) x 82,306 CCF (Tier IA)* |
| **5** | **Remaining Rental Income** | **-$728,306** | ***[1] – [3] – [4]*** |
| **6** | Units of Service | 9,759,164 CCF | *Table 4-11 Tier IB only* |
| **7** | **Unit Cost of Service** | **-$0.074** | ***[5]/[6] rounded down to $0.001*** |

## Table 6-43: FY 2017 Proposed Revenue Offset Rates

| | | Revenue Offset Rates ($/CCF) | Notes |
|---|---|---|---|
| **1** | **Residential** | | |
| 2 | Tier IA | -$1.995 | *Table 6-41* |
| 3 | Tier IB | -$0.074 | *Table 6-42* |
| 4 | Tier II | $0.000 | |
| 5 | Tier III | $0.000 | |
| **6** | **Non Residential** | $0.000 | |

## Table 6-44: Proposed Water Quantity Rate Components

| | Water Supply | Delivery | Peaking | Conservation | Revenue Offset | Proposed FY 2017 |
|---|---|---|---|---|---|---|
| | *A (Table 6-35)* | *B (Table 6-36)* | *C (Table 6-38)* | *D (Table 6-39)* | *E (Table 6-43)* | *F = A + B + C + D + E* |
| **Residential** | | | | | | |
| Tier IA | $1.055 | $0.579 | $0.361 | $0.000 | -$1.995 | **$0.000** |
| Tier IB | $1.055 | $0.579 | $0.361 | $0.000 | -$0.074 | **$1.921** |
| Tier II | $2.645 | $0.579 | $0.454 | $0.000 | $0.000 | **$3.678** |
| Tier III | $2.907 | $0.579 | $0.651 | $1.229 | $0.000 | **$5.366** |
| **Non-Residential** | $1.747 | $0.579 | $0.405 | $0.127 | $0.000 | **$2.858** |

### Table 6-45: FY 2017 Proposed Water Quantity Rates

| | Current Tier Widths[28] | Proposed Tier Widths | Current FY 2017 ($ / CCF) | Proposed FY 2017 ($ / CCF) |
|---|---|---|---|---|
| **Residential** | | | | |
| Tier IA | 0 – 5 CCF | 0 – 6 CCF | **$1.427** | **$0.000** |
| Tier IB | 0 – 5 CCF | 0 – 6 CCF | **$2.569** | **$1.921** |
| Tier II | 6 – 15 CCF | 7 – 13 CCF | **$2.854** | **$3.678** |
| Tier III | Above 15 CCF | Above 13 CCF | **$4.281** | **$5.366** |
| **Non-Residential** | | | **$2.854** | **$2.858** |

### Table 6-46: FY 2017 Projected Recycled Water Sales and Peaking Characteristics

| Recycled Water Services | Projected Water Sales (CCF) | Peaking Factors | Equivalent Peaking Usage |
|---|---|---|---|
| | *A (Table 2-3)* | *B (Table 4-10)* | *C = A x B* |
| Peaking | 1,071,512 | 1.79 | 1,912,920 |
| Non-Peaking | 414,249 | 1.00 | 414,249 |
| Interruptible | 292,914 | 1.00 | 292,914 |
| Contract Rates[29] | 175,313 | N/A | N/A |
| **Total Non-Contract Recycled Water Sales** | **1,778,675 CCF** | | **2,620,083** |

types. Current and proposed tier definitions are also shown for relative comparison.

#### 6.2.2.2 - Recycled Water Rates

Similar to potable water quantity rates, RW peaking rates are calculated using the respective peaking factors for different RW services: peaking, non-peaking, interruptible and contract rates. Equivalent peaking usage for RW services is calculated in Table 6-46.

On February 20, 1998, the County of Los Angeles and LBWD executed the First Amendment to Agreement WD-1604 regarding recycled water at Lakewood County Club (LCC). The amendment details the method of determining the price for recycled water to LCC, that being the rate the LCC posts for sale of potable water to third parties under LCC's own water right. The current contract rate for LCC is shown in Table 2-3 and subject to the Agreement WD-1604 terms, thus is not subject the cost of service analysis of this Rate Study.

Table 6-47 illustrates the development of delivery and peaking rates for RW services after adjusted for contract RW revenues. Delivery (69.9%) and peaking (30.1%) revenue requirements for non-contract RW services are $2.170M and $0.934M, respec-

[28] *Shown tier widths per dwelling unit for single family customers only, duplex and multi-family customers have different tier definitions*

[29] *Agreement WD-1604 between LBWD and LCC*

tively, adjusted for the projected revenues from contract sales. The revenue requirements are divided by units of service from Table 6-46 to determine the average unit RW rates. The resulting unit RW peaking rates are then multiplied by the corresponding peaking factors (Table 6-46) to derive the RW peaking rates.

Table 6-48 summarizes the proposed RW quantity rates by rate components for FY 2017 by customer class. The resulting RW rates are approximately 55-65% of proposed non-residential potable water rates.

### Table 6-47: FY 2017 Recycled Water Quantity Rate Revenue Requirements

| | Rate Components | Delivery | Peaking | Notes |
|---|---|---|---|---|
| | *A* | *B (Table 6-23)* | *C (Table 6-23)* | *D* |
| **1** | **Revenue Requirements** | $2,310,230 | $994,510 | |
| **2** | | 69.9% | 30.1% | |
| **3** | **Contract RW Revenues** | $139,836 | $60,197 | *$1.141 x 175,313 CCF* |
| **4** | **Non-Contract RW Revenue Requirements** | **$2,170,395** | **$934,314** | ***[1]-[3]*** |
| **5** | Units of Service | 1,778,675 CCF | 2,620,083 CCF | *Table 6-46* |
| **7** | **Unit RW Rates** | **$1.221 / CCF** | **$0.357 / CCF** | *[4]/[5] rounded up to $0.001* |
| **8** | Peaking | $1.221 | $0.638 | *Peaking = $0.360 x 1.79* |
| **9** | Non-Peaking / Interruptible | $1.221 | $0.357 | |

### Table 6-48: Proposed Recycled Water Quantity Rates

| | Delivery | Peaking | Proposed FY 2017 | Current Rate | % of Non-Residential Water Rate |
|---|---|---|---|---|---|
| | ***A (Table 6-47)*** | ***B (Table 6-47)*** | ***C = A + B*** | ***D*** | ***E = C / $2.858*** |
| Peaking | $1.221 | $0.638 | **$1.859** | $1.998 | 65% |
| Non-Peaking | $1.221 | $0.357 | **$1.578** | $1.427 | 55% |
| Interruptible | $1.221 | $0.357 | **$1.578** | $1.427 | 55% |

# SEWER
# COST OF SERVICE AND RATES

*On February 1988, the Department assumed the responsibility of the various functions of the City's sanitary sewer system, including operations and maintenance. The Department operates and maintains nearly 765 miles of sanitary sewer lines, safely and expeditiously delivering over 40 million gallons per day to Los Angeles County Sanitation Districts facilities located on the north and south sides of the City of Long Beach.*

This section of the Report discusses the allocation of O&M expenses and capital costs to the appropriate parameters consistent with industry standards, the determination of unit costs, and calculation of costs by customer class.

To allocate the cost of service among the different customer classes, the costs first need to be allocated to the appropriate sewer parameters. The following sections describe the allocation of the operating and capital costs of service to the appropriate parameters of the sewer system.

The total cost of sewer service is analyzed by system function in order to equitably distribute costs of service to the various classes of customers. For this analysis, the sewer utility costs of service are consistent with the guidelines for allocating costs detailed in the Water Environment Federation (WEF) Manual of Practice No. 27, Financing and Charges for Wastewater Systems, 2004.

Steps for COS analysis for sewer collection services:

- **Step 1:** Determine revenue requirements
- **Step 2:** Functionalize operating and capital costs and allocate functionalized costs to cost causation categories
- **Step 3:** Allocate costs to customer classes and rate components

## 7.1 - SEWER COST OF SERVICE ANALYSIS

### 7.1.1 - STEP 1 – DETERMINE REVENUE REQUIREMENTS

In this Study, sewer rates are calculated for FY 2017 (known as the Test Year) by using the LBWD's FY 2017 budget. Test Year revenue requirements are used in the cost allocation process. According to Government Code 54999.7(c), LBWD should review the cost of service analysis at least once every five to ten years to ensure that the rates are consistent with the costs of providing service.

The revenue requirement determination is based upon the premise that the utility must generate annual revenues to meet O&M expenses, any debt service needs, reserve funding to achieve target levels, and capital investment needs. Revenues from sources other than sewer rates and charges (e.g. revenues from miscellaneous services) are deducted from the rate revenue requirement. FY 2017 revenues from rates to be recovered from the LBWD's sewer customers are calculated in Table 7-1. The Sewer Fund currently has no debt but the Department is in the process of refinancing $11M line of credit (LOC) into long-term debt. LBWD staff provided RFC with the estimated debt payment schedule for the refinance to be used for the Study. The estimated debt payment for the refinanced debt in FY 2017 is equal to $637.5K. Capital replacement projects estimated / budgeted by LBWD total $3.794M, of which $1.229M is estimated to be funded from capital reserves for FY 2017. Total revenue requirements including O&M expenses, debt service and capital project expenditures are $19.1M. Other revenues include interest income, service connection, other operating revenues and other miscellaneous non-operating revenues. These non-rate revenues are equal to $486.5K. Total revenue requirements from rates in FY 2017 are $18.6M as shown in Table 7-1, the same as revenues from current rates shown in Table 2-5.

### 7.1.2 - STEP 2 – FUNCTIONALIZE COSTS AND ALLOCATE FUNCTIONALIZED COSTS TO COST CAUSATION CATEGORIES

To derive the cost to serve each customer class, the costs first need to be functionalized. This step involves the arrangement of overall costs into various functions. The sewer collection utility costs are categorized into the following functions:

- Pumping costs associated with pumping sewer to the treatment facilities
- Collection costs representing the costs to operate and maintain the sewer collection systems, including all the sewer lines
- General & administrative costs representing all other costs that do not serve a specific function
- Billing and customer service costs including meter reading, billing and collection costs associated with preparing a water customer bill and processing funds received from water users. Customer service costs include costs associated with administering customer accounts such as processing complaints, responding to customer inquiries, performing rereads, etc.
- Sewer services costs associated with providing reliable sewer service

## Table 7-1: Revenue Requirement from Sewer Rates for FY 2017

| | | FY 2017 | Notes |
|---|---|---|---|
| **1** | **REVENUE REQUIREMENTS** | | |
| **2** | O&M Expenses | $15,897,097 | *From Fund 311 Operating Budget provided by LBWD staff* |
| **3** | Debt Service | $637,500 | *Sewer debt service estimates for the refinance of $11M Line of Credit* |
| **4** | Capital replacement projects | $3,794,000 | *From Sewer Fund Project Cost Estimated provided by LBWD staff for FY 2017* |
| **5** | Reserve Funding | -$1,228,983 | *Amount of reserve used to fund capital replacement projects for FY 2017* |
| **6** | **SUBTOTAL REVENUE REQUIREMENTS** | **$19,099,614** | *Sum rows 2 to row 5* |
| **7** | | | |
| ***8*** | ***Less Other Revenues*** | | |
| **9** | Other Operating Revenues | $4,350 | *From Fund 311 Operating Budget provided by LBWD staff* |
| **10** | Non-Operating Revenues | | |
| **11** | Interest | $40,722 | *From Fund 311 Operating Budget provided by LBWD staff* |
| **12** | Service Connection | $350,000 | *From Fund 311 Operating Budget provided by LBWD staff* |
| **13** | Other Reimbursement | $5,000 | *From Fund 311 Operating Budget provided by LBWD staff* |
| **14** | Other Non-Operating Revenues | $86,400 | *From Fund 311 Operating Budget provided by LBWD staff* |
| **15** | **SUBTOTAL NON-OPERATING REVENUES** | **$486,472** | *Sum rows 9 to row 14* |
| **16** | | | |
| **17** | **NET REVENUE REQUIREMENTS FROM RATES** | **$18,613,142** | ***Row [6] – Row [15]*** |

The functionalization of costs allows for better allocation of the functionalized costs to the cost causation components, which include:

- Flow
- Billing & customer service
- Meters & services
- General and administrative

Collection system costs and pumping costs are allocated entirely to flow since the collection system is designed to handle sewer flow. Table 7-2 shows the different allocations to the cost causation categories of each function.

Working closely with LBWD staff, RFC reviewed and functionalized LBWD's O&M expenses and asset list for its sewer system. Using the allocation factors from Table 7-2 for the operating budget for the Sewer Fund (Fund 311, provided by LBWD staff), Table 7-3 summarizes the allocation of FY 2017 O&M expenses to cost categories and allocation percentage for operating related costs.

Table 7-4 shows the fixed asset values of the Sewer Fund using replacement costs by sewer asset type as of September 30, 2015. To reduce rate variability from year to year, allocation of fixed assets to cost causations is used for the approximation of long-term cost

## Table 7-2: Allocations of Functionalized Sewer Costs to Cost Causation Categories

| Functions | Flow | Billing & Customer Service | Meters & Services | G&A |
|---|---|---|---|---|
| **Pumping** | 100.0% | | | |
| **Collection** | 100.0% | | | |
| **General & Administrative (G&A)** | | | | 100.0% |
| **Billing** | | 100.0% | | |
| **Customer Service** | | 100.0% | | |
| **Sewer Services** | | | 100.0% | |

## Table 7-3: Results of Sewer Operating Expenses Allocation (Excluding Debt Service)

| O&M Expenses | Functions | FY 2017 | Flow | Billing & CS | Meters & Services | General |
|---|---|---|---|---|---|---|
| **Finance G&A (Sewer)** | | | | | | |
| Billing & Collection Div Charge | Billing | $377,595 | $0 | $377,595 | $0 | $0 |
| Call Center Srv Charge | Customer Service | $1,612,525 | $0 | $1,612,525 | $0 | $0 |
| Other Finance G&A (Sewer) | G&A | $7,065,296 | $0 | $0 | $0 | $7,065,296 |
| | | | | | | |
| **Sewer Collection** | Collection | $1,389,173 | $1,389,173 | $0 | $0 | $0 |
| **Sewer Line/Main Breaks** | Sewer Services | $1,572,200 | $0 | $0 | $1,572,200 | $0 |
| **Sewer Ops Admin** | Sewer Services | $3,447,663 | $0 | $0 | $3,447,663 | $0 |
| **Sewer Pump Stations** | | | | | | |
| Power | Pumping | $102,146 | $102,146 | $0 | $0 | $0 |
| Other Sewer Pump Stations | Pumping | $380,500 | $380,500 | $0 | $0 | $0 |
| Less Capitalized Interest | Sewer Capital | -$50,000 | -$49,059 | -$20 | $0 | -$921 |
| **Total Sewer O&M Expenses** | | **$15,897,097** | **$1,822,760** | **$1,990,100** | **$5,019,863** | **$7,064,375** |
| | | | **11.5%** | **12.5%** | **31.6%** | **44.4%** |

**Table 7-4: Results of Sewer Capital Cost Allocation**

| Descriptions | Functions | Replacement Costs[30] | Flow | Billing & Customer Service | Meters & Services | G&A |
|---|---|---|---|---|---|---|
| **Major Class D5 -- WATER DEPT DISTRIBUTION SYSTEMS** | Collection | **$12,312** | $12,312 | | | |
| **Major Class B5 -- WATER DEPT BUILDING & FACILITIES** | Collection | **$317,663,887** | $317,663,887 | | | |
| **Major Class E5 -- OFFICE EQUIPMENT, FURNITURE & FIXTURES** | Customer Service | **$131,201** | | $131,201 | | |
| **Major Class M5 -- WATER DEPT MACHINERY, EQUIPMENT** | Pumping | **$536,725** | $536,725 | | | |
| **Major Class V5 -- WATER DEPT GENERAL PLANT EQUIPMENT** | G&A | **$5,974,313** | | | | $5,974,313 |
| **Total** | | **$324,318,438** | **$318,212,924** | **$131,201** | **$0** | **$5,974,313** |
| **Sewer Capital Cost Allocation %** | | | **98.12%** | **0.04%** | **0.00%** | **1.84%** |

of capital to be used for allocating capital related costs of the revenue requirements. Replacements costs, obtained by inflating original costs to current dollars using the Engineering News Record – Construction Cost Index (ENR CCI) of Los Angeles, consider changes in the value of money over time, and thus provide more consistent allocation of costs.

Net revenues from rates are allocated to cost causation categories and summarized in Table 7-5. Debt service, capital replacement projects, reserve funding are considered capital costs, and thus corresponding costs are allocated using the allocation factors shown in Table 7-4. The O&M expenses allocation is from Table 7-3. All other revenues are allocated to general and administrative categories.

### 7.1.3 - STEP 3 – COST ALLOCATIONS TO RATE COMPONENTS

Table 7-6 summarizes the $18.6M sewer revenue requirements for FY 2017 by cost causation categories and its allocation to different rate components of the sewer rates. Sewer rates consist of fixed and variable rate components to help achieve revenue stability. Sewer daily service charges should recover 100% of billing and customer service costs and meters and services costs along with a portion of the general & administrative costs. The remaining costs should be recovered in sewer volumetric rates.

[30] *Escalated from Original Costs as of September 30, 2015 to 2015 dollars using Engineering News Resources Construction Cost Indices (ENR CCI) of Los Angeles*

## Table 7-5: Allocations of Revenue Requirements to Cost Causation Categories

| | FY 2017 (Table 7-1) | Flow | Billing & Customer Service | Meters & Services | G&A |
|---|---|---|---|---|---|
| **REVENUE REQUIREMENTS** | | | | | |
| O&M Expenses (from Table 7-3) | $15,897,097 | $1,822,760 | $1,990,100 | $5,019,863 | $7,064,375 |
| Debt Service[31] | $637,500 | $625,499 | $258 | $0 | $11,743 |
| Capital Replacement Projects[32] | $3,794,000 | $3,722,575 | $1,535 | $0 | $69,890 |
| Reserve Funding[33] | -$1,228,983 | -$1,205,847 | -$497 | $0 | -$22,639 |
| **SUBTOTAL REVENUE REQUIREMENTS** | **$19,099,614** | **$4,964,987** | **$1,991,395** | **$5,019,863** | **$7,123,369** |
| ***Less Other Revenues*** | | | | | |
| **Other Operating Revenues** | $4,350 | $0 | $0 | $0 | $4,350 |
| **Non-Operating Revenues** | | | | | |
| Interest | $40,722 | $0 | $0 | $0 | $40,722 |
| Service Connection | $350,000 | $0 | $0 | $0 | $350,000 |
| Other Reimbursement | $5,000 | $0 | $0 | $0 | $5,000 |
| Other Non-Operating Revenues | $86,400 | $0 | $0 | $0 | $86,400 |
| **SUBTOTAL NON-OPERATING REVENUES** | **$486,472** | **$0** | **$0** | **$0** | **$486,472** |
| **NET REVENUE REQUIREMENTS FROM SEWER RATES** | **$18,613,142** | **$4,964,987** | **$1,991,395** | **$5,019,863** | **$6,636,897** |

## Table 7-6: Cost Allocation to Sewer Rate Components

| Cost Categories | FY 2017 | Sewer Service Charges | | Sewer Volumetric Rates | |
|---|---|---|---|---|---|
| | | Billing & Customer Service | Sewer Services | Flow Based | G&A Services |
| **Flow** | $4,964,987 | | | $4,964,987 | |
| **Billing & Customer Service** | $1,991,395 | $1,991,395 | | | |
| **Meters & Services** | $5,019,863 | | $5,019,863 | | |
| **General & Administrative (G&A) Costs** | $6,636,897 | | $4,786,718 | | $1,850,179 |
| **Total Cost of Service** | **$18,613,142** | **$1,991,395** | **$9,806,581** | **$4,964,987** | **$1,850,179** |

[31] *Using Sewer Capital Allocation Factors in Table 7-4*

[32] *Using Sewer Capital Allocation Factors in Table 7-4*

[33] *Using Sewer Capital Allocation Factors in Table 7-4*

Table 7-7: Sewer Equivalent Meter Units (EMUs)

| | FY 2017 # of Accounts | Daily Winter Average (CCF/day) | Winter Usage Ratios | Equiv Meter Units (EMUs) | # of Bills per Year |
|---|---|---|---|---|---|
| | *A (Table 2-5)* | *B* | *C = B / 0.3* | *D = A x C x 12* | *E = A x 12 bills* |
| **5/8" x 3/4"** | 67,442 | 0.303 | 1.00 | 809,304 | 809,304 |
| **1"** | 10,735 | 0.502 | 1.66 | 213,377 | 128,820 |
| **1 1/2"** | 3,935 | 1.492 | 4.92 | 232,532 | 47,220 |
| **2"** | 2,127 | 2.651 | 8.75 | 223,328 | 25,524 |
| **3"** | 395 | 6.321 | 20.86 | 98,899 | 4,740 |
| **4"** | 148 | 9.194 | 30.35 | 53,898 | 1,776 |
| **6"** | 84 | 25.803 | 85.17 | 85,853 | 1,008 |
| **8"** | 48 | 27.360 | 90.31 | 52,019 | 576 |
| **10"** | 8 | 42.413 | 140.00 | 13,440 | 96 |
| **12"** | 4 | 53.521 | 176.67 | 8,480 | 48 |
| **16"** | 0 | 78.767 | 260.00 | 0 | 0 |
| **Total** | **84,926** | | | **1,791,131** | **1,019,112** |

## 7.2 - DEVELOPMENT OF PROPOSED SEWER RATES

### 7.2.1 - PROPOSED SEWER SERVICE CHARGES

There are two components that comprise the daily service charges: billing & customer service and meters & services. This charge recognizes the fact that even when a customer does not discharge any sewage, LBWD incurs fixed costs due to the maintenance of the sewer systems, the ability or readiness to serve each connection, and/or the billing services provided to each connection.

