

RESOLUTION NO. SD 20-001
OF THE BOARD OF DIRECTORS OF
NEVADA COUNTY SANITATION DISTRICT NO. 1

RESOLUTION TO AWARD A CONTRACT FOR THE WASTEWATER FEE STUDY FOR ALL NEVADA COUNTY SANITATION DISTRICT NO. 1 ZONES TO HF&H CONSULTING, LLC FOR A TOTAL AMOUNT NOT TO EXCEED \$81,155 AND APPROVE A BUDGET AMENDMENT. COUNTY OF NEVADA DISTRICTS I, II, III AND IV (4/5 AFFIRMATIVE VOTE REQUIRED)

WHEREAS, the Nevada County Sanitation District No. 1 (District) provides wastewater collection and treatment services for ten (10) Zones in Western Nevada County; and

WHEREAS, budgetary needs require a comprehensive wastewater fee study to evaluate current rates and other service- related fees to develop fair and equitable rates that are based on a cost service analysis for each zone as well as shared costs; and

WHEREAS, a budget amendment is proposed as the study would impact the Sanitation District budget fund 4700-91005-709-1000-70937000/521520; and

WHEREAS, the District issued a request for proposals to perform a Wastewater Fee Study for all Zones on July 15, 2019; and

WHEREAS, the District interviewed three responding firms and made a selection of HF&H Consultants LLC to perform the fee study.

WHEREAS, the contract will be effective from February 1, 2020 through September 30, 2020; and

NOW, THEREFORE, BE IT HEREBY RESOLVED that the Board of Directors of the Nevada County Sanitation District No. 1:

1. Awards a contract to HF&H Consultants, LLC, in the amount of \$81,155.00.
2. Authorizes the Chair of the Board of Directors to execute on behalf of the District the contract and authorizes the release of fund balance in various wastewater funds, and directs the Auditor-Controller to amend the Fiscal Year 2019/20 Sanitation District Budget as follows:

Increase:

4700-91005-709-1000-70937000/521520	\$81,155.00
4700-91005-709-1000-70937000/561013	\$81,155.00
4728-91005-709-2000-70937280/538013	\$39,477.00
4740-91005-709-2000-70937400/538013	\$28,148.00
4736-91005-709-2000-70937360/538013	\$ 1,348.00
4749-91005-709-2000-70937490/538013	\$ 844.00
4771-91005-709-2000-70937710/538013	\$ 6,139.00
4751-91005-709-2000-70937510/538013	\$ 547.00
4734-91005-709-2000-70937340/538013	\$ 2,059.00
4796-91005-709-2000-70937960/538013	\$ 545.00
4789-91005-709-2000-70937890/538013	\$ 1,959.00
4775-91005-709-2000-70937750/538013	\$ 89.00

Release Fund Balance:

4728	\$39,477.00
4740	\$28,148.00
4736	\$ 1,348.00
4749	\$ 844.00
4771	\$ 6,139.00
4751	\$ 547.00
4734	\$ 2,059.00
4796	\$ 545.00
4789	\$ 1,959.00
4775	\$ 89.00

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Nevada County Sanitation District No. 1, held on the 28th day of January, 2020, by the following vote:

Ayes: Directors Heidi Hall, Edward Scofield, Dan Miller, Susan K. Hoek and Richard Anderson.

Noes: None.

Absent: None.

Abstain: None.

ATTEST:

JULIE PATTERSON HUNTER
Clerk of the Board of Directors

By: _____



Heidi Hall, Chair

1/28/2020 cc: NCSD#1*
AC*

PERSONAL SERVICES CONTRACT

County of Nevada, California

This Personal Services Contract is made between the COUNTY OF NEVADA (herein "County"), and **HF&H** HF&F Consultants LLC

(herein "Contractor"), wherein County desires to retain a person or entity to provide the following services, materials and products generally described as follows:

(§1) Wastewater Fee Study for All NCSD No. 1 Zones

SUMMARY OF MATERIAL TERMS

(§2) **Maximum Contract Price:** \$81,155
(§3) **Contract Beginning Date:** 2/1/2020 **Contract Termination Date:** 9/30/2020
(§4) **Liquidated Damages:** \$0 per day

INSURANCE POLICIES

Designate all required policies:

		Req'd	Not Req'd
(§6) Commercial General Liability	(\$1,000,000)	<u>X</u>	_____
(§7) Automobile Liability	(\$ 300,000) Personal Auto	<u>X</u>	_____
	(\$1,000,000) Business Rated	<u>X</u>	_____
	(\$1,000,000) Commercial Policy	_____	<u>X</u>
(§8) Worker's Compensation		<u>X</u>	_____
(§9) Errors and Omissions	(\$2,000,000)	<u>X</u>	_____

LICENSES AND PREVAILING WAGES

(§14) Designate all required licenses:

As applies

NOTICE & IDENTIFICATION

(§26) **Contractor:** HF&H Consultants LLC **Nevada County Sanitation District No. 1:**
201 N Civic Dr. Suite 230 950 Maidu Ave.
Walnut Creek, CA 94569 Nevada City CA 95959

Contact Person: Richard J. Simonson, VP
(925) 977-6957
e-mail: rick@hfh-consultants.com

