

September 15 2016

Ms. Olivia Jenkins
Director – Municipal Utilities
City of San Luis
1090 E. Union Street
San Luis, AZ 85349

Dear Ms. Jenkins:

Thank you for allowing **Willdan Financial Services/Economists.com** the opportunity to present this proposal to provide a water and wastewater rate analysis and long-term financial plan for the City of San Luis (“The City”). Willdan Financial Services is one of the largest public sector financial consulting firms in the United States. Our company has helped over 800 public agencies across the United States successfully address a broad range of financial challenges, such as financing the costs of growth and generating revenues to fund desired services.

On April 6, 2015, Willdan merged with **Economists.com**, a Texas-based economic and financial consulting firm established in October 1997. Our combined firm specializes in municipal and public sector utilities and our principal clients are national, state and local governments. Each of our clients is served directly by our senior level professionals with decades of experience in utility consulting and economic/financial management. We are proud of our history of building long term relationships with clients based on affordability, professionalism and performance. We have served as rate consultants to the City of San Luis since 1999 and are grateful for the opportunity to continue to provide service to the City.

Our specific services include:

- **Water and Wastewater Rate Studies**
- Sanitation Rate Studies
- Economic evaluation of water resources
- Water Planning and Management
- Connection and Impact Fee Studies
- Privatization Analysis
- Expert Witness Testimony on Reasonableness of Rate Structure
- Resource Allocation Studies
- Economic Impact and Development Studies

More information is available on our firm and professionals at our web sites, www.economists.com and www.willdan.com.

As Vice President of Willdan/Economists.com, I will manage and have primary responsibility for preparing this study for the City. I will be assisted by Mr. Daniel Lanning, Senior Project Manager.

It is our understanding that the City is interested in developing a water and wastewater financial and rate plan that will enable the City to fund all ongoing operating expenses as well as acquire the ability to issue debt to fund long-term water and wastewater capital improvement projects. Our objective is to develop a long-term rate plan that will enable the City to fund these obligations and debt coverage requirements, while at the same time minimizing the impact of any potential rate adjustments on the ratepayers. We will work closely with City staff and council to ensure that the rate plan alternatives reflect the preferences of the ratepayers of the City.

Our workplan includes the following specific assistance:

- 1) A detailed analysis and comparison of the City's current and proposed rates to the state average as well as other surrounding communities.
- 2) Using current budget, volume and CIP data, the project team will update its comprehensive ten-year water and wastewater cost of service forecast model. The model will identify current and forecast operating expenses, capital outlays and debt service for the period 2016 – 2025. The model will functionalize costs between water treatment, distribution, administration and customer billing, and wastewater treatment, collection, administration and customer billing. The model will adhere to AWWA ratemaking standards to ensure that the cost of service is just, reasonable and accurate. An electronic, executable copy of the model will be provided to City staff at the conclusion of this engagement for staff's use in future updates.
- 3) The project team will prepare a water and wastewater long-term rate plan for the City Council to consider. The rate plan will enable the City to recover sufficient revenues to fund operating and capital costs. The project team will prepare additional alternatives and scenarios should the staff or council so desire in order to choose which is the most just and reasonable.
- 4) The project team will present its analysis in the form of a PowerPoint presentation that will provide background analysis, along with relevant documentation supporting the calculations and rate alternatives.
- 5) We will conduct the following meetings: an initial meeting with City staff to review data and objectives for the analysis, a meeting with staff to go over preliminary findings and recommendations, a workshop with the City Council to review our findings and results, and a final meeting at which the chosen rate plan is adopted. Any meetings beyond these four identified meetings will be on a time and expense basis.
- 6) Should the City so desire, we will expand our analysis to include the City's sanitation utility. We have prepared previous sanitation rate analyses for the City. We will update our existing models and include sanitation rates in all of our meetings and presentations.

Attached is a request for the information we will require to complete the initial analysis.

My billing rate is \$200 per hour and Mr. Lanning's billing rate is \$165 per hour.



Our total price will depend on the scope of services chosen by the City. The scope in turn depends on whether the City wants to include sanitation in the analysis, and if the City wants for us to present our findings just in PowerPoint format or if the City wants us to complete a written report. PowerPoint presentations are the less expensive option and present all essential data; written reports provide extensive documentation of all findings and conclusions. Please check the preferred option.

Willdan/Economists.com reserves the right to invoice for services on a monthly basis. Payment is requested 30 days after receipt of each invoice.

If this proposal is acceptable to you, please execute one copy of this letter and return it to our Dallas office. Thank you for this opportunity; we look forward to working with you on this engagement.

Respectfully submitted,
WILLDAN FINANCIAL SERVICES



Dan V. Jackson
Vice President

ACCEPTED BY:

Date

Chosen Option:

_____ \$19,000 – Water/Wastewater Analysis, Meetings and Summary PowerPoint Presentation

_____ \$25,000 – Water/Wastewater Analysis, Meetings, Summary PowerPoint Presentation and Written Report

_____ \$24,000 – Water/Wastewater/Sanitation Analysis, Meetings and Summary PowerPoint Presentation

_____ \$29,000 – Water/Wastewater/Sanitation Analysis, Meetings, Summary PowerPoint Presentation and Written Report



**CITY OF SAN LUIS
2016 RATE STUDY AND LONG-TERM FINANCIAL PLAN
INITIAL REQUEST FOR INFORMATION**

Water/Wastewater

1. Please provide a copy of the City's FY 2017 water and wastewater utility budget. **FM**
2. Please provide a copy of the City's most recent audited financial statement. **FM**
3. Please provide water billed revenues by identified customer class by month from January 2013 to the present. **UM**
4. Please provide water consumption by identified customer class by month from January 2013 to the present. **UM**
5. Please provide water active accounts by identified customer class by month from January 2013 to the present. **UM**
6. Please provide wastewater billed revenues by identified customer class by month from January 2013 to the present. **UM**
7. Please provide wastewater billing units (i.e. consumption) by identified customer class by month from January 2013 to the present. **UM**
8. Please provide wastewater active accounts by identified customer class by month from January 2013 to the present. **UM**
9. Please provide all water produced by month and day at the City's water treatment plant(s)/wells for all months from January 2013 to the present. **WW**
10. Please provide all influent and effluent flows at the City's wastewater treatment plant for all months from January 2013 to the present. **WW**
11. Please provide debt schedules for all outstanding water and wastewater-related debt. **FM**
12. Please provide a copy of the most recent water and wastewater Capital Improvement Plans completed by the City. **PW**
13. Please provide a copy of the City's current water and wastewater rate schedule. **UM**
14. Please provide an electronic version of the City's logo. **IT**



Sanitation

1. Please provide a copy of the City's FY 2017 sanitation utility budget. **FM**
2. Please provide sanitation active accounts by identified customer class by month from January 2013 to the present. **UM**
3. Please provide sanitation billed revenues by identified customer class by month from January 2013 to the present. **UM**
4. Please provide debt schedules for all outstanding sanitation-related debt. **FM**
5. Please provide a copy of the most recent sanitation Capital Improvement Plans completed by the City. **PW**
6. Please provide a copy of the City's current sanitation rate schedule. **UM**