Table 7-7 summarizes the projected number of sewer accounts in FY 2017 and illustrates the calculations for equivalent units of service for each fixed service charge component. LBWD bills its customers on a monthly basis, thus 84,926 accounts are equivalent to 1,019,112 monthly bills. The billing and customer service component recovers costs associated with meter reading, customer billing and collection, and customer service costs. These costs are the same for all meter sizes as it costs the same to provide billing and customer services to a small meter as it does for a larger meter.

The services component collects sewer service capacity related costs. Capacity related costs can be allocated to and collected through the daily service charge by meter size. This reflects the fact that larger meters have the potential to demand more capacity compared to smaller meters. The potential capacity demanded is proportional to the potential flow through each meter size as established by the daily winter average as proxy to estimate indoor usage and return to sewage. The daily winter average is the average usage in winter (Dec 2014 to March 2015) for each meter size. The ratios depict the potential flow through each meter size compared to the flow through a ¾" meter, which is the base meter size for this Study (Table 7-7 column C). For example, the flow through a 2" meter is approximately 8.75 times that of a ¾" meter. Currently, there are very few accounts with meter size greater than 8". Thus, the daily winter average is extrapolated using AWWA ratios and ¾" daily winter average usage.

**Table 7-8: Proposed Sewer Daily Unit Service Charge**

| | | Billing & Customer Service | Sewer Services | Notes |
|---|---|---|---|---|
| | | A | B | |
| **1** | Revenue Requirements | $1,991,395 | $9,806,581 | *Table* 7-6 |
| **2** | Units of Service | 1,019,112 | 1,791,131 | *Table* 7-7 |
| **3** | | monthly bills / year | monthly EMUs / year | |
| **4** | Unit Cost of Service | $1.955 | $5.476 | *[1] / [2] rounded up to $0.001* |
| **5** | **Daily Unit Cost of Service** | **$0.0650** | **$0.1810** | ***[4] x 12 bills / 365 days, rounded up to $0.001*** |

Table 7-8 illustrates the development of unit service charges (line 4 for monthly and line 5 for daily) for each charge component by dividing the revenue requirements (from Table 7-6) to the number of equivalent bills/meters per year (from Table 7-7).

The monthly fixed service charges for sewer services for FY 2017 are shown in Table 7-9 along with daily service charges and comparison with current daily service charges (columns E & F). The sewer services component for all larger meters with a meter ratio larger than 1 is scaled up using the Winter Usage Ratio shown in the "Winter Usage Ratio" column A of Table 7-9. For example, the 2" meter has a meter ratio of 8.75 and therefore has a sewer services component of $1.584 per month ($0.181 x 8.75, rounded up to the nearest $0.001). The proposed daily sewer service charge for 5/8"x3/4" meters is $0.246, a 12.5% decrease from current charge at $0.281.

### 7.2.2 - PROPOSED VOLUMETRIC SEWER RATES

Volumetric sewer rates include flow based and G&A services components. Table 7-10 illustrates the development of unit volumetric rate (line 4) for each rate component by dividing the revenue requirements (from Table 7-6) to the projected billed sewer flows (from Table 2-6).

The sewer volumetric rates for FY 2017 is $0.390/CCF of billed sewer flows (Table 7-11). It is the same as the current unit sewer volumetric rate. The average sewer volume for residential customers (single family, duplex and multi-family) are computed based on the average of actual potable water use during the winter billing periods (December to March). The winter billing periods used is determined by the meter reading schedule for the account. The actual winter usage is divided by the number of winter days to obtain an average volume. The average volume will be the cap volume of actual water use returning to sewer system on which the volumetric sewer rate is charged for the next twelve-month period beginning with May's billing periods. Each year, the average volume is recalculated for the following twelve-month period. For residential customers with no previous history of use during the winter billing periods, the average volume for the customer's meter size will be used. For sewer customers who do not receive water services from the LBWD, the volumetric sewer rate is based on the average volume for the customer's water service size.

**VOLUMETRIC SEWER RATES** INCLUDE FLOW BASED AND G&A SERVICES COMPONENTS.

## Table 7-9: Proposed Sewer Daily Service Charges

| | Winter Usage Ratios | Billing & Customer Services | Sewer Services | Proposed | Current | % Change |
|---|---|---|---|---|---|---|
| | A (Table 7-7, C) | B (Table 7-8, A5) | C A x (Table 7-8, B5) | D = B + C | E | F = D / E – 1 |
| **5/8" x 3/4"** | 1.00 | $0.065 | $0.181 | **$0.246** | $0.281 | -12.5% |
| **1"** | 1.66 | $0.065 | $0.300 | **$0.365** | $0.445 | -18.0% |
| **1 1/2"** | 4.92 | $0.065 | $0.892 | **$0.957** | $0.811 | 18.0% |
| **2"** | 8.75 | $0.065 | $1.584 | **$1.649** | $1.177 | 40.1% |
| **3"** | 20.86 | $0.065 | $3.777 | **$3.842** | $2.435 | 57.8% |
| **4"** | 30.35 | $0.065 | $5.493 | **$5.558** | $3.856 | 44.1% |
| **6"** | 85.17 | $0.065 | $15.417 | **$15.482** | $7.104 | 117.9% |
| **8"** | 90.31 | $0.065 | $16.347 | **$16.412** | $11.159 | 47.1% |
| **10"** | 140.00 | $0.065 | $25.340 | **$25.405** | $18.255 | 39.2% |
| **12"** | 176.67 | $0.065 | $31.977 | **$32.042** | $22.315 | 43.6% |
| **16"** | 260.00 | $0.065 | $47.060 | **$47.125** | $36.514 | 29.1% |

## Table 7-10: Proposed Sewer Unit Volumetric Rate

| | | Flow Based | G&A Services | Notes |
|---|---|---|---|---|
| | | A | B | |
| **1** | Revenue Requirements | $4,964,987 | $1,850,179 | *Table* 7-6 |
| **2** | Units of Service | 17,474,785 | 17,474,785 | *Table 2-6* |
| **3** | | CCF / Yr | CCF / Yr | |
| **4** | **Unit Cost of Service** | **$0.284 / CCF** | **$0.106 / CCF** | ***[1] / [2] rounded to $0.001*** |

## Table 7-11: Proposed Sewer Volumetric Rates

| | Proposed FY 2017 Rates ($ / CCF) |
|---|---|
| Flow Based (1) | $0.284 |
| G&A Services (2) | $0.106 |
| **Sewer Volumetric Rates (1) +(2)** | **$0.390 / CCF** |

# CUSTOMER IMPACT ANALYSIS

Before implementing any rate structure recommendations, it is important to understand how the proposed rate structure would impact the LBWD's customers. Customer impact analysis is a powerful tool which can be used to assist elected officials in making informed decisions. RFC conducted a series of customer impact analyses for all of LBWD's water, RW and sewer customers. The results of the analyses are included and discussed in the subsequent subsections.

## 8.1 - WATER CUSTOMER IMPACT ANALYSIS

Table 8-1 illustrates the water customer impacts by customer class if the proposed FY 2017 water rates are adopted. The analysis utilizes the projected usage by tiers by customer class, the projected number of accounts by meter size by customer class and the current and proposed rates for FY 2017. As a whole customer class, residential customers will pay slightly less under the proposed rates, resulting in a reduction of 0.33%. Private fire-lines will see the most reduction under proposed rates. RW customers will pay slightly more than current rates, with an increase of 1.81%, whereas non-residential will see the most increase from the current rates, resulting in a 4.78% increase.

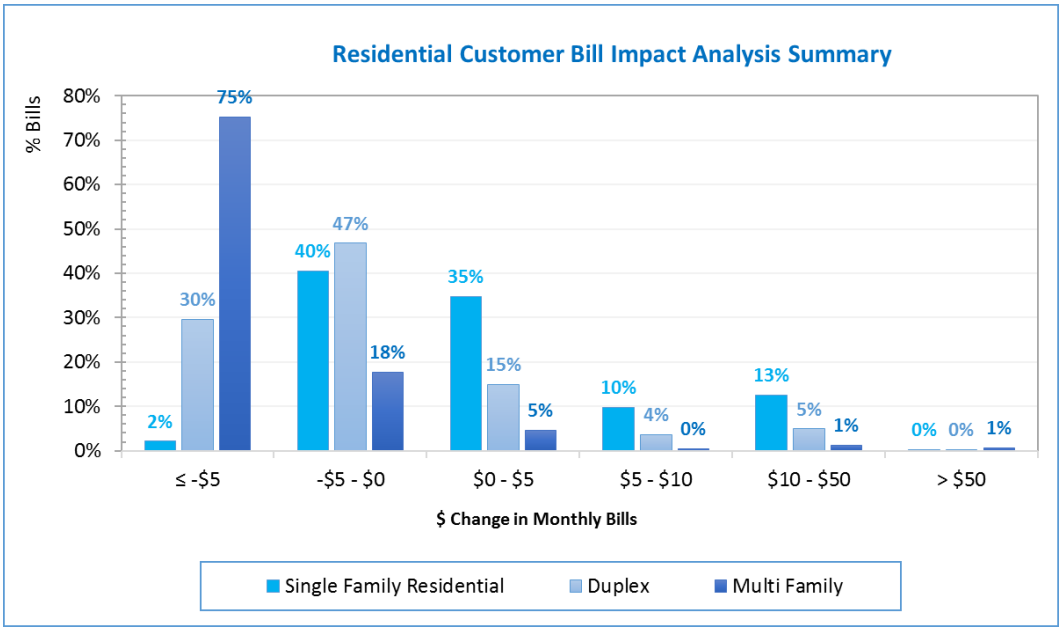
Figure 8-1 summarizes the customer impact for residential water customers, including single family, duplex and multi-family customers. RFC utilized the FY 2015 consumption database provided for the Study for residential customers to calculate the monthly water bills under the current rates and under the proposed rates to calculate the monthly bill impacts for each and every residential customer. The results are summarized by residential customer class. Under the proposed tier definitions, duplex and multi-family customers will have a larger Tier I allotment than the current tier structure. As a result, most duplex and multi-family

**Table 8-1: Water Customer Impact Analysis**

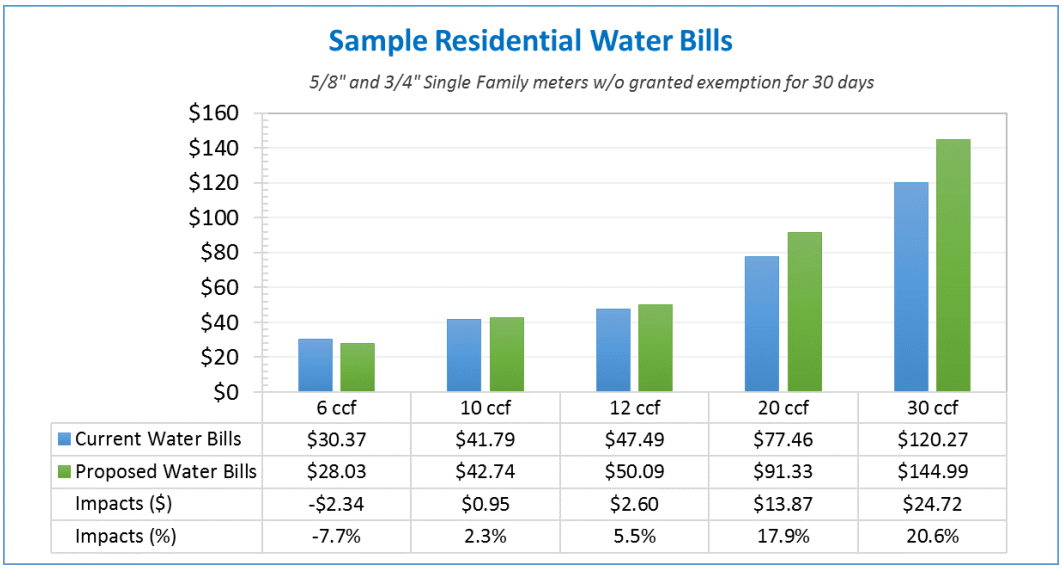
| Customer Classes | Projected FY 2017 Revenues under Current Rates | Projected FY 2017 Revenues under Proposed Rates[34] | % Impact |
|---|---|---|---|
| Residential | $60.41M | $60.21M | -0.33% |
| Non-Residential | $24.82M | $26.01M | 4.78% |
| Private Fireline | $1.86M | $1.61M | -13.73% |
| Recycled Water | $3.60M | $3.66M | 1.81% |
| **Total Water Revenues from Rates** | **$90.70M** | **$91.49M** | |

[34] *Proposed rates are rounded, thus projected revenues under proposed rates slightly deviate from actual revenue requirements. In addition, the water supply rates are based on potential water demand to hedge LBWD from selling expensive water at loss.*

## Figure 8-1: Residential Water Customer Bill Impact Summary




## Figure 8-2: Sample Single Family Residential Water Bills

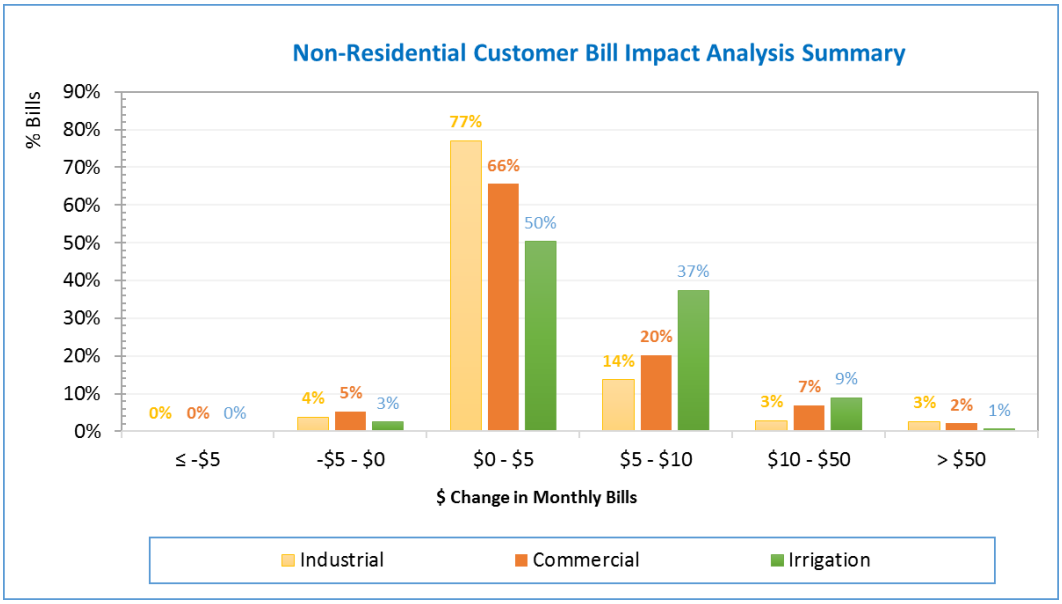



| | 6 ccf | 10 ccf | 12 ccf | 20 ccf | 30 ccf |
|---|---|---|---|---|---|
| Current Water Bills | $30.37 | $41.79 | $47.49 | $77.46 | $120.27 |
| Proposed Water Bills | $28.03 | $42.74 | $50.09 | $91.33 | $144.99 |
| Impacts ($) | -$2.34 | $0.95 | $2.60 | $13.87 | $24.72 |
| Impacts (%) | -7.7% | 2.3% | 5.5% | 17.9% | 20.6% |

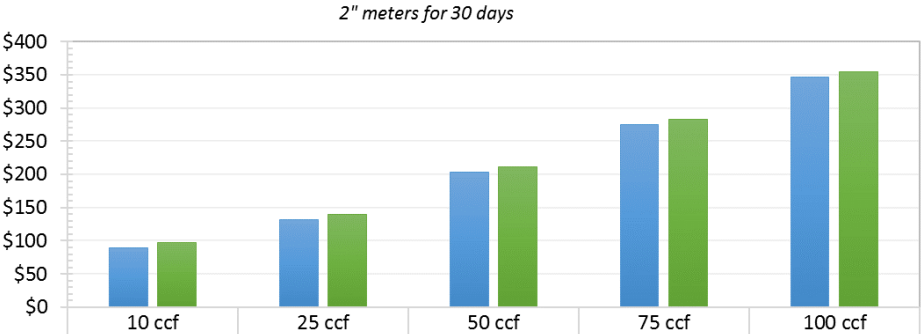
customers will see a reduction in their bills. 30% of duplex customers and 75% of multi-family customers will see more than a $5 decrease in their monthly bills, and 47% of duplex customers and 18% of multi-family customers will see a small decrease (less than $5) in their monthly bills. 42% (2+40) of single family residential bills will see a reduction under the proposed rates, 35% will see minor increases of $5 or less and 13% will see moderate impacts of $10-50 increase in monthly bills. Very small numbers (less than 1%) of single family, duplex and multifamily bills will see a monthly bill increase larger than $50.

Figure 8-2 illustrates the customer impact for a typical single family residential water customer, with a 5/8”x3/4” meter, using different levels of water in a 30-day billing period. Customers using 6 CCF or less per month will see a reduction ($2.34 or 7.7%) from their current bill. Average customers using between 10-12 CCF will see a minor increase in their bills ($0.95 - $2.60), whereas large water users, using 20 CCF or more, will notice more significant increases in their monthly bills.

## Figure 8-3: Non-Residential Water Customer Bill Impact Summary




## Figure 8-4: Sample Non-Residential Water Bills




| | 10 ccf | 25 ccf | 50 ccf | 75 ccf | 100 ccf |
|---|---|---|---|---|---|
| Current Bills | $89.65 | $132.46 | $203.81 | $275.16 | $346.51 |
| Proposed Bills | $96.77 | $139.64 | $211.09 | $282.54 | $353.99 |
| Impacts ($) | $7.12 | $7.18 | $7.28 | $7.38 | $7.48 |
| Impacts (%) | 8% | 5% | 4% | 3% | 2% |

The proposed rates send stronger conservation signals to a targeted group of customers while maintaining affordability for essential use, which is reflected in usage of 10 CCF or less per month.

Similarly, Figure 8-3 and Figure 8-4 show the results of the customer impact analyses for non-residential customers, industrial, commercial and irrigation services. The majority of non-residential customers will see an increase of less than $10 per month and very small number of industrial (3%), commercial (2%) and irrigation (1%) customers will see increases of more than $50.

Sample bills for non-residential water customers with 2" meters at various level of water usage are calculated in Figure 8-4. The main driver for the non-residential bill impacts is the increase of daily water service charges.