Contact Person: Brad Torres
(530) 265-7103
e-mail: brad.torres@co.nevada.ca.us

Contractor is a: (check all that apply)

Corporation: _____ Calif., _____ Other, X LLC, _____ Non-profit
Partnership: _____ Calif., _____ Other, _____ LLP, _____ Limited
Person: _____ Individ., _____ Dbal, _____ Ass'n, _____ Other

EDD: Independent Contractor Worksheet Required: _____ Yes X No

ATTACHMENTS

Designate all required attachments:

	Req'd	Not Req'd
Exhibit A: Schedule of Services (Provided by Contractor)	<u>X</u>	_____
Exhibit B: Schedule of Charges and Payments (Paid by County)	<u>X</u>	_____
Exhibit C: Schedule of Changes (Additions, Deletions & Amendments)	_____	<u>X</u>
Exhibit D: Schedule of HIPAA Provisions (Protected Health Information)	_____	<u>X</u>



Terms

Each term of this Contract below specifically incorporates the information set forth in the Summary at page one (1) above as to each respective section (§) therein, as the case may be.

Services

1. **Scope of Services:**

Contractor shall provide all of the services, materials and products (herein "Services") generally described in **Exhibit "A"**, according to a performance schedule, if applicable, as set forth in said exhibit (herein "Performance Schedule"). If requested, Contractor agrees to serve as an expert witness for County in any third party action or proceeding arising out of this Contract.

Payment

2. **Charges and Payments:**

The charges (herein "Charges") for furnishing the aforesaid Services under this Contract are set forth in **Exhibit "B"**, including, if applicable, hourly rates, unit pricing, and expense, mileage and cost limits. Said Charges shall be presented monthly by invoice, and shall be due within thirty (30) days of receipt unless payment is otherwise set forth in said **Exhibit "B"**, and shall remain in effect for the entire term of this Contract, and any extension hereof. In no event will the cost to County for Services to be provided under this Contract, including direct non-salary expenses, exceed the **Maximum Contract Price** set forth at §2, page one (1), above.

Time for Performance

3. **Contract Term:**

This Contract shall commence on the **Contract Beginning Date** set forth at §3, page one (1), above. All Services required to be provided by this Contract shall be completed and ready for acceptance no later than the **Contract Termination Date** set forth at §3, page one (1), above.

4. **Liquidated Damages:**

County and Contractor agree that damages to County due to delays in timely providing Services in accordance with the aforesaid Performance Schedule and Contract Termination Date are impractical and difficult to ascertain. Therefore, if §4 at page one (1) hereof shall indicate a daily amount as **Liquidated Damages**, County shall have the right to assess said daily sum, not as a penalty, but as and for damages to County due to delays in providing Services not in accordance with the said Performance Schedule, or later than the Contract Termination Date (herein "Delay"). Liquidated Damages shall be offset against amounts owing to Contractor, including retention sums.

To the extent that any Delay is a result of matters or circumstances wholly beyond the control of Contractor, County may excuse said Liquidated Damages; provided however, that County may condition such excuse upon Contractor having given prompt notice to County of such delay immediately by telephone and thereafter by written explanation within a reasonable time. The time for Contractor's performance shall be extended by the period of delay, or such other period as County may elect.

5. **Time of the Essence:**

Time is of the essence with respect to Contractor's performance under this Contract. Delay in meeting the time commitments contemplated herein will result in the assessment of liquidated damages, if indicated at §4 at page one (1), hereof. If Liquidated Damages are not so indicated, damages shall be as otherwise provided by law.

Insurance

6. **Commercial General Liability Insurance:** (County Resolution No. 90674)

If §6 at page one (1) hereof shall indicate a **Commercial General Liability** insurance policy is required, Contractor shall promptly provide proof of such insurance evidenced by a certificate of insurance with properly executed endorsements attached, which insurance shall include the following:

- (i) Broad form coverage for liability for death or bodily injury to a person or persons, and for property damage, combined single limit coverage, in the minimum amount indicated at said §6;

- (ii) An endorsement naming County as an additional insured under said policy, with respect to claims or suits arising from the Services provided or the relationships created under this Contract;
- (iii) A provision that said insurance shall be primary and other insurance maintained by the County of Nevada shall be excess only and not contributing with Contractor's insurance;
- (iv) A provision that said insurance shall provide for thirty (30) days written notice to County of any termination or change in coverage protection, or reduction in coverage limits (except ten (10) days notice for non-payment of premium).

7. Automobile Liability Insurance: (County Resolution No. 90676)

If §7 at page one (1) hereof shall require either a Business Rated or a Commercial Automobile Liability insurance policy, for each vehicle used including non-owned and hired automobiles, Contractor shall promptly provide proof of such insurance evidenced by a certificate of insurance with properly executed endorsements attached, which insurance shall include the following provisions:

- (i) Liability protection for death or bodily injury to a person or persons, property damage, and uninsured and underinsured coverage, combined single limit coverage, in the minimum amount indicated at said §7;
- (ii) An endorsement naming County as an additional insured under said policy, with respect to claims or suits arising from the Services provided or the relationships created under this Contract;
- (iii) A provision that said insurance shall be primary and other insurance maintained by the County of Nevada shall be excess only and not contributing with Contractor's insurance;
- (iv) A provision that said insurance shall provide for thirty (30) days written notice to County of any termination or change in coverage protection, or reduction in coverage limits (except ten (10) days notice for non-payment of premium).

If §7 at page one (1) hereof shall require a Personal Auto policy, for each vehicle used including non-owned and hired automobiles, Contractor shall promptly provide proof of such insurance for a minimum of three hundred thousand dollars, (\$300,000), in combined single limits, and naming the County as additionally insured.

8. Worker's Compensation: (County Resolution No. 90674)

If §8 at page one (1) hereof shall indicate a **Worker's Compensation** insurance policy is required, Contractor shall maintain said policy as required by law, and shall promptly provide proof of such insurance evidenced by a certificate of insurance, or other documentation acceptable to County.

Before commencing to utilize employees in providing Services under this Contract, Contractor warrants that it will comply with the provisions of the California Labor Code, requiring Contractor to be insured for worker's compensation liability or to undertake a program of self-insurance therefor.

9. Errors and Omissions:

If §9 at page one (1) hereof shall indicate **Errors and Omissions** insurance is required, Contractor shall maintain either a professional liability or errors & omissions policy in the minimum amount indicated, and shall promptly provide proof of such insurance evidenced by a certificate of insurance, or other documentation acceptable to County.

10. Miscellaneous Insurance Provisions: (County Resolution No. 90675)

All policies of insurance required by this Contract shall remain in full force and effect throughout the life of this Contract and shall be payable on a "per occurrence" basis unless County specifically consents to "claims made" coverage. If the County does consent to "claims made" coverage and if Contractor changes insurance carriers during the term of this Contract or any extensions hereof, then Contractor shall carry prior acts coverage.

Insurance afforded by the additional insured endorsement shall apply as primary insurance, and other insurance maintained by County, its officers, agents and/or employees, shall be excess only and not contributing with insurance required or provided under this agreement.



At all times, Contractor shall keep and maintain in full force and effect throughout the duration of this Contract, policies of insurance required by this Contract which policies shall be issued by companies with a Best's Rating of B+ or higher (B+, B++, A-, A, A+ or A++), or a Best's Financial Performance Rating (FPR) of 6 or higher (6, 7, 8 or 9) according to the current Best's Key Rating Guide, or shall be issued by companies approved by the County Risk Manager. In the event the Best's Rating or Best's FPR shall fall below the rating required by this paragraph, Contractor shall be required to forthwith secure alternate policies which comply with the rating required by this paragraph, or be in material breach of this Contract.

Failure to provide and maintain the insurance policies (including Best's ratings), endorsements, or certificates of insurance required by this Contract shall constitute a material breach of this agreement (herein "Material Breach"); and, in addition to any other remedy available at law or otherwise, shall serve as a basis upon which County may elect to suspend payments hereunder, or terminate this Contract, or both. (See §13, ¶2, below, as these provisions additionally apply to subcontractors.)

11. Indemnity:

Nothing herein shall be construed as a limitation of Contractor's liability, and Contractor shall indemnify, defend and hold harmless the County and its officers, officials, employees, agents and volunteers from any and all liabilities, claims, demands, damages, losses and expenses (including, without limitation, defense costs and attorney fees of litigation) which result from the negligent act, willful misconduct, or error or omission of Contractor, except such loss or damage which was caused by the sole negligence or willful misconduct of County or its officers, officials, employees, agents and volunteers.

Personal Services

12. Contractor as Independent:

In providing services herein, Contractor, and the agents and employees thereof, shall act in an independent capacity and as an independent contractor and not as agents or employees of County.

13. Assignment and Subcontracting:

Except as specifically provided herein, the rights, responsibilities, duties and Services to be performed under this Contract are personal to the Contractor and may not be transferred, subcontracted, or assigned without the prior written consent of County. Contractor shall not substitute nor replace any personnel for those specifically named herein or in its proposal without the prior written consent of County.

Contractor shall cause and require each transferee, subcontractor and assignee to comply with the insurance provisions set forth herein at §§6, 7, 8, 9 and 10, to the extent such insurance provisions are required of Contractor under this Contract. Failure of Contractor to so cause and require such compliance by each transferee, subcontractor and assignee shall constitute a Material Breach of this agreement, and, in addition to any other remedy available at law or otherwise, shall serve as a basis upon which County may elect to suspend payments hereunder, or terminate this Contract, or both.

14. Licensing and Permits:

Contractor warrants (i) Contractor is qualified and competent to provide all Services under this contract; (ii) Contractor and all employees of Contractor hold all necessary and appropriate licenses therefor, including those licenses set forth at §14, page one (1) hereof; and, (iii) Contractor shall obtain, and remain in compliance with, all permits necessary and appropriate to provide said Services. Contractor shall cause said licenses and permits to be maintained throughout the life of this Contract. Failure to do so shall constitute a Material Breach of this agreement, and, in addition to any other remedy available at law or otherwise, shall serve as a basis upon which County may elect to suspend payments hereunder, or terminate this Contract, or both.