Figure 8-5 shows the RW customer bill impact summary. Similar to the potable water customer impact analyses shown above, RFC utilized the provided RW monthly consumption database to calculate the monthly bill impact for

Figure 8-5: Recycled Water Customer Bill Impact Summary

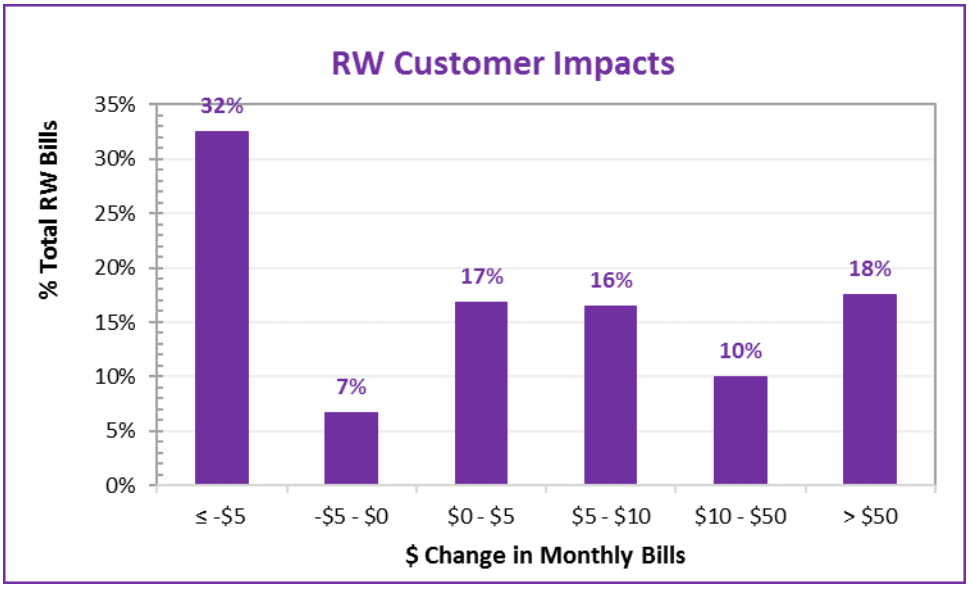



Table 8-2: Sewer Customer Impact Analysis

| Customer Classes | Projected FY 2017 Revenues under Current Rates | Projected FY 2017 Revenues under Proposed Rates[35] | % Impact |
|---|---|---|---|
| Residential | $15.55M | $15.38M | -1.04% |
| Non-Residential | $3.07M | $3.31M | 7.86% |
| **Total Sewer Revenues from Rates** | **$18.62M** | **$18.69M** | **0.43%** |

every RW bill in FY 2015. Under the proposed rates, 39% (32+7) of RW bills will see a reduction. Another 33% (17+16) of RW bills will see moderate increases (less than $10) and approximately 18% of RW bills will see increases of more than 50%.

## 8.2 - SEWER CUSTOMER IMPACT ANALYSIS

Similar to water customer impact analyses, Table 8-2 and Figure 8-6 summarize the customer impact analyses for sewer services under the proposed rates. Residential customers will pay slightly less under the proposed rates (reduction of 1.04%), whereas non-residential customers will see larger increases. The majority (13.9%+81.1%) of residential bills will see a reduction in the bills, and approximately 5% (3.6%+1.1%+0.2%+0.1%) of residential bills will see some increases, as shown in Figure 8-6. More non-residential bills will see monthly bill increases (12.2% + 17.7% + 5.9% + 1.5%).

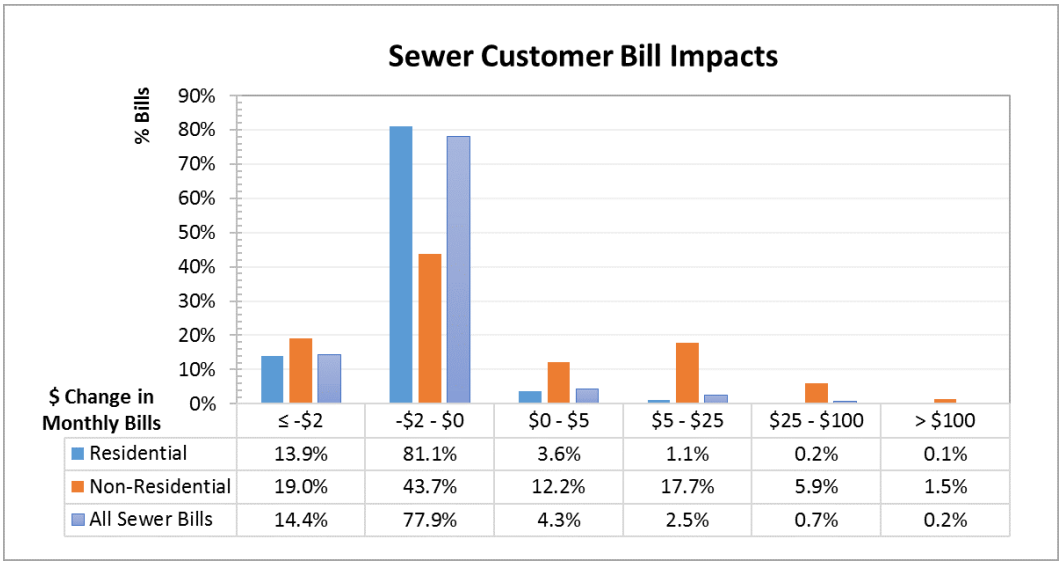
Figure 8-7 shows the bill impacts of a single family residential sewer customer with 5/8"x3/4" meters with different average volume (or billed sewer flows based on winter average volume as discussed in Section 7.2.2). The reduction of $1.05 is entirely due to the reduction of daily sewer service charges.

## 8.3 - COMBINED WATER & SEWER CUSTOMER IMPACT ANALYSIS

Table 8-3 summarizes the projected customer impacts for combined water and sewer services under the proposed rates for FY 2017. Projected revenues under proposed rates ($75.60M) from residential bills will be slightly less than under current rates ($75.96M).

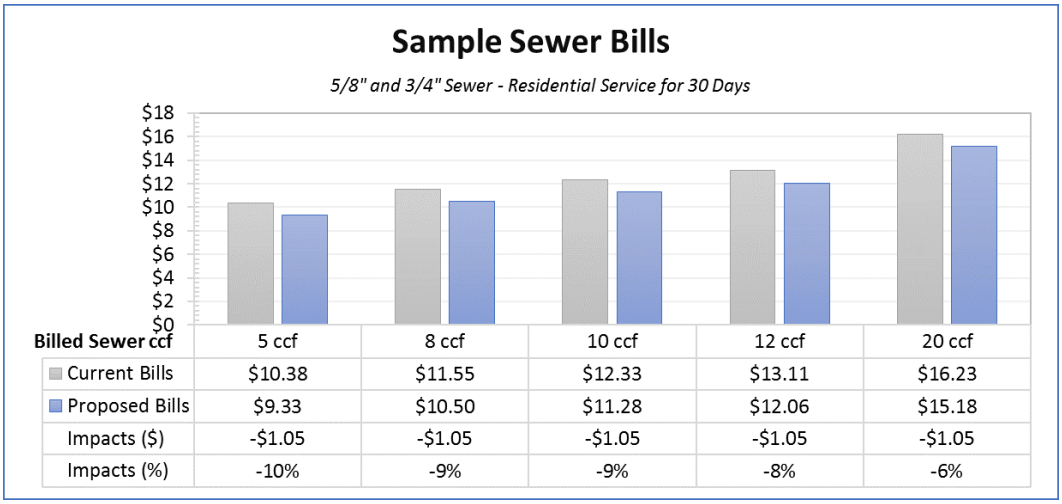
[35] *Calculated rates are rounded, thus projected revenues are not 100% matched with revenue requirements, or revenues from current rates although there is no proposed revenue adjustment.*

## Figure 8-6: Sewer Customer Bill Impact Summary




| $ Change in Monthly Bills | ≤ -$2 | -$2 - $0 | $0 - $5 | $5 - $25 | $25 - $100 | > $100 |
|---|---|---|---|---|---|---|
| Residential | 13.9% | 81.1% | 3.6% | 1.1% | 0.2% | 0.1% |
| Non-Residential | 19.0% | 43.7% | 12.2% | 17.7% | 5.9% | 1.5% |
| All Sewer Bills | 14.4% | 77.9% | 4.3% | 2.5% | 0.7% | 0.2% |

## Figure 8-7: Sample Single Family Residential Sewer Bills

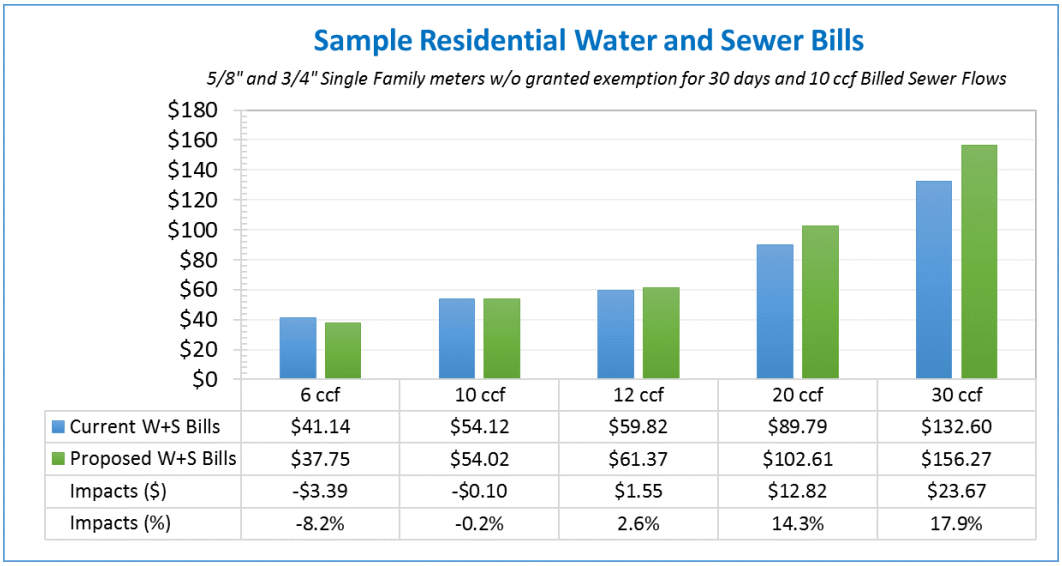



| Billed Sewer ccf | 5 ccf | 8 ccf | 10 ccf | 12 ccf | 20 ccf |
|---|---|---|---|---|---|
| Current Bills | $10.38 | $11.55 | $12.33 | $13.11 | $16.23 |
| Proposed Bills | $9.33 | $10.50 | $11.28 | $12.06 | $15.18 |
| Impacts ($) | -$1.05 | -$1.05 | -$1.05 | -$1.05 | -$1.05 |
| Impacts (%) | -10% | -9% | -9% | -8% | -6% |

## Table 8-3: Combined Water & Sewer Customer Impact Analysis

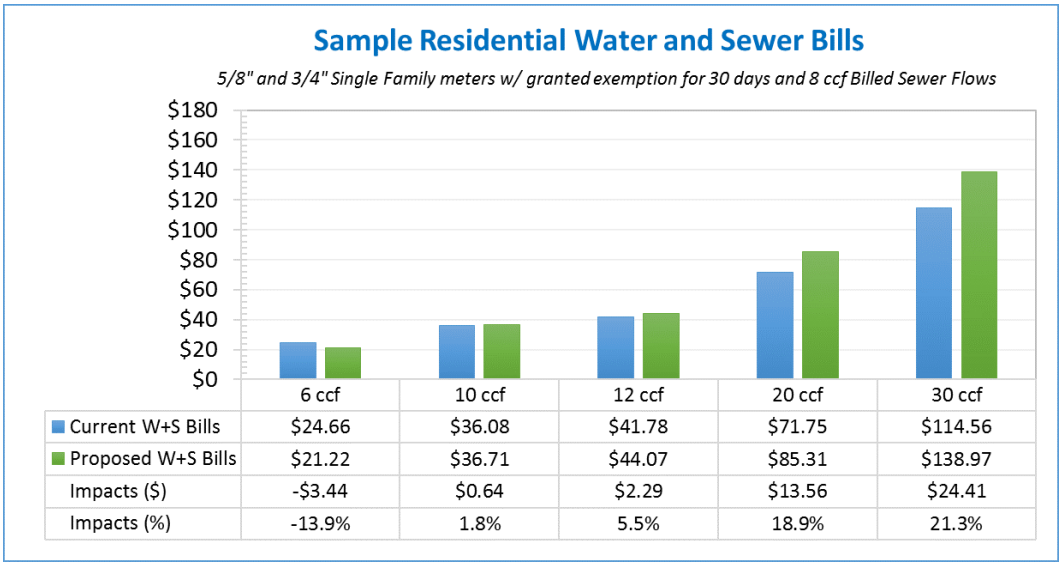
| Customer Classes | Projected FY 2017 Revenues under Current Rates | Projected FY 2017 Revenues under Proposed Rates | % Impact |
|---|---|---|---|
| Residential | $75.96M | $75.60M | -0.47% |
| Non-Residential | $27.89M | $29.32M | 5.12% |
| Private Fire | $1.86M | $1.61M | -13.73% |
| RW | $3.60M | $3.66M | 1.81% |
| **Total Water & Sewer Revenues from Rates** | **$109.31M** | **$110.19M** | **0.80%** |

## Figure 8-8: Sample Residential Combined Water and Sewer Bills




| | 6 ccf | 10 ccf | 12 ccf | 20 ccf | 30 ccf |
|---|---|---|---|---|---|
| Current W+S Bills | $41.14 | $54.12 | $59.82 | $89.79 | $132.60 |
| Proposed W+S Bills | $37.75 | $54.02 | $61.37 | $102.61 | $156.27 |
| Impacts ($) | -$3.39 | -$0.10 | $1.55 | $12.82 | $23.67 |
| Impacts (%) | -8.2% | -0.2% | 2.6% | 14.3% | 17.9% |

## Figure 8-9: Sample Exempted Residential Combined Water & Sewer Bills




| | 6 ccf | 10 ccf | 12 ccf | 20 ccf | 30 ccf |
|---|---|---|---|---|---|
| Current W+S Bills | $24.66 | $36.08 | $41.78 | $71.75 | $114.56 |
| Proposed W+S Bills | $21.22 | $36.71 | $44.07 | $85.31 | $138.97 |
| Impacts ($) | -$3.44 | $0.64 | $2.29 | $13.56 | $24.41 |
| Impacts (%) | -13.9% | 1.8% | 5.5% | 18.9% | 21.3% |

Figure 8-8 illustrates the combined customer impact for a typical single family residential customer, with 5/8"x3/4" meter, using different levels of water in a 30-day billing period and maximum of 10 CCF of billed sewer volume. Customers using 6 CCF or less per month will see a reduction ($3.39 or 8.2%) from their current bill. Average customers using 10 CCF will see almost no change in their monthly bill (-$0.10), whereas large water users, using 20 CCF or more, will notice more significant increases in their monthly bills. The proposed rates send a stronger conservation signal to a targeted group of customers while maintaining affordability for essential usage of 10 CCF or less per month.

Figure 8-9 analyzes the impact of the recommended changes to the exemption program (discussed in Section 5). 5/8"x3/4" single family meters with granted exemptions for 30 days with maximum 8 CCF of billed sewer volume using 6 CCF (Tier I) to 10 CCF (average FY 2015 monthly usage) of water will see reductions or very minimal changes in their monthly bills. The same customers using more than 20 CCF will see more impacts. The results confirm that the proposed rates address the following pricing objectives: promoting conservation and providing affordability for essential use.

# APPENDICES

## 9.1 - APPENDIX 1 – PRICING OBJECTIVES DESCRIPTIONS

### Policy Objective 1 – Administration

**Policy Statement:** The LBWD recognizes the advantages of providing a rate structure that is easily understood by the LBWD's customers and can easily be implemented and administered by staff with the current billing software, in order to maintain costs at current levels.

**Discussion:** This principle highlights the importance of keeping rate structures and the process of administering them as simple as practicable. Customer education and clarity of customer bills should be considered as part of this principle.

**Advantages of the Policy Objective:** Creating rates that are easy for customers to understand will minimize rate-related customer service issues. If customers understand the basis of their bills, they will have a greater ability to comprehend their billing, how usage will affect their bill, and conclude that it is fair.

**Disadvantage of the Policy Objective:** Simplifying the rate structure does not always provide a maximum degree of fairness and equity. However, from the customer perspective, rates that are simple to understand may be more important than creating a complicated rate structure that achieves a higher degree of equity.

**Supporting Pricing Objectives:**

**Customer Understanding** - The ability for the rate structure to be explained in a manner that can be understood by customers and other stakeholders can have important impacts on the ability to build acceptance of rate adjustments.

**Easy to Implement** - Implementing a new rate structure merits careful consideration, as rate structure implementation may require upfront (one-time) costs for data gathering or billing system changes.

**Easy to Administer** - An easy-to-administer rate structure decreases the ongoing costs of administering the structure, made up predominantly of additional staffing costs.

## Policy Objective 2 – Equity

**Policy Statement:** In compliance with the State Constitution (Article XIII D, commonly referred to as Proposition 218) and governing State Law, rates should be cost-based, fairly apportioned among customers, and account for the substantive provisions of law through a sound, technically defensible methodology.

**Discussion:** This principle highlights the importance to the LBWD of customers' perceptions of fairness and equity, while also recognizing that equity is determined on the basis of water customer classes, rather than each individual customer. Rates should generally be perceived by the LBWD's customers as fair, reasonable, and equitable for all customers.

**Advantages of the Policy Objective**: An advantage of this principle is that it reinforces the LBWD's priority of treating all customers fairly. It also underscores the importance of "LBWD-wide" fairness and equity as opposed to appeasing one customer class or stakeholder group. Also, it acknowledges the practical reality that rates cannot be custom tailored to each individual customer.

**Disadvantages of the Policy Objective**: This principle ultimately does not clearly define the terms "fair and equitable" and will still require the LBWD to apply its discretion and judgment.

**Supporting Pricing Objectives:**

**Equitable in Allocating CIP Costs** – This objective states that a rate structure achieves equity by allocating the cost of capital (infrastructure) to each customer class based on each class' consumption patterns and peaking characteristics.

**Fair to the Public** – This objective recognizes the relevance of the public's perception of how equitable a rate structure is and that managing that perception sometimes calls for informing/educating the public and other stakeholders.

**Align Supply and Demand (Equity in Allocating Water Resource Costs) –** This objective states that a rate structure achieves equity by reflecting the makeup of the demands on the LBWD's water supply in terms of allocating costs of service to each customer class and the price each customer pays for it.

## Policy Objective 3 – Appropriate Funding Mechanisms

**Policy Statement**: The LBWD recognizes the advantages of increased revenue sufficiency and stability as enabled by incorporating additional funding mechanisms or cost components into the rate structure.

**Discussion**: This principle highlights the importance of the utility ensuring adequate revenue generation for achieving a self-sustaining utility. Revenues must be adequate to satisfy salaries, operations and maintenance, as well as, new and existing capital needs. Revenue generation should also be predictable to maintain favorable credit ratings (borrowing terms for future capital funding).

**Advantages of the Policy Objective:** The good financial practice of ensuring revenue sufficiency and stability begets additional gains in financial health and better credit ratings which result in lower interest expense associated with borrowing to cover capital infrastructure costs.

**Disadvantages of the Policy Objective**: While pursuing a rate structure that promotes revenue stability and allows special-project funding is advantageous, setting rates too high may impose too great of a financial burden on users and may encourage the utility to be less fiscally responsible with operating and capital programs. In addition, the public may perceive the need as unnecessary.

**Supporting Pricing Objectives**:

**Enhance Revenue Stability** – The ability of the rate structure to generate stable and predictable revenues from year to year can be an important consideration, particularly with regard to maintaining a good credit rating for borrowing money to address infrastructure needs when needed or desired. It should be recognized that certain types of rate structures are more effective at maintaining revenue stability than others.

**Provide Funding Mechanism for Recycling / Conservation Programs** – The rate structure should provide a funding mechanism to the recycling / conservation programs of the LBWD, and in so doing, also determine the allocation of the programs' costs among customers and their associated rates.

**Ensure Revenue Sufficiency** – The ability of the rate structure to generate sufficient revenues from year to year can be an important consideration, particularly with regard to maintaining a good credit rating for borrowing money to address infrastructure needs when needed or desired. It should be recognized that certain types of rate structures are more effective at achieving and maintaining revenue sufficiency than others under different situation.

## Policy Objective 4 – Rate Stability & Affordability

**Policy Statement:** The LBWD recognizes the importance of establishing rates that generate adequate revenues from year-to-year, regardless of weather or consumption characteristics. Large and unexpected year-to-year rate increases impose financial hardships on customers and may call into question the LBWD's revenue management, fiscal responsibility, and rate equity.

**Discussion**: Rates are best when predictable over time, which requires a balance between generating sufficient revenue for utility operations, funding capital improvements, and maintaining customer support for required rate adjustments.

**Advantages of the Policy Objective**: The principle attempts to stabilize the cash flow of the LBWD and improve customer support to rate adjustments through proper revenue management of the LBWD.

**Disadvantages of the Policy Objective:** It is difficult to define "stable", as this term has different meanings for different people. Certain customers may construe stable to mean no increases from year-to-year.

**Supporting Pricing Objectives:**

**Rate Stability** - This objective aims to minimize rate increases. Careful capital and financial planning may help ensure rate stability and avoid erratic changes in rates and charges from one year to the next. Also, a steady or consistent program of smaller annual rate adjustments is generally recognized as preferable when compared to significantly larger increases every three or four years. Note: This objective is not to be confused with Revenue Stability, detailed under Policy Objective 3.

**Mitigate Customer Impact** - Any new rate structure may result in different impacts to different customers. This objective recognizes these impacts and aim to minimize them.

**Affordability for Essential Use** - This objective addresses the importance of maintaining the price of water for essential use - i.e., that which is used for health and safety - at the lowest cost possible while considering the needs of the utility, industry practice, and regulatory conditions.

## Policy Objective 5: Promotes Efficiency / Conservation

**Policy Statement:** The value of water as a limited resource should be reflected in the rates, and the LBWD's rate structure should discourage wasteful use and encourage efficient use of water resources.

**Discussion:** This principle is intended to recognize the limited resources of the LBWD and the State, as well as the environmental impact of generating new water resources. The LBWD's rates should encourage the efficient use of water. This principle is intended to encourage efficient use of limited resources by pricing water, as a commodity, roughly equal to its true cost.

**Advantages of the Policy Objective**: This principle recognizes the multiple uses of our natural resources and makes a positive statement to all customers and outside parties that the LBWD encourages the efficient use of its limited resources.

**Disadvantages of the Policy Objective**: Some customers may believe this principle necessarily implies adoption of aggressive conservation-based rates such as multi-tiered rates.

**Supporting Pricing Objectives:**

**Promotes Conservation** - The objective of water conservation is to reduce water usage and achieve savings over the year.

**Tool for Drought Management Action Plan** - This objective encourages the LBWD to remain committed to a drought management plan that allows a mechanism to allocate both water and drought penalty rates during drought conditions.

**Promotes Efficiency** - The objective of water efficiency includes development of benchmark standards associated with the appropriate amount of water usage for indoor and outdoor needs based on local characteristics of the LBWD. Standards are set on an individual customer basis and on indoor and outdoor use parameters.

**Rewards Past Conservation Effort** - This objective recognizes and rewards customers for past conservation effort, such as converting to xeriscape and artificial turf.

**Based on Individual Needs** - This objective would strive to have tier allocations based on individual household characteristics

## 9.2 - APPENDIX 2 – PRICING OBJECTIVES RANKING SUMMARY

| Pricing Objectives | Rank #1 | Rank #2 | Rank #3 | Total Score |
|---|---|---|---|---|
| **Policy Objective: Administration** | | | | |
| Customer Understanding | Most Important (4) | Very Important (3) | Very Important (3) | **10** |
| Easy to Implement | Important (2) | Important (2) | Important (2) | **6** |
| Easy to Administer | Very Important (3) | Most Important (4) | Most Important (4) | **11** |
| | | | | |
| **Policy Objective: Equity** | | | | |
| Equitable in Allocating CIP Cost | Important (2) | Important (2) | Important (2) | **6** |
| Fair to the Public | Most Important (4) | Most Important (4) | Most Important (4) | **12** |
| Align Supply & Demand | Least Important (1) | Very Important (3) | Important (2) | **6** |
| | | | | |
| **Policy Objective: Appropriate Funding Mechanisms** | | | | |
| Enhance Revenue Stability | Important (2) | Very Important (3) | Very Important (3) | **8** |
| Provide Funding Mechanism for Recycling/ Conservation Program | Very Important (3) | Important (2) | Important (2) | **7** |
| Revenue Sufficiency | Most Important (4) | Most Important (4) | Most Important (4) | **12** |
| | | | | |
| **Policy Objective: Rate Stability & Affordability** | | | | |
| Rate Stability | Very Important (3) | Most Important (4) | Most Important (4) | **11** |
| Mitigate Customer Impact | Very Important (3) | Important (2) | Very Important (3) | **8** |
| Affordability for Essential Use | Most Important (4) | Very Important (3) | Very Important (3) | **10** |
| | | | | |
| **Policy Objective: Promotes Efficiency / Conservation** | | | | |
| Promotes Conservation | Most Important (4) | Most Important (4) | Most Important (4) | **12** |
| Tool for Drought Management Action Plan | Least Important (1) | Very Important (3) | Important (2) | **6** |
| Promotes Efficiency | Very Important (3) | Important (2) | Important (2) | **7** |
| Rewards Past Conservation Effort | Important (2) | Important (2) | Important (2) | **6** |
| Economic Development | Least Important (1) | Important (2) | Least Important (1) | **4** |
| Based on Individual Needs | Least Important (1) | Least Important (1) | Least Important (1) | **3** |

| Pricing Objectives | Total Score | Rank |
|---|---|---|
| **Fair to the Public** | 12 | 1 |
| **Revenue Sufficiency** | 12 | 1 |
| **Promotes Conservation** | 12 | 1 |
| **Easy to Administer** | 11 | 4 |
| **Rate Stability** | 11 | 4 |
| **Customer Understanding** | 10 | 6 |
| **Affordability for Essential Use** | 10 | 6 |
| **Enhance Revenue Stability** | 8 | 8 |
| **Mitigate Customer Impact** | 8 | 8 |
| **Provide Funding Mechanism for Recycling/ Conservation Program** | 7 | 10 |
| **Promotes Efficiency** | 7 | 10 |
| **Easy to Implement** | 6 | 12 |
| **Equitable in Allocating CIP Cost** | 6 | 12 |
| **Align Supply & Demand** | 6 | 12 |
| **Tool for Drought Management Action Plan** | 6 | 12 |
| **Rewards Past Conservation Effort** | 6 | 12 |
| **Economic Development** | 4 | 17 |
| **Based on Individual Needs** | 3 | 18 |

## 9.3 - APPENDIX 3 – WATER SUPPLY COST INFORMATION

| | FY 2017 | Weighted Average FY 2017 Unit Cost |
|---|---|---|
| **Projected Potable Water Sales** | 51,005 AF | |
| **Water Loss** | 3.40% | |
| | | |
| **Available Annual Domestic Supply (in AF)** | | |
| **Groundwater (WRD)** | 32,692 AF | $294 /AF |
| **Lakewood Interconnect** | 900 AF | $573 /AF |
| **MWD Tier 1** | 51,804 AF | $970 /AF |

| Groundwater Assessment | FY 2017 | Notes |
|---|---|---|
| **Groundwater (WRD) Pumped Quantity (%)** | 32,692 AF | |
| Oct - Jun | 70% | *Estimated by LBWD Staff* |
| Jul - Sep | 30% | *Estimated by LBWD Staff* |
| **Groundwater Assessment ($/AF)** | | |
| Oct - Jun | $293 /AF | *Provided by LBWD Staff* |
| Jul - Sep | $297 /AF | *Provided by LBWD Staff* |
| **Groundwater Assessment FY 2017 ($/AF)** | **$294 /AF** | ***70% x $293 + 30% x $297*** |

| MWD Variable Rates | FY 2017 | Notes |
|---|---|---|
| **MWD Purchased Before Jan 1 (%)** | 24% | *Estimated by LBWD Staff* |
| **MWD Purchased After Jan 1** | 76% | |
| **MWD Tier 1** | | |
| Oct - Dec | $942 /AF | *Published by MWD – Treated Full Service Tier 1 effective Jan 2016* |
| Jan - Sep | $979 /AF | *Published by MWD – Treated Full Service Tier 1 effective Jan 2017* |
| **MWD Tier 2** | | |
| Oct - Dec | $1,076 /AF | *Published by MWD – Treated Full Service Tier 2 effective Jan 2016* |
| Jan - Sep | $1,073 /AF | *Published by MWD – Treated Full Service Tier 2 effective Jan 2017* |
| **MWD Tier 1 FY 2017 Unit Cost** | **$970 /AF** | *24% x $942 + 76% x $979* |
| **MWD Tier 2 FY 2017 Unit Cost** | **$1,074 /AF** | *24% x $1,076 + 76% x $1,073* |

## 9.4 - APPENDIX 4 – FIRE FLOW REQUIREMENTS

**American Insurance Association (AIA)**
**Fire Protection Capacity Calculation Based on Populations**

Q=1020*SQRT(P)*(1-0.01*SQRT(P))
T=Q/1000

Q=fire protection rate (gpm)
P=populatoin (1,000's)
T=duration (hours), rounded to nearest hour

For a population of 500,000

| | | |
|---|---|---|
| Q= | 17,708 | gpm |
| T= | 18 | hours |
| NFF= | 18,814,169 | gallons |

## 9.5 - APPENDIX 5 – WATER FINANCIAL PLAN PROFORMA

Water Financial Plan Proforma shown below is prepared in the "2016 Long Beach Rate Model Final.xlsm" concluded in Oct 24, 2016 using the information provided by LBWD Staff including:

1. Budget for Fiscal Year 2017 for Revenues and Expenses for Water Fund
2. Water Capital Replacement Projects Expenditures for FY 2016 and FY 2017 as part of the 10-year CIP project cost estimates
3. Current Debt Service Schedule payable by Water Fund including Series 1997 Bonds, Series 2010 Bonds and Series 2012 Bonds
4. Reserve Policy Approved on August 18, 2016 (Board Policy 2016-34)
5. Beginning Water Reserve Balances as of Oct 1, 2015 (FY 2016) and Oct 1, 2016 (FY 2017)

| | | FY 2016 | FY 2017 |
|---|---|---|---|
| | New Rates Effective Date | Oct | Oct |
| | Projected Potable Water Production (w/ loss) | 52,739 AF | 52,739 AF |
| | Projected RW Sales | 4,486 AF | 4,486 AF |
| **REVENUES** | | | |
| | **OPERATING REVENUES** | | |
| | Revenues from Current Rates | $87,199,472 | $90,696,459 |
| | ***Potable*** | ***$83,738,823*** | ***$87,097,174*** |
| | Daily Service Charge | $22,761,353 | $23,675,375 |
| | Quantitative Charge | $60,977,470 | $63,421,799 |
| | ***RW*** | ***$3,460,649*** | ***$3,599,285*** |
| | Daily Service Charge | $239,670 | $249,250 |
| | Quantitative Charge | $3,220,980 | $3,350,035 |
| | Revenue Adjustments | $0 | $0 |
| | **Revenues from Rates** | ***$87,199,472*** | ***$90,696,459*** |
| | **Other Revenues** | | |
| | Other Operating Revenues | $245,905 | $1,094,927 |
| | Non-Operating Revenues | | |
| | Interest | $122,000 | $75,705 |
| | Rental | $1,085,993 | $1,024,900 |
| | Service Connection | $225,000 | $305,000 |
| | Grants | $0 | $750,000 |
| | Other Reimbursement | $5,839,150 | $4,224,488 |
| | Other Non-Operating Revenues | $53,740 | $53,740 |
| | ***Subtotal Other Revenues*** | ***$7,571,788*** | ***$7,528,760*** |
| **TOTAL REVENUES** | | **$94,771,260** | **$98,225,219** |
| **O&M EXPENSES** | | | |
| | **Potable - Operating** | **$83,418,682** | **$81,896,318** |
| | Salary Savings | -$1,000,000 | -$1,800,000 |
| | Power - Treatment | $1,866,849 | $1,918,074 |
| | Power - Pumping | $1,840,066 | $1,809,114 |
| | Water Purchases - Customer Demand | $21,475,338 | $21,739,401 |
| | Water Purchases - Seawater Barrier | $2,003,497 | $821,829 |
| | Water Pump Tax | $9,349,912 | $9,617,986 |
| | Chemical | $1,879,407 | $1,511,640 |
| | Other O&M Expenses | $46,003,613 | $46,278,274 |
| | **Reclaimed - Operating** | **$3,174,711** | **$3,575,118** |
| | Power | $2,086,121 | $2,014,511 |
| | Chemical | $512,636 | $435,117 |
| | Other Treatment Reclaimed Dist | $427,509 | $1,012,898 |
| | Other Reclaimed O&M Expenses | $916,446 | $912,592 |
| | **Less Capitalized Interest** | -$768,000 | -$800,000 |
| **TOTAL O&M EXPENSES** | | **$86,593,393** | **$85,471,436** |
| **NET REVENUES** | | **$8,177,867** | **$12,753,783** |
| **DEBT SERVICE** | | **$3,894,325** | **$3,894,775** |
| | Current Debt Service | $3,894,325 | $3,894,775 |
| | *Series 1997 Bonds* | *$0* | *$0* |
| | *Series 2010 Bonds* | *$2,990,125* | *$2,992,525* |
| | *Series 2012 Bonds* | *$904,200* | *$902,250* |
| **CAPITAL REPLACEMENT PROJECTS** | | **$13,447,000** | **$12,588,000** |
| **NET CASH CHANGES** | | **-$9,163,458** | **-$3,728,992** |
| **BEGINNING WATER FUND BALANCES** | | **$24,573,060** | **$17,043,347** |
| **ENDING WATER FUND BALANCES** | | **$15,409,602** | **$13,314,355** |
| **TARGET WATER FUND BALANCES** | | **$34,858,271** | **$34,839,994** |
| | Operations 25.0% of O&M | $21,648,348 | $21,367,859 |
| | Rate Stabiliza 5.0% of Vol. Rev | $3,209,922 | $3,472,135 |
| | Emergency 0.0% % Asset Values by OCLD | $0 | $0 |
| | Capital 100.0% 3-yr Index CIP | $10,000,000 | $10,000,000 |

## 9.6 - APPENDIX 6 – SEWER FINANCIAL PLAN PROFORMA

Sewer Financial Plan Proforma shown below is prepared in the "2016 Long Beach Rate Model Final.xlsm" concluded in Oct 24, 2016 using the information provided by LBWD Staff including:

1. Budget for Fiscal Year 2017 for Revenues and Expenses for Sewer Funds
2. Capital Replacement Projects Expenditures for FY 2016 and FY 2017
3. Estimated Debt Schedule to be issued in FY 2017 to refinance $11M Line of Credit (LOC) used for capital expenditures incurred
4. Reserve Policy Approved on August 18, 2016 (Board Policy 2016-34)
5. Beginning Sewer Reserve Balances as of Oct 1, 2015 (FY 2016) and Oct 1, 2016 (FY 2017)

| | | FY 2016 | FY 2017 |
|---|---|---|---|
| | New Rates Effective Date | Oct | Oct |
| | Projected Sewer Volumetric Sales | 40,117 AF | 40,117 AF |
| **REVENUES** | | | |
| | **OPERATING REVENUES** | | |
| | Revenues from Current Rates | $17,893,433 | $18,613,142 |
| | Daily Sewer Rate | $11,340,389 | $11,797,976 |
| | Volumetric Sewer Rate | $6,553,044 | $6,815,166 |
| | Revenue Adjustments | $0 | $0 |
| | ***Revenues from Rates*** | ***$17,893,433*** | ***$18,613,142*** |
| | **Other Revenues** | | |
| | Other Operating Revenues | $4,350 | $4,350 |
| | **Non-Operating Revenues** | | |
| | Interest | $15,000 | $40,722 |
| | Service Connection | $350,000 | $350,000 |
| | Other Reimbursement | $5,000 | $5,000 |
| | Other Non-Operating Revenues | $86,400 | $86,400 |
| | ***Subtotal Other Revenues*** | ***$460,750*** | ***$486,472*** |
| **TOTAL REVENUES** | | **$18,354,183** | **$19,099,614** |
| **O&M EXPENSES** | | | |
| | Finance G&A (Sewer) w/o Debt Service | $9,057,038 | $9,055,416 |
| | Sewer Collection | $1,024,268 | $1,389,173 |
| | Sewer Line/Main Breaks | $1,679,400 | $1,572,200 |
| | Sewer Ops Admin | $3,302,716 | $3,447,663 |
| | Sewer Pump Stations | | |
| | Power | $102,146 | $102,146 |
| | Other Sewer Pump Stations | $260,500 | $380,500 |
| | **Less Capitalized Interest** | -$49,000 | -$50,000 |
| **TOTAL O&M EXPENSES** | | **$15,377,068** | **$15,897,097** |
| **NET REVENUES** | | **$2,977,115** | **$3,202,517** |
| **DEBT SERVICE** | | **$127,847** | **$637,500** |
| | Sewer LOC Interest Expenses | $127,847 | $0 |
| | Current Debt Service | $0 | $637,500 |
| | Proposed Debt Service | $0 | $0 |
| **NEW DEBT / SRF LOAN** | | | |
| | Debt Issues | $0 | $11,765,353 |
| | Issuance Costs | $0 | $0 |
| | Debt Service Reserve | $0 | $765,353 |
| | Debt Proceeds to Pay Off LOC Principal | $0 | $11,000,000 |
| | Debt Proceeds to Sewer Fund | $0 | $0 |
| | Line of Credit Borrow | $0 | $0 |
| | LOC Principal Balance | $11,000,000 | $0 |
| | LOC Principal Payment | $0 | $11,000,000 |
| **CAPITAL REPLACEMENT PROJECTS** | | $3,774,000 | $3,794,000 |
| **NET CASH CHANGES** | | **-$924,732** | **-$463,630** |
| **BEGINNING SEWER FUND BALANCES** | | **$10,059,572** | **$8,779,222** |
| **ENDING SEWER FUND BALANCES** | | **$9,134,840** | **$8,315,592** |
| **TARGET SEWER FUND BALANCES** | | **$9,171,919** | **$9,328,663** |
| Operations | 25% of O&M | $3,844,267 | $3,974,274 |
| Rate Stabilization | 5% of Vol. Rev | $327,652 | $354,389 |
| Emergency | 0% % Asset Values by OCLD | $0 | $0 |
| Capital | 100% 3-yr Index CIP | $5,000,000 | $5,000,000 |

## 9.7 - APPENDIX 7 – ALLOCATIONS OF WATER O&M EXPENSES (DETAILS)

FY 2017 O&M expenses for Potable – Operating and RW – Operating are assigned into functions. Below are excerpts from the "2016 Long Beach Rate Model Final.xlsm" concluded in Oct 24, 2016.