Public Contracts

15. Prevailing Wage and Apprentices:

To the extent made applicable by law, performance of this Contract shall be in conformity with the provisions of California Labor Code, Division 2, Part 7, Chapter 1, commencing with Section 1720 relating to prevailing wages which must be paid to workers employed on a public work as defined in Labor Code §§1720, et seq.; and shall be in conformity with Title 8 of the California Code of Regulations §§200 et seq., relating to apprenticeship. Where applicable:



(i) Contractor shall comply with the provisions thereof at the commencement of Services to be provided herein, and thereafter during the term of this Contract. A breach of the requirements of this section shall be deemed a material breach of this contract. Applicable prevailing wage determinations are available on the California Department of Industrial Relations website at <http://www.dir.ca.gov/OPRL/PWD>.

(ii) Contractor and all subcontractors must comply with the requirements of Labor Code Section 1771.1(a) pertaining to registration of contractors pursuant to Section 1725.5. Registration and all related requirements of those Sections must be maintained throughout the performance of the Contract.

(iii) Contracts to which these prevailing wage requirements apply are subject to compliance monitoring and enforcement by the Department of Industrial Relations. Each contractor and subcontractor must furnish certified payroll records to the Labor Commissioner at least monthly.

(iv) The County is required to provide notice to the Department of Industrial Relations of any public work contract subject to prevailing wages within five (5) days of award.

16. Accessibility (County Resolution No. 00190):

It is the policy of the County of Nevada that all County services, programs, meetings, activities and facilities shall be accessible to all persons, and shall be in compliance with the provisions of the Americans With Disabilities Act and Title 24, California Code of Regulations. To the extent this Contract shall call for Contractor to provide County contracted services directly to the public, Contractor shall certify that said direct Services are and shall be accessible to all persons.

17. Nondiscriminatory Employment:

In providing Services hereunder, Contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, age, sex, national origin, political affiliation, ancestry, marital status or disability. This policy does not require the employment of unqualified persons.

18. Prior Nevada County Employment (County Resolution No. 03-353):

Effective July 22, 2003, it is the policy of the County of Nevada that former members of the Board of Supervisors, a former CEO, or a former Purchasing Agent, for a period of twelve (12) months following the last day of employment, shall not enter into any relationship wherein that former employee or former Board member receives direct remuneration from a legal entity that, during the last twelve (12) months of said employment or Board member's service, entered into a contract with, or received a grant from the County of Nevada. Provided however, that this prohibition shall not apply to any employee that did not personally approve a contract with or grant to said legal entity during the last twelve (12) months of said employment, and shall not apply when the Board of Supervisors did not approve a contract with or grant to said legal entity during the last twelve (12) months of said Board member's service.

A violation of this policy shall subject Contractor to all of the remedies enumerated in said resolution and as otherwise provided in law, which remedies shall include but not be limited to injunctive relief, cancellation and voiding of this contract by County, a return of grant money, a cause of action for breach of contract, and entitlement to costs and reasonable attorney fees in any action based upon a breach of contract under this provision.

19. Cost Disclosure:

In accordance with Government Code Section 7550, should a written report be prepared under or required by the provisions of this Contract, Contractor agrees to state in a separate section of said report the numbers and dollar amounts of all contracts and subcontracts relating to the preparation of said report

Default and Termination

20. Termination:

A Material Breach of this Contract pursuant to the terms hereof or otherwise, in addition to any other remedy available at law or otherwise, shall serve as a basis upon which County may elect to immediately suspend payments hereunder, or terminate this contract, or both, **without notice**.



If Contractor fails to timely provide in any manner the services materials and products required under this Contract, or otherwise fails to promptly comply with the terms of this Contract, or violates any ordinance, regulation or other law which applies to its performance herein, County may terminate this Contract by giving **five (5) days written notice** to Contractor.

Either party may terminate this Contract for any reason, or without cause, by giving **thirty (30) calendar days written notice** to the other, which notice shall be sent by registered mail in conformity with the notice provisions, below. In the event of termination not the fault of the Contractor, the Contractor shall be paid for services performed to the date of termination in accordance with the terms of this Contract. Contractor shall be excused for failure to perform services herein if such performance is prevented by acts of God, strikes, labor disputes or other forces over which the Contractor has no control.

County, upon giving **sixty (60) calendar days written notice** to Contractor, shall have the right to terminate its obligations under this Contract at the end of any fiscal year if the County or the State of California, as the case may be, does not appropriate funds sufficient to discharge County's obligations coming due under this contract.

Miscellaneous

21. Books of Record and Audit Provision:

Contractor shall maintain complete records relating to this Contract for a period of five (5) years from the completion of Services hereunder. Said records shall include but not be limited to bids and all supporting documents, original entry books, canceled checks, receipts, invoices, payroll records including subsistence, travel and field expenses, together with a general ledger itemizing all debits and credits

Contractor shall permit County to audit said records as well as such related records of any business entity controlled by Contractor. Said audit may be conducted on Contractor's premises or at a location designated by County, upon fifteen (15) days notice. Contractor shall promptly refund any moneys erroneously charged and shall be liable for the costs of audit if the audit establishes an over-charged of five percent (5%) or more of the Maximum Contract Price.

22. Intellectual Property:

All original photographs, diagrams, plans, documents, information, reports, computer code and all recordable media together with all copyright interests thereto (herein "Intellectual Property"), which concern or relate to this Contract and which have been prepared by, for or submitted to Contractor, shall be the property of County, and upon fifteen (15) days demand therefor, shall be promptly delivered to County without exception. Provided however, for personal purposes only and not for commercial, economic or any other purpose, Contractor may retain a copy of Contractor's work product hereunder.

23. Entire Agreement:

This Contract represents the entire agreement of the parties, and no representations have been made or relied upon except as set forth herein. This Contract may be amended or modified only by written, fully executed agreement of the parties.

24. Jurisdiction and Venue:

This Contract shall be construed in accordance with the laws of the State of California and the parties hereto agree that venue shall be in Nevada County, California.

25. Compliance with Applicable Laws:

The Contractor shall comply with any and all federal, state and local laws, codes, ordinances, rules and regulations which relate to, concern or affect the Services to be provided by this Contract.

26. Notices:

This Contract shall be managed and administered on County's behalf by the department and the person set forth at §26, page one (1) of this Contract, and all invoices shall be submitted to and approved by this Department. In addition to personal service, all notices may be given to County and to Contractor by first class mail addressed as set forth at said §26 Said notices shall be deemed received the fifth (5th) day following the date of mailing or the earlier date of personal service, as the case may be.

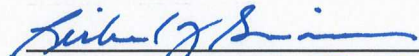


27. Authority:

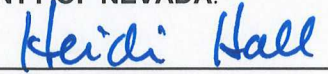
All individuals executing this Contract on behalf of Contractor represent and warrant that they are authorized to execute and deliver this Contract on behalf of Contractor.

IN WITNESS WHEREOF, the parties have executed this Contract effective on the Beginning Date, above.

CONTRACTOR:


Name: RICHARD J. SIMONSON
Title: VICE PRESIDENT
Dated: 1-17-2020

COUNTY OF NEVADA:


Honorable Heidi Hall
Chair, Board of ~~Supervisors~~ Directors
Dated: 1/28/2020

Attest: 
Julie Patterson Hunter
Clerk of the Board

EXHIBIT A


County of Nevada

RFP: Sanitation District No. 1 Wastewater Fee Study For All Zones
Page 16 of 16

ATTACHMENT B: COVER SHEET

Name of Person, Business or Organization:	HF&H Consultants, LLC
Type of Entity: (e.g. Sole-Proprietorship, Partnership, Corp., Non-Profit, Public Agency)	Limited Liability Company
Federal Tax ID Number:	94-3097242
Contact Person – Name	Richard J. Simonson, Vice President
Contact Person – Address	201 N Civic Dr, Suite 230 Walnut Creek, CA 94596
Contact Person – Phone Number (s)	(925) 977-6957
Contact Person – e-mail address	rick@hfh-consultants.com

By signing this **Cover Sheet** I hereby attest: that I have read and understood all the terms listed in the RFP; have read and understood all terms listed in this proposal; that I am authorized to bind the listed entity into this agreement; and that should this proposal be accepted, I am authorized and able to secure the resources required to deliver against all terms listed within the RFP as published by the County of Nevada, including any amendments or addenda thereto except as explicitly noted or revised in my submitted proposal.


Signature of Authorized Representative

Richard J. Simonson
Printed Name of Authorized Representative

August 21, 2019
Date

EXHIBIT A

1. Name of Person	2. Address
3. Telephone Number	4. City
5. State	6. Zip
7. Date of Birth	8. Sex
9. Marital Status	10. Education
11. Occupation	12. Other Information

COUNTY OF NEVADA
SANITATION DISTRICT No. 1
950 Maidu Avenue
Nevada City, CA 95959

WASTEWATER FEE STUDY FOR ALL ZONES

PROPOSAL

August 22, 2019

HF&H CONSULTANTS, LLC
201 North Civic Drive, Suite 230
Walnut Creek, CA 94596



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COUNTY OF NEVADA
SANITATION DISTRICT NO. 1
1500 Main Street
Nevada County, Nevada

WASTEWATER FEE STUDY FOR ALL ZONES

PROPOSAL

August 22, 2019

WATER CONSULTANTS, LLC
501 North Chestnut Street, Suite 240
Walnut Creek, CA 94598



WATER CONSULTANTS, LLC

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HF&H CONSULTANTS, LLC

Managing Tomorrow's Resources Today

201 North Civic Drive, Suite 230
Walnut Creek, California 94596
Tel: (925) 977-6950
Fax: (925) 977-6955
hfh-consultants.com

Robert D. Hilton, Emeritus
John W. Farnkopf, PE
Laith B. Ezzet, CMC
Richard J. Simonson, CMC
Marva M. Sheehan, CPA
Rob C. Hilton, CMC

August 22, 2019

Nevada County Purchasing Division
County of Nevada
Eric Rood Administrative Center
950 Maidu Avenue
Nevada City, CA 95959

Subject: Proposal - Sanitation District No. 1 Wastewater Fee Study for All Zones

Nevada County Purchasing Division:

HF&H Consultants, LLC (HF&H) is pleased to submit this proposal in response to the County of Nevada's (County's) July 15, 2019 Request for Proposals. Our proposal is organized as requested and includes an appendix with additional information.

While there may be other consultants that also provide wastewater rate studies, none is as qualified as HF&H to assist the County. In light of the San Juan Capistrano decision and the long standing Proposition 218, it is crucial for utility rates to be cost-based, reasonable, and equitable for all customer classes. Our approach is uniquely tailored to each client based on actual wastewater needs and customer make up within each community. Our models are known for their simplicity and ease of use, which is essential in meeting the burden of proof. We have been hired to redo other rate consultants' models that were difficult to navigate and/or too sprawling to be printed - leaving the client with little confidence that the results were accurate.