| O&M Expenses, excluding Debt Service | Functions | FY 2017 |
|---|---|---|
| **POTABLE - OPERATING** | | |
| Bottling Plant | Gen & Admin | $118,868 |
| Business Accounting | | |
| Debt Service | | |
| Business Accounting w/o Debt Service | Billing | $995,298 |
| Business Admin | Gen & Admin | $983,177 |
| Commission | Gen & Admin | $95,609 |
| Communication | Customer Service | $517,268 |
| Conservation | Conservation | $2,807,270 |
| Development | Gen & Admin | $282,201 |
| Emergency Breaks | Distribution (D) | $794,443 |
| Emergency Prep | Gen & Admin | $1,019,828 |
| Eng - Admin | Production Plant | $622,302 |
| Facilities Mgmt | Production Plant | $1,528,438 |
| Finance G&A (Water) | | |
| Salary Savings | Gen & Admin | -$1,800,000 |
| Debt Service | | |
| Billing & Collection Div Charge - Interfund | Billing | $394,864 |
| Call Center Srv Charge - Interfund | Customer Service | $1,936,033 |
| Other Finance G&A (Water) | Gen & Admin | $6,031,583 |
| Fleet Services | Production Plant | $1,613,627 |
| GIS | Distribution (D) | $756,304 |
| Main Construction | Transmission (T) | $8,692,558 |
| Meter/Backflow | Meter Services | $2,095,742 |
| MIS | Gen & Admin | $1,381,398 |
| Public Affairs | Gen & Admin | $2,590,709 |
| Safety | Gen & Admin | $297,883 |
| Sewer Collections | Gen & Admin | $0 |
| Support Admin | Gen & Admin | $27,386 |
| Telemetry | Treatment | $708,172 |
| Treatment Ops | | |
| Power - Treatment | Potable Supply | $1,918,074 |
| Power - Pumping | Potable Supply | $1,809,114 |
| Water Purchases - Customer Demand | Potable Supply | $21,739,401 |
| Water Purchases - Seawater Barrier | Gen & Admin | $821,829 |
| Water Pump Tax | Potable Supply | $9,617,986 |
| Chemical | Potable Supply | $1,511,640 |
| Other Treatment Ops | Treatment | $5,649,598 |
| Valve Ops | Distribution (D) | $228,700 |
| Warehouse | Production Plant | $531,699 |
| Water Ops Admin | Production Plant | $502,262 |
| Water Quality | Treatment | $1,467,155 |
| Water Resources | Gen & Admin | $1,607,898 |
| **Subtotal Water O&M, excl. Debt Service** | | **$81,896,318** |

| O&M Expenses, excluding Debt Service | Functions | FY 2017 |
|---|---|---|
| **RECLAIMED - OPERATING** | | |
| Reclaimed - Development | RW Avg Demand | $0 |
| Reclaimed - Facilities Mgmt | RW Avg Demand | $0 |
| Reclaimed - Finance G&A (Water) | Gen & Admin | $850,000 |
| Reclaimed - Main Construction | RW Distribution | $0 |
| Reclaimed - Meter/Backflow | Gen & Admin | $0 |
| Treatment Reclaimed Dist | | |
| Labor | RW Reimburs. Costs | $0 |
| Power | RW Reimburs. Costs | $2,014,511 |
| Chemical | RW Reimburs. Costs | $435,117 |
| Other Treatment Reclaimed Dist | RW Reimburs. Costs | $1,012,898 |
| Reclaimed - Valve Ops | RW Distribution | $0 |
| Reclaimed - Water Resources | Gen & Admin | $62,592 |
| **Subtotal RW O&M** | | **$4,375,118** |
| | | TRUE |
| Less Capitalized Interest | Capital Costs | -$800,000 |
| | | |
| **Total Water / RW O&M Expenses, excl. Debt Service** | | **$85,471,436** |
| | **TRUE** | TRUE |

## 9.8 - APPENDIX 8 – WATER REVENUE REQUIREMENT ALLOCATION TO COST CATEGORIES

Allocations of water revenue requirement to cost categories are documented in the "2016 Long Beach Rate Model Final.xlsm" concluded in Oct 24, 2016. Below is excerpt from the Model.

| CURRENT REVENUE REQUIREMENTS | FY 2017 | Water Supply | Base Fixed | Max Day | Max Hour | Billing & CS | Meters & Services | RW Supply | RW Base Fixed | RW Max Day | RW Max Hour | Conservation | Rev Offsets | General | Fire Protection | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE REQUIREMENTS** | | | | | | | | | | | | | | | | |
| O&M Expenses | $85,471,436 | $36,596,215 | $14,898,581 | $4,089,850 | $526,822 | $3,841,976 | $2,002,527 | $0 | $3,447,874 | -$22,256 | -$34,562 | $2,807,270 | $0 | $14,249,290 | $3,067,850 | **$85,471,436** |
| Debt Service | $3,894,775 | $0 | $1,159,396 | $400,230 | $426,469 | $7,240 | $453,817 | $0 | $71,333 | $108,351 | $168,263 | $0 | $0 | $592,357 | $507,318 | **$3,894,775** |
| Rate Funded CIP | $12,588,000 | $0 | $3,747,195 | $1,293,553 | $1,378,359 | $23,400 | $1,466,746 | $0 | $230,551 | $350,192 | $543,831 | $0 | $0 | $1,914,511 | $1,639,663 | **$12,588,000** |
| Reserve Funding w/o Revenue Adjustment | -$3,728,992 | $0 | -$1,110,046 | -$383,194 | -$408,317 | -$6,932 | -$434,500 | $0 | -$68,297 | -$103,739 | -$161,101 | $0 | $0 | -$567,143 | -$485,724 | **-$3,728,992** |
| **SUBTOTAL REVENUE REQUIREMENTS** | **$98,225,219** | **$36,596,215** | **$18,695,126** | **$5,400,439** | **$1,923,333** | **$3,865,683** | **$3,488,589** | **$0** | **$3,681,461** | **$332,549** | **$516,432** | **$2,807,270** | **$0** | **$16,189,015** | **$4,729,107** | **$98,225,219** |
| | | | | | | | | | | | | | | | | |
| ***Less Other Revenues*** | | | | | | | | | | | | | | | | |
| Passthrough Water Supply & Power Costs | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | **$0** |
| Other Operating Revenues | $1,094,927 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $1,094,927 | $0 | **$1,094,927** |
| Non-Operating Revenues | | | | | | | | | | | | | | | | |
| Interest | $75,705 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $75,705 | $0 | **$75,705** |
| Rental | $1,024,900 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $1,024,900 | $0 | $0 | **$1,024,900** |
| Service Connection | $305,000 | $0 | $90,792 | $31,342 | $33,397 | $567 | $35,538 | $0 | $5,586 | $8,485 | $13,177 | $0 | $0 | $46,388 | $39,728 | **$305,000** |
| Grants | $750,000 | $0 | $223,260 | $77,071 | $82,123 | $1,394 | $87,390 | $0 | $13,736 | $20,865 | $32,402 | $0 | $0 | $114,068 | $97,692 | **$750,000** |
| Other Reimbursement | $4,224,488 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $4,224,488 | $0 | **$4,224,488** |
| In-lieu Water Replenishment Reimbursement | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | **$0** |
| Other Non-Operating Revenues | $53,740 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $53,740 | $0 | **$53,740** |
| | | | | | | | | | | | | | | | | |
| **SUBTOTAL NON-OPERATING REVENUES** | **$7,528,760** | **$0** | **$314,052** | **$108,413** | **$115,520** | **$1,961** | **$122,928** | **$0** | **$19,322** | **$29,350** | **$45,578** | **$0** | **$1,024,900** | **$5,609,315** | **$137,420** | **$7,528,760** |
| | | | | | | | | | | | | | | | | |
| **NET REVENUE REQUIREMENTS FROM CURRENT RATES** | **$90,696,459** | **$36,596,215** | **$18,381,073** | **$5,292,026** | **$1,807,813** | **$3,863,722** | **$3,365,662** | **$0** | **$3,662,139** | **$303,199** | **$470,853** | **$2,807,270** | **-$1,024,900** | **$10,579,700** | **$4,591,686** | **$90,696,459** |
| | | | | | | | | | | | | | | | | |
| General Cost Allocation Factors | | | 49.5% | 14.2% | 4.9% | 10.4% | 9.1% | | 9.9% | 0.8% | 1.3% | | | | | |
| Reallocation of General Costs | | | $5,235,118 | $1,507,223 | $514,884 | $1,100,428 | $958,575 | | $1,043,015 | $86,354 | $134,104 | | | -$10,579,700 | | **$0** |
| | | | | | | | | | | | | | | | | |
| Public Fire Protection Cost Allocation Factors | | | 85% | | | | 15% | | | | | | | | | |
| Reallocation of Public Fire Protection Costs | | | $2,580,659.81 | | | | $472,531 | | | | | | | | -$3,053,191 | |
| | | | | | | | | | | | | | | | | |
| **NET ADJUSTED REV REQMT FROM CURRENT RATES** | **$90,696,459** | **$36,596,215** | **$26,196,851** | **$6,799,249** | **$2,322,697** | **$4,964,150** | **$4,796,767** | **$0** | **$4,705,153** | **$389,553** | **$604,957** | **$2,807,270** | **-$1,024,900** | **$0** | **$1,538,496** | **$90,696,459** |

PROFESSIONAL SERVICES AGREEMENT
BETWEEN
CITY OF COMPTON
AND
RAFTELIS FINANCIAL CONSULTANTS, INC.

This **AGREEMENT** is entered by and between the **CITY OF COMPTON**, a municipal corporation of the State of California (hereinafter referred to as **"CITY"**) located at 205 South Willowbrook Avenue, Compton, California 90220, and **RAFTELIS FINANCIAL CONSULTANTS, INC.** (hereinafter referred to as **"CONSULTANT"**), located at 445 South Figueroa Street, Suite 2270, Los Angeles, California 90017.

## RECITALS:

**WHEREAS,** the City's sewer utility provides wastewater services to a population of approximately 95,000, plus commercial customers and includes over 140 miles of pipes for wastewater collection; and

**WHEREAS,** the current sewer rates include a sewer service charge based on historical water use and a capital charge based on volume of water to fund capital costs for the utility; however, the City seeks to have a Comprehensive Sewer Rate and Fee Study performed to ensure revenue sufficiency, financial stability, compliance with Proposition 218 and other industry regulations, along with considerations for issues such as growing population and aging infrastructure; and

**WHEREAS,** the City has identified the need to employ the services of a qualified and experienced consultant to perform a Comprehensive Sewer Rates and Fee Study; and

**WHEREAS,** by Resolution No. 25,030, adopted on the **5th** of **June** 2019, the City Council authorized the City Manager to accept the proposal of the Consultant (Raftelis Financial Consultations, Inc.) and enter into a contract to provide the necessary services; and

**WHEREAS,** Consultant warrants that it is specifically trained, experienced, competent, and has the resources to provide such services which will be required by this Project; and

**WHEREAS,** Consultant is willing to render such professional services subject to the terms and conditions set forth in this Agreement.

**NOW, THEREFORE,** Consultant and City, for the consideration, terms and conditions herein described, mutually agree as follows:

## AGREEMENT:

1. **Services to be rendered by Consultant.** It is the mutual understanding of the parties that the Consultant shall perform and be responsible for preparing Comprehensive Sewer Rate and Fee Study. Services to be rendered shall include, but not be limited to the below-indicated tasks and deliverables:

**Task 1: Project Management, Administration, and Initiation.** *Deliverables*: Kick-off meeting agenda and meeting minutes, finalized data request

**Task 2: Financial Plan Development.** *Deliverables*: Draft financial plan in Microsoft Excel

**Task 3: Cost of Service and Rate Structure Analysis.** *Deliverables:* Draft cost of service and rate structure analysis in Microsoft Excel

**Task 4: Customer Impact and Sensitivity Analysis.** *Deliverables*: Draft customer impact and sensitivity analysis

**Task 5: Policy Evaluation for Capacity and Customer Service Fees.** *Deliverables:* Webinar with City staff

**Task 6: Draft and Final Report Preparation.** *Deliverables:* Eight (8) bound copies of Final Report, one (1) electronic copy in Microsoft Word, financial planning and rate model in Microsoft Excel

**Task 7: Meetings with City Staff and Council.** *Deliverables*: Presentation materials

As further described in the City's **"Request for Proposals for Sewer Rates and Fee Study Consultant Services",** dated November 1, 2018, and Consultant's **"Proposal for Sewer Rates and Fee Study",** dated November 29, 2018, both of which are incorporated herein by this reference.

Consultant acknowledges that in entering into this Agreement the City is relying on Consultant's special skills and experience to do and perform the Services in accordance with best standards of professional practice. While performing the services, Consultant agrees to perform all the said work and furnish all the necessary materials at its own cost and expense necessary to complete said services in a manner consistent with that degree of care and skill ordinarily exercised by members of the same profession currently practicing under similar circumstances and to the reasonable satisfaction of the City.

Consultant services hereunder shall be performed in good, workmanlike and professional manner. Consultant shall be responsible for correcting and completing all errors and omissions related to the services provided by the Consultant for this Agreement at no additional cost to the City. "Errors" and "Omissions" for purposes of this paragraph are defined to mean a failure by the Consultant to meet the standards of its profession as set forth in the preceding paragraph. The acceptance of the services by City does not release Consultant from these obligations.

Consultant will be responsible for employing or engaging all persons necessary to perform the services. All of Consultant's staff will be qualified by training and experience to perform their assigned tasks. Consultant will give its personal attention to the fulfillment of the provisions of this Agreement by all of its employees and subcontractors, if any, and will keep the services under its control. On demand of City, if any employee or subcontractor of Consultant fails or refuses to carry out the provisions of this Agreement or appears to be incompetent or to act in a disorderly or improper manner, he or she will be discharged immediately from the services provided pursuant to this Agreement.

**Sanjay Gaur, Vice President** of Consultant, shall be primarily responsible for representing Consultant in performance of this Agreement.

2. **Duration of Contract.** Consultant agrees to commence the services provided for herein upon written Notification to Proceed from the City and to continue in a diligent and professional manner until the project is complete, unless terminated earlier.

Consultant will generally adhere to the schedule set forth within Consultant's Proposal and as otherwise agreed by the City, provided, that City will grant reasonable extensions of time for the performance of the services occasioned by unusually lengthy governmental reviews of Consultant's work product or other unavoidable delays occasioned by unforeseen circumstances; provided, further, that such unavoidable delay will not include strikes, lockouts, work stoppages, or other labor disturbances conducted by, or on behalf of, Consultant's officers or employees.

Consultant acknowledges the importance to City of City's project schedule and agrees to put forth its best professional efforts to perform the services in a manner consistent with that schedule. City understands, however, that Consultant's performance must be governed by sound practices. Consultant will work such overtime or engage such personnel and equipment as necessary to maintain the schedule, without additional compensation.

3. **Compensation.** The method of payment for this Contract will be on a fee-for-services, per Task, basis as specified within Consultant's Cost Proposal. The total price paid the Consultant will include compensation for all work, including travel, materials, supplies, vendor services, expenses and subcontracted work. No additional compensation will be paid to the Consultant, unless there is a change in the scope of the work or the scope of the project. In the instance of a change in the scope of work or scope of the project, adjustment to the total compensation will be negotiated between the Consultant and the City. Adjustment in the total compensation will not be effective until authorized and approved in writing by the City.

Progress payments may be made in arrears based on the percentage of work and deliverables completed by the Consultant. If Consultant fails to submit the required deliverable items according to schedule or as required by the Agreement, except for those amounts that are due and not reasonably in dispute, the City shall have the right to delay payment and/or terminate this Agreement in accordance with the provisions noted herein.

Consultant shall be reimbursed within thirty (30) days, or as promptly as fiscal procedures may permit, upon receipt by the City of itemized invoices for services completed. Invoices shall be submitted no later than 45 calendar days after the performance of work for which the Consultant is billing. Invoices shall detail the work performed on each task as applicable. Invoices shall be delivered or mailed to the **Director of Public Works Department** at the following address: **City of Compton, 205 South Willowbrook Avenue, Compton, California 90220.**

As full and complete compensation for performance of all the services performed by the Consultant pursuant to this Agreement, City shall pay, and Consultant agrees to accept, a not-to-exceed maximum sum of **Forty Seven Thousand Seven Hundred Ninety Two Dollars ($47,792.00).**

In the event of termination, the Consultant shall be entitled to compensation for the undisputed reasonable value of services performed to the effective date of termination, including any non-cancellable obligations incurred prior to termination; provided, however, that the City may condition payment of such compensation upon the Consultant's delivery to the City of any and all City property, documents, reports, records, materials and work product associated with the performance of this Agreement.

4. **Ownership of Materials.** All product produced by Consultant or its agents, employees, and subcontractors pursuant to this Agreement (the "Work Product") is the property of City. In the event this Agreement is terminated, all Work Product produced by Consultant or its agents, employees and subcontractors pursuant to this Agreement will be delivered to City pursuant to the termination clause of this Agreement.

The Work Product may be used by City and its agents, employees, representatives, and assigns, in whole or in part, or in modified form, for all purposes City may deem advisable, without further employment of or payment of any compensation to Consultant; provided, however, that if this Agreement is terminated for any reason prior to completion of the Project and if under such circumstances City uses, or engages the services of and directs another consultant to use, the Work Product, City agrees to hold Consultant harmless from any and all liability, costs, and expenses relative to claims arising out of matters and/or events which occur subsequent to the termination of this Agreement as a result of causes other than the fault or negligence of Consultant, or anyone for whose acts it is responsible, in preparation of the Work Product. Consultant will not be responsible for deficiencies solely attributable to modifications of the Work Product performed by others, or that arise from use of the Documents in connection with a project or site other than that shown in the Work Product.

5. **Independent Contractor Status.** Consultant, its officers, employees, subconsultants, subcontractors, agents and volunteers (collectively hereinafter the "Consultant"), will perform the services in Consultant's own way and pursuant to this Agreement as an independent contractor and in pursuit of Consultant's independent calling, and not as an employee of City. The persons used by Consultant to provide the services under this Agreement will not be considered employees of City for any purposes.

Neither the City nor any of its officers, employees, agents or volunteers shall have any control over the conduct of the Consultant, except as expressly set forth in this Agreement. Consultant expressly warrants that while engaged in carrying out and complying with any terms and conditions of this Agreement that Consultant shall not at any time or in any manner, represent that Consultant is in any manner officers, employees, agents or volunteers of the City. Consultant shall obtain no rights to retirement, health care or any other benefit that accrue to City officials, officers, or employees. Consultant expressly waives any claim to such rights.

The payment made to Consultant pursuant to the Agreement will be the full and complete compensation to which Consultant is entitled. City will not make any federal or state tax withholdings on behalf of Consultant or its agents, employees or subcontractors. City will not pay any workers' compensation insurance, retirement contributions or unemployment contributions on behalf of Consultant or its employees or subcontractors. Consultant agrees to indemnify and pay City within thirty (30) days for any tax, retirement contribution, social security, overtime payment, unemployment payment or workers' compensation payment which City may be required to make on behalf of Consultant or any agent, employee, or contractor of Consultant for work done under this Agreement. At the City's election, City may deduct the amounts paid pursuant to this Section, from any balance owing to Consultant.

6. **Successors, Assignment and Delegation.** City and the Consultant each binds themselves, their partners, successors, assigns and legal representatives to the other hereto and to partners, successors, assigns and legal representatives of such other party in respect to all covenants, agreements and obligations contained in this Agreement.

The expertise and experience of Consultant are material considerations for this Agreement. Consultant shall not assign or transfer any interest in this Agreement or the performance of any of Consultant's obligations under this Agreement without the prior written consent of the City. Any attempted assignment or transfer of any of Consultant's rights, duties or obligations arising under this Agreement shall be null and void.

7. **Nondiscriminatory Employment Practices.** During the performance of this Agreement, the Consultant agrees not to discriminate against any employee or applicant for employment because of race, sex, creed, color, religion, age, sexual orientation, marital status, national origin, political affiliation, handicap or belief in accordance with requirements of City, State or Federal laws and regulations. Consultant will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, sex, creed, color, religion, age, sexual orientation, marital status, national origin, political affiliation, handicap or belief in accordance with requirements of City, State or Federal laws and regulations. Such actions shall include, but not be limited to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoffs or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Consultant agrees to post in conspicuous places, available to employees, applicants and subcontractors for employment, notices setting forth the provisions of this non-discrimination clause.

In the event of the Consultant's non-compliance with the non-discrimination clause of this Agreement, this Agreement may be immediately canceled, terminated or suspended in whole or in part.

8. **Subcontracting.** Consultant's services are unique and personal. Except as may be specified in Consultant's Proposal and agreed to by the City, Consultant will not subcontract any portion of the services without prior written approval of City Manager or his/her designee. If Consultant subcontracts any of the services, Consultant will be fully responsible to City for the acts, errors and omissions of Consultant's subcontractor and of the persons either directly or indirectly employed by the subcontractor, as Consultant is for the acts and omissions of persons directly employed by Consultant. Nothing contained in this Agreement will create any contractual relationship between any subcontractor of Consultant and City. Consultant will be responsible for payment of subcontractors. Consultant will bind every subcontractor and every subcontractor of a subcontractor by the terms of this Agreement applicable to Consultant's work unless specifically noted to the contrary in the subcontract and approved in writing by City.

**9. Other Consultants.** The City reserves the right to employ other consultants in connection with the services.

**10. Indemnification.** Consultant shall indemnify and save harmless the City, its officials, officers, employees, agents and volunteers (collectively hereinafter the "City"), against any and all damages to property or injuries to or death of any person or persons, including property and employees or agents of the City and shall indemnify and save the City from any and all liability and expense including reimbursement of reasonable defense costs and legal fees, and claims, demands, suits, actions or proceedings of any kind or nature, including Workers' Compensation claims, of or by anyone whomsoever to the extent resulting from or arising out of the negligent, reckless or willful misconduct for the Consultant, its officers, employees, subconsultants, subcontractors or agents in the performance of the duties undertaken by Consultant pursuant to this Agreement.

This indemnification and hold harmless obligation does not extend to claims arising out of the negligence or willful misconduct of the City.

**11. Insurance.** Without limiting the Consultant's indemnification of the City, Consultant shall obtain and maintain, at its cost and expense, for the duration of the Agreement and any and all amendments, insurance against claims for injuries to persons or damage to property which may arise out of or in connection with performance of the services by Consultant or Consultant's agents, representatives, employees or subcontractors. The insurance will be obtained from an insurance carrier admitted and authorized to do business in the State of California. Such evidence shall specifically identify this Agreement and shall contain express conditions that the City is to be given written notice at least thirty (30) days in advance of any termination or implementation of a reduction of limits or material change of insurance coverage as specified herein. Failure on the part of the Consultant to procure or maintain insurance shall constitute a material breach upon which the City may immediately terminate this Agreement. All insurance required hereunder shall be primary with respect to any insurance maintained by the City.

Coverages and Limits. Consultant will maintain the types of coverages and minimum limits indicated below, unless the Risk Manager or City Manager, in consultation with the City Attorney approves a lower amount. These minimum amounts of coverage will not constitute any limitations or cap on Consultant's indemnification obligations under this Agreement. City, its officers, agents, volunteers and employees make no representation that the limits of the insurance specified to be carried by Consultant pursuant to this Agreement are adequate to protect Consultant. The coverage will contain no special limitations on the scope of its protection to the above-designated insureds except for Workers Compensation and errors and omissions insurance. Consultant will obtain occurrence coverage, excluding Professional Liability, which will be written as claims-made coverage. If Consultant believes that any required insurance coverage is inadequate, Consultant will obtain such additional insurance coverage, as Consultant deems adequate, at Consultant's sole expense.

11.1 Commercial General Liability Insurance. $1,000,000 combined single-limit per occurrence for bodily injury, personal injury and property damage. If the submitted policies contain aggregate limits, general aggregate limits will apply separately to the work under this Agreement or the general aggregate will be twice the required per occurrence limit.

11.2 Automobile Liability. $1,000,000 combined single-limit per accident for bodily injury and property damage.

11.3 Workers' Compensation and Employer's Liability. Workers' Compensation limits as required by the California Labor Code and Employer's Liability limits of $1,000,000 per accident for bodily injury. Workers' Compensation and Employer's Liability insurance will not be required if Consultant has no employees and provides, to City's satisfaction, a declaration stating this.

11.4 Professional Liability. Errors and omissions liability appropriate to Consultant's profession with limits of not less than $1,000,000 per claim. The coverage shall also provide an extended two (2) year reporting period commencing upon termination or cancellation of this Agreement.

Endorsements. For Commercial General Liability Insurance and Automobile Liability Insurance, Consultant will ensure that the policies are endorsed to name the City of Compton and its respective elected and appointed officers, officials, employees, agents and volunteers as **"additional insureds"** with respect to liability arising out of the activities of the Consultant. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City. ***Prior to City's execution of this Agreement, Consultant will furnish certificates of insurance and endorsements to City.***

Waiver of Subrogation. The policies shall contain a waiver of subrogation for the benefit of City.

**12. Permits and Licenses.** Consultant, at its own expense, during the term of this Agreement, shall obtain and maintain all appropriate business and professional permits, licenses and certificates that may be required in connection with the performance of services by the Consultant. Upon execution of this Agreement, the Consultant shall show evidence of a business license permit in conformance with *Section 9-1.2* of the *Compton Municipal Code*.

**13. Maintenance of Records.** Consultant will maintain complete and accurate records with respect to costs incurred under this Agreement. All records will be clearly identifiable. Consultant will allow a representative of City during normal business hours to examine, audit, and make transcripts or copies of records and any other documents created pursuant to this Agreement. Consultant will allow inspection of all work, data, documents, proceedings, and activities related to the Agreement for a period of three (3) years, or longer if required by law, from the date of final payment under this Agreement.

**14. Warranties.** Consultant represents and warrants (i) that Consultant has no obligations, legal or otherwise, inconsistent with the terms of this Agreement or with Consultant's undertaking this relationship with City, (ii) that the performance of the services called for by this Agreement do not and will not violate any applicable law, rule or regulation or any proprietary or other right of any third party, (iii) that Consultant will not use in the performance of his responsibilities under this Agreement any confidential information or trade secrets of any other person or entity and (iv) that Consultant has not knowingly entered into or will enter into any agreement (whether oral or written) in conflict with this Agreement.

**15. Federal and State Withholding Taxes.** Consultant shall be responsible for paying when due all federal and state income withholding taxes for all earning under this Agreement. Consultant agrees to indemnify City for any claims, costs, losses, fees, penalties, interest, or damages suffered by City resulting from Consultant's failure to comply with this provision.

**16. General Compliance with Laws.** Consultant will keep fully informed of federal, state and local laws and ordinances and regulations which in any manner affect those employed by Consultant, or in any way affect the performance of the services by Consultant. Consultant will at all times observe and comply with these laws, ordinances, and regulations and will be responsible for the compliance of the services with all applicable laws, ordinances and regulations.

**17. Termination.** In the event of the Consultant's failure to prosecute, deliver, or perform the services, after giving written notice of default and two (2) days to correct the same, then, in addition to any other remedies, City may terminate this Agreement for nonperformance by notifying Consultant in writing. Consultant has five (5) business days to deliver any documents owned by City and all work in progress to City address contained in this Agreement. City will make a determination of fact based upon the work product delivered to City and of the percentage of work that Consultant has performed which is usable and of worth to City in having the Agreement completed. Based upon that finding City will determine the final payment of the Agreement. In the event City elects to terminate, City will have the right to immediate possession of all Work Product and work in progress prepared by Consultant, whether located at the project site, at Consultant's place of business, or at the offices of a subconsultant.

The City's obligation is payable only from funds appropriated for the purpose of this Agreement. All funds for payments after the end of the current fiscal year are subject to the City's legislative appropriation for this purpose. In the event this Agreement extends into succeeding fiscal year periods and the City Council does not allocate sufficient funds for the next succeeding fiscal year payments, this Agreement shall terminate immediately upon written notice from the City.

Either Party, upon tendering thirty (30) calendar days written notice to the other Party, may terminate this Agreement for convenience. In this event and upon request of City, Consultant will assemble the work product without charge and put it in order for proper filing and closing and deliver it to City. Consultant will be paid for work performed to the termination date; however, the total will not exceed the lump sum fee payable under this Agreement. City will make the final determination as to the portions of tasks completed and the compensation to be made.

18. **Covenants Against Contingent Fees.** Consultant warrants that Consultant has not employed or retained any company or person, other than a bona fide employee working for Consultant, to solicit or secure this Agreement, and that Consultant has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift, or any other consideration contingent upon, or resulting from, the award or making of this Agreement. For breach or violation of this warranty, City will have the right to terminate this Agreement for nonperformance, or, in its discretion, to deduct from the Agreement price or consideration, or otherwise recover, the full amount of the fee, commission, percentage, brokerage fees, gift, or contingent fee.

19. **Certifications.** The Consultant, under penalty of perjury, certifies that, except as noted below, he/she or any other person associated therewith in the capacity of owner, partner, director, officer, manager:

- is not currently under suspension, debarment, voluntary exclusion, or determination of ineligibility by any Federal, State or local agency;
- has not been suspended, debarred, voluntarily excluded or determined ineligible by any Federal, State or local agency within the past 3 years;
- does not have a proposed debarment pending; and
- has not been indicted, convicted, or had a civil judgment rendered against he/she/it by a court of competent jurisdiction in any matter involving fraud or official misconduct in connection with obtaining, attempting to obtain, or performing a public (Federal, state or local) transaction or contract under a public transaction; violation of Federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property within the past 3 years; and
- are not presently indicted or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in the preceding paragraph; and
- have not had one or more public transactions (Federal, State or local) terminated for cause or default within the past 3 years.

If there are any exceptions to this certification, insert the exceptions in the following space.

*[Supply exceptions on separate page]*

For any exception noted above, indicate below to whom it applies, initiating agency, and dates of action.

*[Attach separate page]*

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction. The above certifications are part of this contract. Signing this agreement on the signature portion thereof shall also constitute signature of the above Certifications.

Sanjay Gaur, Vice President — 6/18/19 (Date)

**20. Jurisdiction, Venue and Governing Law.** Any action at law or in equity brought by either of the Parties for the purpose of enforcing a right or rights provided for by this Agreement will be tried in a court of competent jurisdiction in the County of Los Angeles, State of California, and the Parties waive all provisions of law providing for a change of venue in these proceedings to any other county. This agreement will be governed by the laws of the State of California.

**21. Testimony.** Consultant will testify at City's request if litigation is brought against City in connection with Consultant's services under this agreement. Unless the action is brought by Consultant, or is based upon Consultant's actual or alleged negligence or other wrongdoing, City, upon prior written agreement with Consultant will compensate Consultant for time spent in preparation for testimony, testimony, and travel at Consultant's standard hourly rates at the time of actual testimony.

**22. Waivers.** The waiver by either Party of any breach or violation of any term, covenant, or condition of this Agreement or of any applicable law will not be deemed to be a waiver of such term, covenant, condition or law or of any subsequent breach or violation of same or of any other term, covenant, condition or law. The acceptance by either Party of any fee or other payment which may become due under this Agreement will not be deemed to be a waiver of any preceding breach or violation by the other Party of any term, covenant, or condition of this Agreement or any applicable law.

**23. Authority.** The individuals executing this Agreement and the instruments referenced in it on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions of this Agreement.

**24. Severability.** If any term, provision, condition or covenant of this Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

**25. Amendments.** This Agreement may be modified or amended only be written document executed by both Consultant and City's City Manager and approved as to form by the City Attorney. Such document shall expressly state that it is intended by the parties to amend the terms and conditions of this Agreement.

**26. Confidentiality.** All documents, reports, information, data, and exhibits prepared or assembled by Consultant in connection with the performance of the Services pursuant to the Agreement are confidential until released by the City to the public, and the Consultant will not make any of these documents or information available to any individual or organization not employed by the Consultant or the City without the written consent of the City before any such release.

**27. Entire Agreement.** This Agreement, together with any other written document referred to or contemplated by it embody the entire Agreement and understanding between the parties relating to the subject matter of it. The City Manager is authorized, in consultation with the City Attorney, to agree to non-material amendments to this Agreement. Neither this Agreement nor any of its provisions may be amended, modified, waived or discharged except in a writing signed by both parties.

28. Notices. Any notices required or permitted under this Agreement shall be effective when delivered in person, and effective one (1) business day after delivery by facsimile transmission; and effective five (5) days after mailing by U.S. Mail, postage prepaid and properly addressed as follows:

To Consultant:
Raftelis Financial Consultants, Inc.
445 South Figueroa Street, Suite 2270
Los Angeles, California 90017
Attn: Sanjay Gaur, Vice President
(213) 262-9304
sguar@raftelis.com

To City:
City of Compton
205 South Willowbrook Avenue
Compton, California 90220
Attn: Director, Public Works Department
(310) 605-5505
(310) 761-1417 – fax.

With copy to:
City of Compton
205 South Willowbrook Avenue
Compton, California 90220
Attn: City Manager

29. Miscellaneous. No provision of this Agreement is to be interpreted for or against either party because that party or that party's legal representative drafted such provision.

Should either party hereto, or any representative, successor or assign of either party hereto, resort to litigation to enforce the provisions of this Agreement, the party or parties prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to recover its or their reasonable attorney's fees and costs in such litigation from the party or parties against whom enforcement is sought.

IN WITNESS WHEREOF, CONSULTANT has executed this Agreement, and the CITY, by its City Manager, who is authorized to do so, has executed this Agreement.

RAFTELIS FINANCIAL CONSULTANTS, INC.
CONSULTANT

Dated: _____

By _____
Sanjay Gaur, Vice President

CITY OF COMPTON
Recommended for Approval:

By _____
Wendell E. Johnson, P.E., Director
Public Works Department

Dated: 6-25-19

Approved by:

Dated: 8/1/2019

By Craig Cornwell
Craig Cornwell, City Manager

Approved as to form:

By Ruth Rugley
Ruth Rugley, City Attorney (Acting)

Dated: 7/31/19

ATTEST:

Dated: 8/1/2019

By
Alita Godwin, City Clerk

CITY OF COMPTON INCORPORATED MAY A. D. 1888 CALIFORNIA

RESOLUTION NO. 25,030

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AMENDING THE PUBLIC WORKS 2018-2019 FISCAL YEAR BUDGET TRANSFERRING FUNDS BETWEEN ACCOUNTS, AUTHORIZING THE CITY MANAGER TO ENTER INTO A PROFESSIONAL SERVICES AGREEMENT WITH AND ESTABLISH A PURCHASE ORDER TO RAFTELIS FINANCIAL CONSULTANTS, INC. TO PROVIDE A COMPREHENSIVE SEWER RATE AND FEE STUDY ($47,792)**

**WHEREAS,** the City of Compton's sewer utility provides wastewater services to a population of approximately 95,000, plus commercial customers; and

**WHEREAS,** the sewer system includes over 140 miles of pipes for wastewater collection and treatment services are provided by the Los Angeles County Sanitation District; and

**WHEREAS,** the current sewer rates include a sewer service charge based on historical water use and a capital charge based on volume of water to fund capital costs for the utility; and

**WHEREAS,** the City seeks the experience and expertise of a qualified consultant firm to conduct a Comprehensive Sewer Rate and Fee Study to ensure revenue sufficiency, financial stability, compliance with Proposition 218 and other industry regulations, along with considerations for issues such as growing population and aging infrastructure; and

**WHEREAS,** on November 1, 2018, the Department released a Request for Proposal ("RFP") soliciting proposals from qualified firms to perform the Comprehensive Study; and

**WHEREAS,** On December 3, 2018, the Department received three (3) proposals from the following firms:

| Consultant | Location | Cost |
|---|---|---|
| Bartle Wells Associates | Berkeley, CA | $80,775 |
| MFSG | Annapolis, MD | $97,750 |
| Raftelis | Los Angeles, CA | $47,792 |

**WHEREAS,** after careful review of the submitted proposals and the presentation provided by the firm's teams, City staff determined that the proposal submitted by Raftelis Financial Consultants, Inc. ("Raftelis") reflected that they processed the requisite experience, expertise, training, staffing and was responsive along with a reasonable fee for the services to be rendered; and

**WHEREAS,** Raftelis has the largest water industry financial and rate consulting practice in the nation and with Raftelis' depth of resources will provide the City with the technical expertise necessary to meet the City's objectives; and

**WHEREAS,** staff has requested a budget amendment to transfer funds between accounts to cover this expenditure.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1.** That the 2018-2019 Fiscal Year budget shall be amended to transfer funds between accounts as follow:

| From | To | Description | Amount |
|---|---|---|---|
| 5117-720-000-4266 | 5117-720-000-4262 | Other Professional Services | $47,792; and |

**SECTION 2.** That the City Manager, upon the advice and approval of the City Attorney is hereby authorized to enter into a professional service agreement with Raftelis Financial Consultants, Inc. to provide a Comprehensive Sewer Rate and Fee Study.

**SECTION 3.** That a purchase order in the amount of Forty Seven Thousand Seven Hundred Ninety Two Dollars ($47,792.00) is authorized to be established for Raftelis Financial Consultants, Inc.

**SECTION 4.** That funds in the amount of $47,792.00 will be available in the Public Works 2018-2019 Fiscal Year budget in Account No. 5117-720-000-4262 (Sewer Fund).

**SECTION 5.** That copies of this Resolution shall be filed in the offices of the City Manager, City Controller, City Clerk, City Attorney and the Public Works Department.

**SECTION 6.** That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

**ADOPTED** this 5th day of June, 2019.

**MAYOR OF THE CITY OF COMPTON**

**ATTEST:**

**CITY CLERK OF THE CITY OF COMPTON**

CITY OF COMPTON INCORPORATED MAY A.D. 1888 CALIFORNIA

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was passed and adopted by the City Council of the City of Compton, signed by the Mayor and attested by the City Clerk, at a regular meeting thereof, held on the 5th day of June, 2019.

That said Resolution was adopted by the following vote, to wit:

**AYES:** **COUNCILMEMBERS-** Galvan, McCoy, Sharif, Brown
**NOES:** **COUNCILMEMBERS-** None
**ABSTAIN:** **COUNCILMEMBERS-** None
**ABSENT:** **COUNCILMEMBERS-** Zurita

**CITY CLERK OF THE CITY OF COMPTON**

CITY OF COMPTON INCORPORATED MAY A.D. 1888 CALIFORNIA

**January 28, 2020**

**TO:** **MAYOR AND CITY COUNCIL**

**FROM:** **CITY CLERK**

**SUBJECT:** **REMOVAL OF COMMISSIONER**

On October 14, 2014, Bruce Boyden-Sanchez, was appointed to the Oversight Committee. His Oversight Committee term ended on June 30, 2018.

He was appointed to the Charter Review Committee on January 21, 2020.

It is hereby requested that the City Council officially remove Mr. Boyden-Sanchez from the Oversight Committee for consistent record keeping.

**ALITA L. GODWIN, MMC**
**CITY CLERK**

**January 28, 2020**

**TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS**

**FROM: ROBERT DELGADILLO, SENIOR PLANNER**
**COMMUNITY DEVELOPMENT DEPARTMENT**

**SUBJECT: A REQUEST TO SCHEDULE A PUBLIC HEARING TO AMEND THE CITY OF COMPTON GENERAL PLAN TO ADOPT THE 2014 – 2021 HOUSING ELEMENT (February 18, 2020 at 5:35)**

The draft 2014 – 2021 Housing Element has been completed and certified by the state Housing and Community Development Department. The Housing Element is now ready for adoption by the City Council.

Staff requests that a public hearing be set on Tuesday, February 18, 2020 at 5:35pm.

**ROBERT DELGADILLO, SENIOR PLANNER**
**COMMUNITY DEVELOPMENT DEPARTMENT**

**APPROVED FOR FORWARDING**

**CRAIG J. CORNWELL**
**CITY MANAGER**

**JANUARY 28, 2020**

**TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS**

**FROM: COMMUNITY DEVELOPMENT DEPARTMENT**

**SUBJECT: A REQUEST TO SCHEDULE A PUBLIC HEARING TO ADOPT AN ORDINANCE AMENDING THE OFFICIAL ZONING MAP AND CHAPTER 30 OF THE COMPTON MUNICIPAL CODE FOR A NEW EMERGENCY SHELTER OVERLAY ZONE AND REGULATIONS (February 18, 2020 at 5:45pm)**

This ordinance will bring the City into compliance with Senate Bill 2 (SB2) 2008 which requires that all Cities establish a zone where emergency shelters will be allowed by right without any conditional use permit or other discretionary permits. City staff has proposed an industrial area near the 91 freeway where emergency shelters will be considered by right land uses.

Also included in the proposed Emergency Shelter Overlay Ordinance is another SB2 requirement that City's treat Transitional and Supportive housing as "standard" by-right land residential land uses.

The proposed ordinance code amendment will bring the City of Compton Municipal Code into full compliance with all provisions of SB2.

Staff requests a public hearing be set for Tuesday, February 18, 2020 at 5:45pm.

**ROBERT DELGADILLO, SENIOR PLANNER**
**COMMUNITY DEVELOPMENT DEPARTMENT**

**APPROVED FOR FORWARDING:**

**CRAIG J. CORNWELL**
**CITY MANAGER**

**January 28, 2020**

**To: HONORABLE MAYOR AND COUNCIL MEMBERS**

**From: CITY MANAGER**

**SUBJECT: A REQUEST TO SCHEDULE A JOINT PUBLIC HEARING – HOUSING AUTHORITY PUBLIC HOUSING AGENCY (PHA) 2020 ANNUAL PLAN AND FIVE YEAR PLAN**

By mandate of the United States Department of Housing and Urban Development (HUD), Housing Authorities nationwide are required to develop and implement an Annual Plan and once every fifth year the Five Year Plan. The Annual Plan provides details about the PHA's immediate operations, programs and services and notifies HUD of changes that were not included in the Five Year Plan.

The information that the Public Housing Agency (PHA) must submit to HUD under the Five Year and Annual Plan, are the discretionary policies of the various plan components or elements (i.e., programs, operations, and strategies for meeting local housing needs and goals) and not the statutory or regulatory requirements that govern these components. The PHA's Annual Plan also provides the plans and procedures to be met in order to be consistent with the goals and objectives of the PHA's Five Year Plan.