In addition to describing our experience, approach, references, and corporate structure, we have included appendices with additional information about our consulting services and sample wastewater rate study reports.

Our Consulting Team. Our proposed team members have varied backgrounds: Engineering, Accounting, and Finance Management. We bring a unique and diverse perspective to our clients and we view our role as a rates consultant from different perspectives:



- From the public's perspective, we want to be viewed as an independent, objective outside party that is capable of explaining the impact of potential changes in clear, simple, meaningful terms that laypeople can understand.
- From the elected officials' perspective, we want to be viewed as an authoritative expert that can help them craft a solution that balances the community's interests and strengthens the community by building consensus.
- From the staff's perspective, we want to be viewed as a teammate who can help develop a preferred alternative that optimizes rate-making objectives.
- From a personal perspective, we want all parties involved to feel highly satisfied with our services from start to finish.

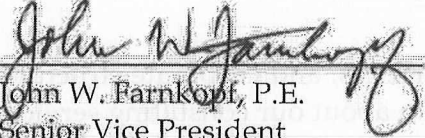
We perform our role as a consultant free of any conflict of interest. We are not a financial advisor that might show a preference toward debt financing because of potential compensation earned from the sale of bonds. We are not an engineering firm that would benefit from rate increases that could fund capital improvements from which compensation could be earned by providing design and construction management services.

The work for this project will be managed by two owners of HF&H, both of whom are located in our Walnut Creek, CA office located at the address provided on Page 1 of this transmittal letter.

We appreciate the opportunity to submit our proposal and look forward to discussing it with you.

Very truly yours,

HF&H CONSULTANTS, LLC


John W. Farnkopf, P.E.
Senior Vice President

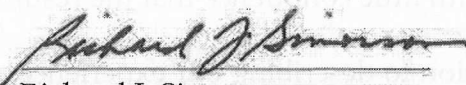

Richard J. Simonson
Vice President

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**COUNTY OF NEVADA
SANITATION DISTRICT No. 1**

WASTEWATER FEE STUDY FOR ALL ZONES

PROPOSAL



COUNTY OF NEVADA
SANITATION DISTRICT NO. 1

WASTEWATER FEE STUDY FOR ALL ZONES

PROPOSAL



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TAB A. DESCRIPTION OF SERVICES

LIST OF SERVICES

Table A-1 itemizes the complete list of services to be provided. Opportunities for cost efficiencies or improved quality are briefly described below. Instances where services exceed or do not meet the scope of services requested in the RFP are noted. A detailed description of the approach of each task is described in Tab D of this proposal.

Table A-1. Itemized List of Services

Task 1 - Project Initiation
Meet with County Staff/Gather Data
Task 2 - Revenue Requirement Projections
Develop Revenue Requirement Projections
Review Preliminary Analysis with County Staff
Revise Model
Task 3 - Cost of Service Analysis
Develop Cost of Service Analysis
Review Preliminary Analysis with County Staff
Revise Model
Task 4 - Rate Design
Develop Alternative Rate Structures
Bill Impact Analyses
Review Preliminary Results with County Staff
Revise Alternatives
Task 5 - Connection/Other Fees
Data Collection
Calculate Fees
Review Preliminary Results with District Staff
Revise Results Accordingly
Task 6 - Communicate Results
Advisory Committee Meeting
Prepare Draft Report
Review Draft Report with Staff
Revise Draft Report
Board of Supervisors Meeting
Task 7 - Implementation
Assist with Prep of Prop 218 Notice/Ord/Reso
Attend Prop 218 Protest Hearing
Prepare Final Report
Task 8 - Project Management
Manage Schedule/Budget, Prepare Invoices

COST EFFICIENCIES & IMPROVED QUALITY

Effective Project Management

HF&H is committed to providing the County with a focused, attentive, and expert team of consultants. Part of that commitment to the County, and to all of our clients as well as our professional staff, is that we place relatively low demands on our Project Managers' workloads. While many of our competitors require 50+ hour work weeks and 80%-90% billable "utilization" of their staff, HF&H's professionals work an average of 42.5 hours per week with an average utilization of 62.5%. This leads to what clients have frequently reported to us: our staff are accessible, pleasant to work with, and willing to dig into nuances of the project.

We manage workloads carefully through our project management system, including bi-weekly planning updates and "all hands" meetings forecasting all current and proposed project work for each professional and over a six- to nine-month (or more for large projects) planning horizon. This process allows us to identify when the workload for an individual professional has reached capacity.

Prior to taking on any new work assignment, HF&H is considerate of the schedule and projected workload for each professional to be assigned. This is intended to ensure that the professional has the time to be focused on and attentive to the client's needs. The close working relationship between our management and staff ensures effective supervision and quality control.

Meetings

The RFP calls for attendance at six meetings. Our proposal adequately budgets for attendance at all six meetings. It is our experience, however, that telephonic and/or screen share meetings are adequate for kickoff and review meetings with staff. Scheduling telephonic meetings rather than in-person meetings can reduce the number of hours needed or shift the hours to other tasks.