The Housing Authority is requesting that the public hearing be scheduled for Tuesday, March 23, 2020, at 5:35 p.m. in the Council Chambers at the Urban Community Development Commission Meeting located at 205 South Willowbrook Avenue, Compton.

**DELMONSHA GREEN, HOUSING DIRECTOR**
**COMPTON LOCAL HOUSING AUTHORITY**

**APPROVED FOR FORWARDING:**

**CRAIG J. CORNWELL**
**CITY MANAGER**

**January 28, 2020**

**TO:** **MAYOR AND CITY COUNCIL**

**FROM:** **CITY MANAGER**

**SUBJECT:** **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPOINTING A MEMBER AND ALTERNATE(S) TO THE GOVERNING BOARD OF THE LOS ANGELES GATEWAY REGION INTEGRATED REGIONAL WATER MANAGEMENT JOINT POWERS AUTHORITY GOVERNING BOARD**

## SUMMARY

This Resolution appoints a member and alternate (s) to the governing board of the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority.

## BACKGROUND

The Gateway Water Management Authority ("GWMA") is a Joint Powers Authority ("JPA") agency made up of local government agencies representing the entire Gateway region in Southeast Los Angeles County.

The GMWA was formed in 2007 to address water supply reliability, water quality, wastewater, storm water and flood control in the Gateway area, comprising of a population of over 2 million people.

The Los Angeles Gateway Region Integrated Regional Water Management "IRWM" Joint Powers Authority also known as GWMA is a large watershed-based coalition. It is currently comprised of multiple cities, water agencies and a port that are responsible for coordinating the regional watershed needs of 2 million people in the Gateway Region located in Southeastern Los Angeles County. Distinctive hydrogeological, topographic, demographic and political elements bring the GWMA together as a cohesive, interdependent, self-governing body.

On June 18, 2019, pursuant to Resolution No. 24,041, City Council authorized the City Manager to enter into a Joint Powers Agreement with and issue a purchase order in the amount of $15,000 (annual membership fee) to the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (GWMA) for membership.

As a result, it is now time to appoint one primary board member and up to three alternates to represent the City of Compton on the Board of the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority.

GWMA Board Members and alternate Board Members serve two-year terms beginning October 1st of each odd-number year and concluding on September 30th two years later. The attached Resolution designate a Board Member and alternate Board Member (s) to serve continuously across successive two-year terms such that the governing body need not re-appoint the same persons to the GWMA Board every two years, unless the governing body desires to changes its designated Board Member and/or alternate Board Member or must otherwise fill a vacancy.

## STATEMENT OF THE ISSUE

In accordance to GWMA's Bylaws adopted on October 12, 2015, all non-Legislative Body appointments must be done by Resolution. Legislative Body appointments may be done by minute order.

Therefore, in order to adopt a Resolution appointing a member and alternative (s) to the Governing Board of the Los Angeles Gateway Region Integrated Regional Water Management Authority, City Council's authorization is necessary.

## ALTERNATIVE

The City of Compton desires to have representation on the Governing Board pursuant to its membership requirements. Therefore, no other alternative is being proposed.

## FISCAL IMPACT

There is no fiscal impact.

## STAFF RECOMMENDATION

Staff recommends that the City Council approve the Resolution appointing one primary board member and alternate board member (s) representing the City of Compton to the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority.

**JOHN STRICKLAND**
**PROJECT MANAGER**

**APPROVED FOR FORWARDING:**

**CRAIG J. CORNWELL**
**CITY MANAGER**

**RESOLUTION NO. _____**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON APPOINTING A MEMBER AND ALTERNATE(S) TO THE LOS ANGELES GATEWAY REGION INTEGRATED REGIONAL WATER MANAGEMENT JOINT POWERS AUTHORITY GOVERNING BOARD**

**WHEREAS,** the Gateway Water Management Authority ("GWMA") is a Joint Powers Authority ("JPA") agency made up of local government agencies representing the entire Gateway region in Southeast Los Angeles County; and

**WHEREAS,** the GMWA was formed in 2007 to address water supply reliability, water quality, wastewater, stormwater and flood control in the Gateway area, comprising of a population of over 2 million people; and

**WHEREAS,** the Los Angeles Gateway Region Integrated Regional Water Management "IRWM" Joint Powers Authority also known as GWMA is a large watershed-based coalition currently comprised of multiple cities, water agencies and a port and its distinctive hydrogeological, topographic, demographic and political elements bring the GWMA together as a cohesive, interdependent, self-governing body; and

**WHEREAS,** on June 18, 2019, pursuant to Resolution No. 24,041, City Council authorized the City Manager to enter into a Joint Powers Agreement with and issue a purchase order in the amount of $15,000 (annual membership fee) to the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority (GWMA) for membership; and

**WHEREAS,** as a result, it is now time to appoint one primary board member and up to three alternates to represent the City of Compton on the Board of the Los Angeles Gateway Region Integrated Regional Water Management Joint Powers Authority; and

**WHEREAS,** GWMA Board Members and alternate Board Members serve two-year terms beginning October 1st of each odd-number year and concluding on September 30th two years later; and

**WHEREAS,** the City of Compton desire to designate a Board Member and alternate Board Member (s) to serve continuously across successive two-year terms such that the governing body need not re-appoint the same persons to the GWMA Board every two years, unless the governing body desires to changes its designated Board Member and/or alternate Board Member or must otherwise fill a vacancy; and

**WHEREAS,** the City of Compton is a member of the GWMA; and

**WHEREAS,** each member agency shall appoint one Member and up to three Alternate Members to the Governing Board in accordance with the GWMA Bylaws; and

**WHEREAS,** pursuant to the GWMA Bylaws, the Member and Alternate Members appointed by this Resolution shall hold office until September 30, 2021; and

**WHEREAS,** pursuant to the GWMA Joint Powers Agreement and the GWMA Bylaws, the Member and Alternate Member (s) shall serve two-year terms beginning October 1st of each odd-numbered year.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:**

**SECTION 1.** That _____ is appointed to serve as the primary GWMA Board Member representing the City of Compton for the October 1, 2019 two-year term.

**SECTION 2.** That _____,_____ and_____ are appointed to serve as alternate Board Member (s) representing the City of Compton for the October 1, 2019 two-year term.

**SECTION 3.** That the Board Member and alternate Board Member (s) designated above shall continue in their respective positions as if re-appointed for each successive two-year term, unless the Board Member or alternate Board Member (s) is replaced by subsequent action of this legislative body or he or she resigns or ceases to be employed by the City.

**SECTION 4.** That a copy of this Resolution shall be filed in the offices of the City Manager, City Controller, City Clerk, City Attorney and Public Works Department.

**SECTION 5.** That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

**ADOPTED** this ____ day of _____, 2020.

_____
**MAYOR OF THE CITY OF COMPTON**

**ATTEST:**

_____
**CITY CLERK OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on the ____ day of _____, 2020.

That said Resolution was adopted by the following vote to wit:

**AYES: COUNCIL MEMBERS-**
**NOES: COUNCIL MEMBERS-**
**ABSENT: COUNCIL MEMBERS-**
**ABSTAIN: COUNCIL MEMBERS-**

_____
**CITY CLERK OF THE CITY OF COMPTON**

**January 28, 2020**

**TO: HONORABLE MAYOR AND COUNCIL MEMBERS**

**FROM: CITY MANAGER**

**SUBJECT: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH LOS ANGELES COUNTY REGISTRAR-RECORDER/COUNTY CLERK FOR USE OF CERTAIN CITY-OWNED FACILITY SPACES AS VOTING LOCATIONS FOR THE MARCH 3, 2020 ELECTION**

## SUMMARY

City Council adoption of the attached resolution will authorize the City Manager to enter an agreement with the Registrar-Recorder/County Clerk's Office of Los Angeles County for the temporary use of spaces within four (4) City-owned facilities (i.e. Burrell/Macdonald Park - Community Banquet Room; Compton Neighborhood Center - Blue Room; Lueders Park - Multi-Purpose Room; Kelly Park – Auditorium) for use as voting centers for the March 3, 2020 Presidential Primary Election.

## BACKGROUND

The Los Angeles County Registrar's Office is responsible for the registration of voters, maintenance of voter's files, conduct of federal, state, local and special elections and the verification of initiative, referendum and recall petitions.

Each year the Registrar's Office participates in approximately 200 elections for schools, cities and special districts. There are approximately 4.1 million registered voters and 5,000 voting precincts established for countywide elections.

## STATEMENT OF THE ISSUE

In efforts to provide accessible and convenient voting locations within the City, the Registrar's Office has requested to temporarily reserve and utilize space within certain City-owned facilities as voting centers in preparation of and for the March 3, 2020 Presidential Primary Election. More specifically:

1. **Kelly Park (2319 East Caldwell Street) – Auditorium**

| | |
|---|---|
| Equipment Delivery/Set-Up | February 20, 2020 – 8am to 8pm |
| Public Voting Dates | February 22, 2020 to March 3, 2020 |
| Vote Center Breakdown | March 5, 2020 – 8am to 8pm |
| Equipment Pick-Up | March 6, 2020 – 8am to 8pm |

2. **Lueders Park (1500 East Rosecrans Avenue) – Multi-Purpose Room**

| | |
|---|---|
| Equipment Delivery/Set-Up | February 20, 2020 – 8am to 8pm |
| Public Voting Dates | February 22, 2020 to March 3, 2020 |
| Vote Center Breakdown | March 5, 2020, 2020 – 8am to 8pm |
| Equipment Pick-Up | March 6, 2020 – 8am to 8pm |

3. **Compton Neighborhood Center (600 North Alameda Street) – Blue Room**

| | |
|---|---|
| Equipment Delivery/Set-Up | February 27, 2020 – 8am to 8pm |
| Public Voting Dates | February 29, 2020 to March 3, 2020 |
| Vote Center Breakdown | March 5, 2020, 2020 – 8am to 8pm |
| Equipment Pick-Up | March 6, 2020 – 8am to 8pm |

4. **Burrell/Macdonald Park Community Center (2516 West Alondra Boulevard – Community Banquet Room**

| | |
|---|---|
| Equipment Delivery/Set-Up | February 27, 2020 – 8am to 8pm |
| Public Voting Dates | February 29, 2020 to March 3, 2020 |
| Vote Center Breakdown | March 5, 2020, 2020 – 8am to 8pm |
| Equipment Pick-Up | March 6, 2020 – 8am to 8pm |

## FINANCIAL IMPACT

The Registrar's Office request that the customary rental charges for use of the above-specified facility spaces be waived in light of the fact that the requested use of the spaces is for providing multiple access and convenience in participation of voting for the citizenry.

## RECOMMENDATION

It is staff's recommendation that the City Council adopt this Resolution.

**CRAIG J. CORNWELL**
**CITY MANAGER**

**RESOLUTION NO. _____**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMPTON AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH THE LOS ANGELES COUNTY REGISTRAR-RECORDER/COUNTY CLERK FOR USE OF CERTAIN CITY-OWNED FACILITY SPACES AS VOTING LOCATIONS FOR THE MARCH 3, 2020 ELECTION**

**WHEREAS**, the Los Angeles County Registrar's Office is responsible for the registration of voters, maintenance of voter's files, conduct of federal, state, local and special elections and the verification of initiative, referendum and recall petitions; and

**WHEREAS,** each year the Registrar's Office participates in approximately 200 elections for schools, cities and special districts. There are approximately 4.1 million registered voters and 5,000 voting precincts established for countywide elections; and

**WHEREAS,** in efforts to provide accessible and convenient voting locations within the City, the Registrar's Office has requested to temporarily reserve and utilize space within four (4) City-owned facilities (i.e. Burrell/Macdonald Park - Community Banquet Room; Compton Neighborhood Center -Blue Room; Lueders Park - Multi-Purpose Room; Kelly Park – Auditorium) for use as voting centers for the March 3, 2020 Presidential Primary Election; and

**WHEREAS,** the Registrar's Office request that the customary rental charges for use of the above-specified facility spaces be waived in light of the fact that the requested use of the spaces is for providing multiple access and convenience in participation of voting for the citizenry.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COMPTON DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** That the City Manager, on the advice and approval of the City Attorney is hereby authorized to enter an agreement with the Registrar-Recorder/County Clerk's Office of Los Angeles County for the temporary use of spaces within four (4) City-owned facilities for use as voting centers for the March 3, 2020 Presidential Primary Election; more specifically:

**a. Kelly Park (2319 East Caldwell Street) – Auditorium**

| | |
|---|---|
| Equipment Delivery/Set-Up | February 20, 2020 – 8am to 8pm |
| Public Voting Dates | February 22, 2020 to March 3, 2020 |
| Vote Center Breakdown | March 5, 2020 – 8am to 8pm |
| Equipment Pick-Up | March 6, 2020 – 8am to 8pm |

**b. Lueders Park (1500 East Rosecrans Avenue) – Multi-Purpose Room**

| | |
|---|---|
| Equipment Delivery/Set-Up | February 20, 2020 – 8am to 8pm |
| Public Voting Dates | February 22, 2020 to March 3, 2020 |
| Vote Center Breakdown | March 5, 2020, 2020 – 8am to 8pm |
| Equipment Pick-Up | March 6, 2020 – 8am to 8pm |

**c. Compton Neighborhood Center (600 North Alameda Street) – Blue Room**

| | |
|---|---|
| Equipment Delivery/Set-Up | February 27, 2020 – 8am to 8pm |
| Public Voting Dates | February 29, 2020 to March 3, 2020 |
| Vote Center Breakdown | March 5, 2020, 2020 – 8am to 8pm |
| Equipment Pick-Up | March 6, 2020 – 8am to 8pm |

**d. <u>Burrell/Macdonald Park Community Center (2516 West Alondra Boulevard – Community Banquet Room</u>**

| | |
|---|---|
| Equipment Delivery/Set-Up | February 27, 2020 – 8am to 8pm |
| Public Voting Dates | February 29, 2020 to March 3, 2020 |
| Vote Center Breakdown | March 5, 2020, 2020 – 8am to 8pm |
| Equipment Pick-Up | March 6, 2020 – 8am to 8pm |

**<u>Section 2.</u>** That the term of this Vote Center Facility Agreement shall terminate as of March 31, 2020, if not sooner as specified on the dates identified above in Section 1.

**<u>Section 3.</u>** That any customary rental and staff charges for use of the above-specified facility spaces are waived in light of the fact that the requested use of the spaces is for providing multiple access and convenience in participation of voting for the citizenry.

**<u>Section 4.</u>** That a certified copy of the Resolution shall be filed in the offices of the City Manager (Security Division), City Clerk, City Attorney, General Services and the Parks and Recreation Department.

**<u>Section 5.</u>** That the Mayor shall sign and the City Clerk shall attest to the adoption of this Resolution.

**ADOPTED** this ____ day of _____, 2020.

_____
**MAYOR OF THE CITY OF COMPTON**

**ATTEST:**

_____
**CITY CLERK OF THE CITY OF COMPTON**

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES
CITY OF COMPTON: ss

I, Alita Godwin, City Clerk of the City of Compton, hereby certify that the foregoing Resolution was adopted by the City Council, signed by the Mayor and attested by the City Clerk at a regular meeting thereof held on the ____ day of _____, 2020.

That said Resolution was adopted by the following vote, to wit:

**AYES: COUNCIL MEMBERS-**
**NOES: COUNCIL MEMBERS-**
**ABSENT: COUNCIL MEMBERS-**
**ABSTAIN: COUNCIL MEMBERS-**

_____
**CITY CLERK OF THE CITY OF COMPTON**

DEAN C. LOGAN
Registrar-Recorder/County Clerk

# VOTE CENTER FACILITY USE AGREEMENT

Agreement and authorization is granted by **City Of Compton** ("Host") to the Los Angeles County Registrar-Recorder/County Clerk ('RR/CC') for the use of the designated facility spaces specified below:

For and in consideration of the following conditions, both parties hereby agree as follows:

**Term:** This Agreement is entered into this **23rd** day of **January 2020** upon the execution hereof by the Parties and shall expire **3/31/2020** thereafter (Initial Term), unless sooner terminated or extended, in whole or in part, as provided in this Agreement.

**Use of the Facility:** Upon receiving notice from RR/CC no later than forty-seven (47) days prior to a Statewide Presidential or Gubernatorial Election or no later than forty-seven (47) days prior to an odd-year or special, unscheduled election, Host permits access to the agreed upon designated space for no less than 31 days unless otherwise stated in the Vote Center Election Plan (Attachment A) to be completed and mutually agreed upon prior to each and every election.

**Facility Requirements:** Host will ensure the designated space is free from any activity during the mutually agreed upon access schedule included in the Vote Center Election Plan and provide a means of entry, electricity, air conditioning/heating (if available), and restroom access (if available) for RR/CC staff.

Host will ensure the designated space is free from all tables, chairs and other equipment prior to the first day of the access schedule unless use of existing furniture or equipment is mutually agreed upon by both parties in the Vote Center Election Plan.

Host will ensure that at times RR/CC is not on premises, access to the designated space is restricted only to those RR/CC has given prior approval.

Host will ensure that any network configuration and technical equipment installed in preparation for the election remains unmodified for the period designated in the access schedule of the Vote Center Election Plan.

**Primary Contacts:**

The Host's Primary Contact for this Agreement is: Vernell McDaniel, City of Compton, 205 S. Willowbrook Ave. Compton CA 90220, 310-605-6215, vmcdaniel@comptoncity.org.

The RR/CC's Primary Contact for this Agreement is: Jaime Young, Assistant Division Manager, Election Operations Center: 12680 Corral Place; Santa Fe Springs, CA 90670, (877) 728-0235, votecenters@rrcc.lacounty.gov.

In addition, Host and RR/CC will designate primary and secondary contacts for both business and weekend/non-business hours related to facility access and technical operations to be included in the Vote Center Election Plan.

**Parking Requirements:** Host agrees to provide sufficient parking, including accessible spaces, and a waiver of any parking fees for RR/CC staff and voters.

**Public Voting Period:** Host agrees to provide RR/CC staff access to the designated space from 7 a.m. to 6 p.m. on voting days prior to Election Day and 6 a.m. to 9 p.m. on Election Day as detailed in the Vote Center Election Plan, unless a revised schedule is mutually agreed upon prior to the specific election.

**Promotions and Political Material:** Host agrees to remove any political campaign signage or literature and not engage in audible dissemination of electioneering information within 100 feet of the designated space and not conduct any promotional activity tied to the public voting period without prior authorization from RR/CC.

**Termination of the Agreement:** Host shall not cancel or change the location outside of a natural disaster or unforeseen building/structural damage. This Agreement shall remain in effect, with all conditions set forth. RR/CC may at any time and without reason, revoke its request to use the designated facility space. In the event any provision of this Agreement contradicts County of Los Angeles Board policies or any applicable laws, rules, and regulations, RR/CC may terminate this Agreement, effective immediately upon written notice.

**Amendment of the Agreement:** No alteration or variation of the terms of this Agreement shall be valid unless made in writing and signed by both parties. This Agreement may be modified or amended only upon the mutual written consent of both the Host and the RR/CC. Any amendment shall become effective upon the mutual written consent of both the Host and the RR/CC.

**Certificate of Self-Insurance:** RR/CC will provide certificate upon request.

**Indemnity Agreement:** ~~Agency~~ Host shall indemnify, defend and hold harmless County, its trustees, elected and appointed officers, agents, employees, and volunteers from and against any and all liability, including, but not limited to, claims for injury or damages, demands, actions, fees, loss, costs and expenses (including reasonable attorney and expert witness fees) arising out of or incurred in connection with the performance of this agreement, but only in proportion to and to the extent such liability, loss, demands, actions, fees, costs and expenses are caused by or result

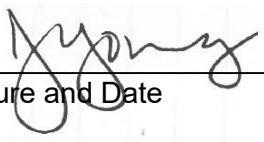
from the negligent or intentional acts or omissions of the Agency, its trustees, officers, agents, employees, or volunteers.

County shall indemnify, defend and hold harmless ~~Agency~~ Host, its trustees, officers, agents, employees, and volunteers from and against any and all liability, including, but not limited to, claims for injury or damages, demands, actions, fees, loss, costs and expenses (including reasonable attorney and expert witness fees) arising out of or incurred in connection with the performance of this agreement, but only in proportion to and to the extent such liability, loss, demands, actions, fees, costs and expenses are caused by or result from the negligent or intentional acts or omissions of the County, its trustees, officers, agents, employees, or volunteers.

**Electronic Signatures:** The Host and RR/CC agree to facsimile and electronic scanned versions of original signatures of authorized signatures of each party have the same force and effect as original signatures such that the parties need not follow up facsimile or electronic transmissions of executed documents with original wet-signature versions.

THE ABOVE SITE INDEMNITY AGREEMENT APPLIES TO ONLY ELECTIONS CONDUCTED BY LOS ANGELES COUNTY REGISTRAR-RECORDER/COUNTY CLERK

**IN WITNESS WHEREOF, and executed as the date first above written above, the Parties to this agreement do hereby agree and consent to all terms and conditions provided herein.**

| **Los Angeles County**<br>**Registrar-Recorder/County Clerk** | **City of Compton** |
|---|---|
|  1-23-2020 | |
| Signature and Date | Signature and Date |
| Jaime Young, Assistant Division Manager | Craig J. Cornwell, City Manager |
| Printed Name and Title | Printed Name and Title |

| Site | Selected Room | Address | Voting Period |
|---|---|---|---|
| Burrell/Macdonald Park Community Center | Community Banquet Room | 2516 W. Alondra Blvd. Compton, CA 90220 | Feb 29 - Mar 3 |
| Lueders Park | Multi-Purpose Room | 1500 E. Rosecrans Ave, Compton CA 90221 | Feb 29 – Mar 3 |
| Kelly Park | Auditorium | 2319 E. Caldwell St. Compton CA 90221 | Feb 22 – Mar 3 |
| Compton Neighborhood Center | Blue Room | 600 N. Alameda St. Compton, CA 90221 | Feb 29 – Mar 3 |

**VOTE CENTER FACILITY USE AGREEMENT**
**(INCLUSIVE OF COTE CENTER ELECTION PLAN FOR BURRELL/MACDONALD PARK, KELLY PARK, LUEDERS PARK, NEIGHBORHOOD CENTER)**
**Between**
**Los Angeles County County Registrar-Recorder/County Clerk**
**And**
**City of Compton**
**[Resolution No.]**

**[Additional Signature Page for City of Compton Representatives]**

**Approved as to form:**

**By _____ Dated: _____**
**Damon M. Brown, City Attorney**

**ATTEST:**

**By _____ Dated: _____**
**Alita Godwin, City Clerk**

DEAN C. LOGAN
Registrar-Recorder/County Clerk

# VOTE CENTER ELECTION PLAN
# March 3, 2020 Presidential Primary Election

The following constitutes the mutually agreed upon Vote Center Election Plan for the March 3, 2020 Presidential Primary Election by LA County **City of Compton** ('Host') and the Los Angeles County Registrar-Recorder/County Clerk ('RR/CC') for the use of the facility space specified below:

**Burrell/Macdonald Park Community Center**
**Community Banquet Room**
**2516 W. Alondra Blvd. Compton, CA 90220**

**Contact List – Host**

| | | | |
|---|---|---|---|
| **Primary Contact Name** | Vernell Mc Daniel | **Phone #** | 310-605-6215 |
| **Email Address** | vmcdaniel@comptoncity.org | **Alternate Phone #** | |
| **IT Contact Name** | TBD | **Phone #** | |
| **Email Address** | | **Alternate Phone #** | |
| **After Hours Emergency Contact Name** | TBD | **Phone #** | |
| **Email Address** | | **Alternate Phone #** | |

**Contact List – RR/CC**

| | | | |
|---|---|---|---|
| **Primary Contact Name** | Michael Iturralde | **Phone #** | 877-728-0235 |
| **Email Address** | miturralde@rrcc.lacounty.gov | **Alternate Phone #** | 562-347-2447 |
| **IT Contact Name** | Shannon Gadson | **Phone #** | 562-462-2826 |
| **Email Address** | sgadson@rrcc.lacounty.gov | **Alternate Phone #** | 562-277-2118 |
| **After Hours Emergency Contact Name** | Jaime Young | **Phone #** | 562-347-2447 |
| **Email Address** | jyoung@rrcc.lacounty.gov | **Alternate Phone #** | 562-229-8865 |

**Access Schedule**

Host has agreed to grant access to the designated voting space for the following dates and times:

| | |
|---|---|
| **Equipment Delivery** | February 27, 2020; 8:00AM to 12:00PM |
| **Vote Center Set-Up (exclusive access begins)** | February 27, 2020; 12:00PM to 8:00PM |
| **Public Voting Dates** | February 29, 2020 - March 3, 2020 |
| **Vote Center Breakdown** | March 5, 2020; 8:00AM to 8:00PM |
| **Equipment Pick-up: (exclusive access ends)** | March 6, 2020; 8:00AM to 8:00PM |

A deployment schedule for vote center equipment delivery and pick-up is tentatively scheduled for the above dates**.** RR/CC will contact Host within two weeks of the start date to confirm delivery and details of equipment coming to the designated space.

During the public voting period, RR/CC staff shall have access to the designated space during the public voting period on the dates and times listed below:

| Public Voting Dates | Hours |
|---|---|
| **Sat - February 29, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Sun - March 1, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Mon - March 2, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Tue - March 3, 2020** | **6:00 a.m. – 9:00 p.m.** |

Host acknowledges that public voting hours may be extended due to long lines. Pursuant to California Elections Code, any voter in line at the time of closing is provided the opportunity to receive and cast a ballot.

**Designated Space, Parking, and Public Access**

RR/CC agrees to make best efforts to limit voting traffic to the mutually agreed upon areas depicted in Attachment ‘A’ and Attachment ‘B’.

**Additional Access Considerations**

The following details below represent any additional considerations necessary in providing RR/CC access to the designated space (Alarm Codes, Access Badges, Parking Passes, etc.):

_____

_____

_____

**Optional Items Provided by Host**

Host agrees to provide the following items in the designated space by the start date of the Access Schedule:

| Item | Quantity |
|---|---|
| **Tables (6-8ft rectangular)** | **4** |
| **Adult-Size Chairs** | **8** |

**Facility Use Payment**

☒ Host agrees to waive any payment for use of the designated space.
***Authorized agent initial here*** _____

☐ Los Angeles County Registrar-Recorder/County Clerk agrees to pay Host $____ per day for use of the designated space.

**Estimated Summary of Costs**

| Service | Rate | Total Daily Cost |
|---|---|---|
| N/A | | |
| | | |

In the event that any unforeseen additional cost or fees are incurred by Host in connection with RR/CC's access to designated facility space, Host shall notify RR/CC in advance of said fees/costs. Host shall provide RR/CC with detailed invoices of said costs. If practicable, a negotiated amendment shall be executed between both Host and RR/CC to reflect such costs. RR/CC will remit payment up to the amount allowable in the Vote Center Facility Use Agreement upon execution of an amendment or appropriate review and determination of coverage of costs incurred by Host.

**Payee Name**: _____ **Phone:** _____

**Payee Mailing Address:** _____

**Electronic Signatures**

The Host and RR/CC agree to facsimile and electronic scanned versions of original signatures of authorized signatures of each party have the same force and effect as original signatures such that the parties need not follow up facsimile or electronic transmissions of executed documents with original wet-signature versions.

THE ABOVE ELECTION PLAN APPLIES ONLY TO ELECTIONS CONDUCTED BY LOS ANGELES COUNTY REGISTRAR-RECORDER/COUNTY CLERK.

**IN WITNESS WHEREOF,** the authorized representatives of the parties have executed this agreement and it is effective as of the date of last signature below.

| **Los Angeles County**<br>**Registrar-Recorder/County Clerk** | **City of Compton** |
|---|---|
| 1-23-2020<br>Signature and Date | Signature and Date |
| Jaime Young, Assistant Division Manager<br>Printed Name and Title | Printed Name and Title |

DEAN C. LOGAN
Registrar-Recorder/County Clerk

# VOTE CENTER ELECTION PLAN
# March 3, 2020 Presidential Primary Election

The following constitutes the mutually agreed upon Vote Center Election Plan for the March 3, 2020 Presidential Primary Election by LA County **City of Compton** ('Host') and the Los Angeles County Registrar-Recorder/County Clerk ('RR/CC') for the use of the facility space specified below:

**Kelly Park**
**Auditorium**
**2319 E Caldwell St, Compton, CA 90221**

**Contact List – Host**

| | | | |
|---|---|---|---|
| **Primary Contact Name** | Vernell Mc Daniel | **Phone #** | 310-605-6215 |
| **Email Address** | vmcdaniel@comptoncity.org | **Alternate Phone #** | |
| **IT Contact Name** | TBD | **Phone #** | |
| **Email Address** | | **Alternate Phone #** | |
| **After Hours Emergency Contact Name** | TBD | **Phone #** | |
| **Email Address** | | **Alternate Phone #** | |

**Contact List – RR/CC**

| | | | |
|---|---|---|---|
| **Primary Contact Name** | Michael Iturralde | **Phone #** | 877-728-0235 |
| **Email Address** | miturralde@rrcc.lacounty.gov | **Alternate Phone #** | 562-347-2447 |
| **IT Contact Name** | Shannon Gadson | **Phone #** | 562-462-2826 |
| **Email Address** | sgadson@rrcc.lacounty.gov | **Alternate Phone #** | 562-277-2118 |
| **After Hours Emergency Contact Name** | Jaime Young | **Phone #** | 562-347-2447 |
| **Email Address** | jyoung@rrcc.lacounty.gov | **Alternate Phone #** | 562-229-8865 |

**Access Schedule**

Host has agreed to grant access to the designated voting space for the following dates and times:

| | |
|---|---|
| **Equipment Delivery** | February 20, 2020; 8:00AM to 12:00PM |
| **Vote Center Set-Up (exclusive access begins)** | February 20, 2020; 12:00PM to 8:00PM |
| **Public Voting Dates** | February 22, 2020 - March 3, 2020 |
| **Vote Center Breakdown** | March 5, 2020; 8:00AM to 8:00PM |
| **Equipment Pick-up: (exclusive access ends)** | March 6, 2020; 8:00AM to 8:00PM |

A deployment schedule for vote center equipment delivery and pick-up is tentatively scheduled for the above dates**.** RR/CC will contact Host within two weeks of the start date to confirm delivery and details of equipment coming to the designated space.

During the public voting period, RR/CC staff shall have access to the designated space during the public voting period on the dates and times listed below:

| Public Voting Dates | Hours |
|---|---|
| **Sat - February 22, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Sun - February 23, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Mon - February 24, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Tue - February 25, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Wed - February 26, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Thu - February 27, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Fri - February 28, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Sat - February 29, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Sun - March 1, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Mon - March 2, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Tue - March 3, 2020** | **6:00 a.m. – 9:00 p.m.** |

Host acknowledges that public voting hours may be extended due to long lines. Pursuant to California Elections Code, any voter in line at the time of closing is provided the opportunity to receive and cast a ballot.

**Designated Space, Parking, and Public Access**

RR/CC agrees to make best efforts to limit voting traffic to the mutually agreed upon areas depicted in Attachment 'A' and Attachment 'B'.

**Additional Access Considerations**

The following details below represent any additional considerations necessary in providing RR/CC access to the designated space (Alarm Codes, Access Badges, Parking Passes, etc.):

_____

_____

_____

**Optional Items Provided by Host**

Host agrees to provide the following items in the designated space by the start date of the Access Schedule:

| Item | Quantity |
|---|---|
| **Tables (6-8ft rectangular)** | **4** |
| **Adult-Size Chairs** | **8** |

**Facility Use Payment**

☒ Host agrees to waive any payment for use of the designated space.
***Authorized agent initial here*** _____

☐ Los Angeles County Registrar-Recorder/County Clerk agrees to pay Host $____ per day for use of the designated space.

**Estimated Summary of Costs**

| Service | Rate | Total Daily Cost |
|---|---|---|
| N/A | | |
| | | |

In the event that any unforeseen additional cost or fees are incurred by Host in connection with RR/CC's access to designated facility space, Host shall notify RR/CC in advance of said fees/costs. Host shall provide RR/CC with detailed invoices of said costs. If practicable, a negotiated amendment shall be executed between both Host and RR/CC to reflect such costs. RR/CC will remit payment up to the amount allowable in the Vote Center Facility Use Agreement

upon execution of an amendment or appropriate review and determination of coverage of costs incurred by Host.

**Payee Name**: _____ **Phone:** _____

**Payee Mailing Address:** _____

**Electronic Signatures**

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THE ABOVE ELECTION PLAN APPLIES ONLY TO ELECTIONS CONDUCTED BY LOS ANGELES COUNTY REGISTRAR-RECORDER/COUNTY CLERK.

**IN WITNESS WHEREOF,** the authorized representatives of the parties have executed this agreement and it is effective as of the date of last signature below.

| **Los Angeles County Registrar-Recorder/County Clerk** | **City of Compton** |
|---|---|
| 1-23-2020 | |
| Signature and Date | Signature and Date |
| Jaime Young, Assistant Division Manager | |
| Printed Name and Title | Printed Name and Title |

DEAN C. LOGAN
Registrar-Recorder/County Clerk

# VOTE CENTER ELECTION PLAN
# March 3, 2020 Presidential Primary Election

The following constitutes the mutually agreed upon Vote Center Election Plan for the March 3, 2020 Presidential Primary Election by LA County **City of Compton** ('Host') and the Los Angeles County Registrar-Recorder/County Clerk ('RR/CC') for the use of the facility space specified below:

**Lueders Park**
**Multi-Purpose Room**
**1500 E Rosecrans Ave, Compton CA 90221**

**Contact List – Host**

| | | | |
|---|---|---|---|
| **Primary Contact Name** | Vernell Mc Daniel | **Phone #** | 310-605-6215 |
| **Email Address** | vmcdaniel@comptoncity.org | **Alternate Phone #** | |
| **IT Contact Name** | TBD | **Phone #** | |
| **Email Address** | | **Alternate Phone #** | |
| **After Hours Emergency Contact Name** | TBD | **Phone #** | |
| **Email Address** | | **Alternate Phone #** | |

**Contact List – RR/CC**

| | | | |
|---|---|---|---|
| **Primary Contact Name** | Michael Iturralde | **Phone #** | 877-728-0235 |
| **Email Address** | miturralde@rrcc.lacounty.gov | **Alternate Phone #** | 562-347-2447 |
| **IT Contact Name** | Shannon Gadson | **Phone #** | 562-462-2826 |
| **Email Address** | sgadson@rrcc.lacounty.gov | **Alternate Phone #** | 562-277-2118 |
| **After Hours Emergency Contact Name** | Jaime Young | **Phone #** | 562-347-2447 |
| **Email Address** | jyoung@rrcc.lacounty.gov | **Alternate Phone #** | 562-229-8865 |

**Access Schedule**

Host has agreed to grant access to the designated voting space for the following dates and times:

| | |
|---|---|
| **Equipment Delivery** | February 20, 2020; 8:00AM to 12:00PM |
| **Vote Center Set-Up (exclusive access begins)** | February 20, 2020; 12:00PM to 8:00PM |
| **Public Voting Dates** | February 22, 2020 - March 3, 2020 |
| **Vote Center Breakdown** | March 5, 2020; 8:00AM to 8:00PM |
| **Equipment Pick-up: (exclusive access ends)** | March 6, 2020; 8:00AM to 8:00PM |

A deployment schedule for vote center equipment delivery and pick-up is tentatively scheduled for the above dates**.** RR/CC will contact Host within two weeks of the start date to confirm delivery and details of equipment coming to the designated space.

During the public voting period, RR/CC staff shall have access to the designated space during the public voting period on the dates and times listed below:

| Public Voting Dates | Hours |
|---|---|
| **Sat - February 22, 2020** | **7:00 a.m. – 6:00 p.m.** |
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| **Mon - March 2, 2020** | **7:00 a.m. – 6:00 p.m.** |
| **Tue - March 3, 2020** | **6:00 a.m. – 9:00 p.m.** |

Host acknowledges that public voting hours may be extended due to long lines. Pursuant to California Elections Code, any voter in line at the time of closing is provided the opportunity to receive and cast a ballot.

**Designated Space, Parking, and Public Access**

RR/CC agrees to make best efforts to limit voting traffic to the mutually agreed upon areas depicted in Attachment 'A' and Attachment 'B'.

**Additional Access Considerations**

The following details below represent any additional considerations necessary in providing RR/CC access to the designated space (Alarm Codes, Access Badges, Parking Passes, etc.):

_____

_____

_____

**Optional Items Provided by Host**

Host agrees to provide the following items in the designated space by the start date of the Access Schedule:

| Item | Quantity |
|---|---|
| **Tables (6-8ft rectangular)** | **4** |
| **Adult-Size Chairs** | **8** |

**Facility Use Payment**

☒ Host agrees to waive any payment for use of the designated space.
***Authorized agent initial here*** _____

☐ Los Angeles County Registrar-Recorder/County Clerk agrees to pay Host $____ per day for use of the designated space.

**Estimated Summary of Costs**

| Service | Rate | Total Daily Cost |
|---|---|---|
| N/A | | |
| | | |

In the event that any unforeseen additional cost or fees are incurred by Host in connection with RR/CC's access to designated facility space, Host shall notify RR/CC in advance of said fees/costs. Host shall provide RR/CC with detailed invoices of said costs. If practicable, a negotiated amendment shall be executed between both Host and RR/CC to reflect such costs. RR/CC will remit payment up to the amount allowable in the Vote Center Facility Use Agreement

upon execution of an amendment or appropriate review and determination of coverage of costs incurred by Host.

**Payee Name**: _____ **Phone:** _____

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| **Los Angeles County Registrar-Recorder/County Clerk** | **City of Compton** |
|---|---|
| 1-23-2020 | |
| Signature and Date | Signature and Date |
| Jaime Young, Assistant Division Manager | |
| Printed Name and Title | Printed Name and Title |

DEAN C. LOGAN
Registrar-Recorder/County Clerk

# VOTE CENTER ELECTION PLAN
# March 3, 2020 Presidential Primary Election

The following constitutes the mutually agreed upon Vote Center Election Plan for the March 3, 2020 Presidential Primary Election by LA County **City of Compton** ('Host') and the Los Angeles County Registrar-Recorder/County Clerk ('RR/CC') for the use of the facility space specified below:

**Compton Neighborhood Center**
**Blue Room**
**600 N. Alameda St. Compton, CA 90221**

**Contact List – Host**

| | | | |
|---|---|---|---|
| **Primary Contact Name** | Vernell Mc Daniel | **Phone #** | 310-605-6215 |
| **Email Address** | vmcdaniel@comptoncity.org | **Alternate Phone #** | |
| **IT Contact Name** | TBD | **Phone #** | |
| **Email Address** | | **Alternate Phone #** | |
| **After Hours Emergency Contact Name** | TBD | **Phone #** | |
| **Email Address** | | **Alternate Phone #** | |

**Contact List – RR/CC**

| | | | |
|---|---|---|---|
| **Primary Contact Name** | Michael Iturralde | **Phone #** | 877-728-0235 |
| **Email Address** | miturralde@rrcc.lacounty.gov | **Alternate Phone #** | 562-347-2447 |
| **IT Contact Name** | Shannon Gadson | **Phone #** | 562-462-2826 |
| **Email Address** | sgadson@rrcc.lacounty.gov | **Alternate Phone #** | 562-277-2118 |
| **After Hours Emergency Contact Name** | Jaime Young | **Phone #** | 562-347-2447 |
| **Email Address** | jyoung@rrcc.lacounty.gov | **Alternate Phone #** | 562-229-8865 |

**Access Schedule**

Host has agreed to grant access to the designated voting space for the following dates and times:

| | |
|---|---|
| **Equipment Delivery** | February 27, 2020; 8:00AM to 12:00PM |
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| **Vote Center Breakdown** | March 5, 2020; 8:00AM to 8:00PM |
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**Additional Access Considerations**

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_____

_____

_____

**Optional Items Provided by Host**

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| Item | Quantity |
|---|---|
| **Tables (6-8ft rectangular)** | **4** |
| **Adult-Size Chairs** | **8** |

**Facility Use Payment**

☒ Host agrees to waive any payment for use of the designated space.
***Authorized agent initial here*** _____

☐ Los Angeles County Registrar-Recorder/County Clerk agrees to pay Host $____ per day for use of the designated space.

**Estimated Summary of Costs**

| Service | Rate | Total Daily Cost |
|---|---|---|
| N/A | | |
| | | |

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| **Los Angeles County**<br>**Registrar-Recorder/County Clerk** | **City of Compton** |
|---|---|
| 1-23-2020<br>Signature and Date | Signature and Date |
| Jaime Young, Assistant Division Manager<br>Printed Name and Title | Printed Name and Title |