This project will be managed by two HF&H owners out of the firm's Walnut Creek office. This will allow for timeliness and flexibility to attend meetings on relatively short notice.

Rate Model

Our rate models are exceptionally user friendly. They contain worksheets that organize the analysis into logical units. Each worksheet has a column that indicates the flow of calculations among worksheets and within each worksheet. Each worksheet also contains footnotes referring to source documents and key assumptions.

All of the modeling becomes available to the County at no additional cost or licensing fees. The models are designed for inclusion in the project report as part of the administrative record.

Documentation

Our rate recommendations will be documented in a concise report written for the layperson. We are mindful of creating an administrative record that anticipates and addresses potential challenges. The effectiveness of our reports is one reason why we have managed to consistently gain rate approval.

All of the modeling has been available to the County as an additional cost of the study. The models are designed for inclusion in the project report as part of the administrative record.

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Documentation
Our rate recommendations will be documented in a concise report written for the layperson. We are mindful of creating an administrative record that anticipates and addresses potential challenges. The effectiveness of our reports is one reason why we have managed to consistently gain rate approval.

TAB B. BACKGROUND AND EXPERIENCE

FIRM HISTORY

Founded in 1989, HF&H Consultants, LLC, provides consulting services to water, wastewater, and solid waste agencies. HF&H Consultants provides financial, economic and general consulting services to public officials in the following areas: rate-setting, cost of service studies, financial planning and budgeting, resource management, public policy development, litigation, and negotiations.

Today, HF&H Consultants has grown to a firm of twenty-seven professionals, which makes us one of the largest ratemaking firms on the West Coast. With offices located in northern and southern California, HF&H Consultants directs its practice to cities, counties, and special districts in the western United States. As such, HF&H Consultants provides clients with the breadth of experience of a national firm, and the responsiveness, accountability, and personal commitment of a local firm. Our consultants are seldom far away and, as a result, our clients always receive a quick, personal response to their needs.

The synergy resulting from our staff's engineering, accounting, economics, and public policy backgrounds provides substantial added value to clients, which can rarely be achieved by individual engineering, accounting, or management consulting firms.

HF&H Consultants has a low staff-to-executive ratio in order to allow the firm's most experienced members to participate actively in client projects, rather than only in practice development and project administration. Unlike firms that delegate critical tasks to junior staff, our senior employees are involved throughout our clients' projects. The close working relationship between our management and staff ensures effective supervision and quality control. The executives' national certifications (Mr. Simonson is a Certified Management Consultant) and licenses (Mr. Farnkopf is a Professional Engineer) assure our clients of compliance with the highest professional standards.

FIRM CAPABILITIES

When local agencies have problems or needs related to recycling, solid waste, water, and wastewater services, they hire HF&H for a few key reasons:

- Our team of **recognized leaders** in our consulting field.
- Our **customized approach**, analytical models, and solutions address each client uniquely.
- Our reputation for **objective, fact-based solutions**.

- Our commitment to conducting **professional, thorough, and detailed analysis** to support our findings and recommendations.
- Our **pledge to deliver high-quality services** responding quickly and personally to clients, meeting timelines, and delivering work products that exceed expectations.

FIRM QUALIFICATIONS

Over the past 30 years, HF&H has conducted more than 1,000 rate, capacity fee, and related studies for more than 400 water, wastewater, stormwater, and solid waste clients. This body of work is the basis for the sterling reputation that HF&H enjoys.

The following is a link to our firm website which includes summaries of recent studies. <http://hfh-consultants.com/services/>. In addition, the following table lists the recent wastewater rate studies conducted by HF&H over the past five years. Brief descriptions of some of the recent projects we conducted, which are similar to those requested in the County’s RFP, are provided below.

Table B-1. Recent Wastewater Rate Studies

Client	Date
City of Galt	2014
City of Pacifica	2014
Natural Resources Defense Council	2010-2014
Ross Valley Sanitary District	2011-2015
Union Sanitary District	2015-2016
City of Newport Beach	2017
City of West Sacramento	2017
San Mateo County (2 service areas)	2017
Town of Hillsborough	2014-2017
City of Beverly Hills	2015-2017
City of Crescent City	2018
County of San Mateo	2017-2018
Oakwood Lake Water District	2017-2018
Sausalito-Marín City SD	2002-2019
City of Daly City	2019
West Bay Sanitary District	2011-2019
Castro Valley Sanitary District	2018-2019

EASY-TO-USE RATE MODELS AND CAPITAL PLANNING TOOLS

Our methodology will be integrated into a spreadsheet model for current use in setting rates as well as for the County’s future use in each year’s update. Our rate models are exceptionally user friendly. They contain worksheets that organize the analysis into logical units. Each worksheet has a column that indicates the flow of calculations among worksheets and within each worksheet. Each worksheet also contains footnotes referring to source documents and key assumptions.

All of the modeling becomes available to the County at no additional cost or licensing fees. The models are designed for inclusion in the project report as part of the administrative record.

We recently built a long-term financial planning models for the South Coast Water District and the Union Sanitary District which allows staff to annually update the model with actual results and revised capital expenditure projections to ensure adequate funding for major capital improvements. The models allow users to select various sources of funding, interest rates on debt, and duration of debt issuances. We build our models so that staff can revise various assumptions and the rate and reserve balance impacts can be seen immediately. This is most helpful when meeting with elected officials, as staff can respond in real time to requested changes in assumptions (e.g., alternative funding mechanisms, delays in rate increases, etc.).

This past year, the model helped the South Coast Water District determine that a combination of SRF loans and bond issuances were necessary to fund over \$300 million in capital improvements over the next ten years.

HF&H PROJECT EXPERIENCE

HF&H has selected the following recent projects to demonstrate our wastewater rate-making experience. The SOQ in the appendix has a complete list of our services and the clients for which we have provided them.

West Bay Sanitary District – Sewer Rate Studies

HF&H has performed a variety of studies for the District (population 70,000) including wastewater rate and connection fee updates and related economic analyses. We have assisted the District in developing sound reserves (e.g., operating, capital, rate stabilization, and emergency replacement) while avoiding double-digit rate increases. We have also conducted studies of the difference between single family and multi-family wastewater discharge to determine if there should be a difference in their respective charges per equivalent dwelling unit.

Contact: Phil Scott, District Manager
500 Laurel Street
Menlo Park, CA 94025
psscott@westbaysanitary.org
(650) 321-0384

Union Sanitary District – Sewer Rate Study

HF&H was retained to conduct a peer review of the sewer rate model recently completed by another consultant. Because of the model's shortcomings, HF&H was directed to

create a new model that was user friendly and could be printed out as part of the administrative record. Working closely with the District's attorneys, John Farnkopf also wrote a new project report documenting the analysis, including a copy of the rate model. A critical requirement of the rate model called for by the District's attorneys was that the flow of the calculations could be followed without the need to check cells in the spreadsheet model.

Since then, John Farnkopf, Rick Simonson, and Geoff Michalczyk have continued to assist the District with its capital planning. This work has led to the development of a fairly sophisticated model. Such is the sophistication of the model that we have been provided support as needed.

Contact: Paul Eldredge, General Manager
5072 Benson Road
Union City, CA 94587
paule@unionsanitary.ca.gov
(510) 477-7502

Castro Valley Sanitary District – Sewer Rate Study

HF&H completed a wastewater rate study for the Castro Valley Sanitary District by providing a financial plan for adequate revenue and by adjusting the cost-of-service for its customer classes. We analyzed the option of moving commercial customers to flow-based rates rather fixed charges. Inadequate water consumption data from EBMUD showed that charging customers based on flow would be administratively difficult so HF&H recommended maintaining a fixed charge for all customer classes. Since the cost of service analysis necessitated large rate adjustments for high strength customers, a phase-in approach was recommended to avoid rate shocks.

Appendix A includes
our final report for
this Sewer Rate Study

Contact: Roland Williams, General Manager
21040 Marshall Street
Castro Valley, CA 94546
roland@cvsan.org
(510) 537-0757

City of Daly City - Water, Sewer, and Storm Sewer Rate Studies

John Farnkopf, Rick Simonson, and Geoff Michalczyk have been working with the City since 2017 on various water, sewer, and solid waste projects. HF&H recently completed a water rate study for the five-year planning period of FY 2018-19 through FY 2022-23. The study, and subsequent rate adjustments, realigned the tiered water rates to the cost of service and allowed the City to increase capital project spending from less than \$1

million per year (which was less than annual depreciation expense) to \$1.9 million per year.

We are currently conducting sewer rate and stormwater fee studies for the City. These studies are interrelated because the sewer rates provide funding for appropriate portions of the stormwater program.

Contact: Tom Piccolotti, Director of Water and Wastewater Resources

333 90th Street

Daly City, CA 94015

tpiccolotti@dalycity.org

(650) 991-8200 ext. 8201

South Coast Water District – Long-Term Capital Financing Model

John Farnkopf and Geoff Michalczyk originally assisted the District in creating a long-term financial planning model to ensure adequate funding for more major capital improvements. The model allows users to select various sources of funding, interest rates on debt, and duration of debt issuances. The model helped the District determine that a combination of SRF loans and bond issuances were necessary to fund over \$300 million in capital improvements over the next ten years.

Furthermore, the District hired HF&H to provide financial consulting services as they submitted a proposal to annex the City of San Juan Capistrano's water and wastewater utilities. HF&H analyzed projections for each agency's financial operations as well as potential savings and increases in costs due to consolidation. This analysis helped the District determine potential utility rates both before and after annexation.

Contact: Pamela Arends-King, Chief Financial Officer

31592 West Street

Laguna Beach, CA 92651-6907

parendsking@scwd.org

(949) 499-4555; Ext. 3153

Sausalito-Marin City Sanitary District - Sewer Service Charge Studies

HF&H has assisted the District since 2002 with a variety of rate-related issues. Most recently, John Farnkopf and Rick Simonson have assisted the District with its latest rate update. Prior to that, we assisted the District in converting its single flat residential rate to a set of flat rates for single family, multi family, and floating home customers. We have also assisted this District with its annual tax rolls for billing by the County of Marin.

Contact: Jeffrey Kingston, General Manager

1 East Road

Sausalito, California 94965

jeffrey@smcsd.net

(415) 332-0244

LITIGATION

HF&H Consultants is not currently, been, or expected to be a party to any current, pending or past litigation (within the last 10 years).

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TAB C. STAFFING

KEY EMPLOYEES

The project team comprises four HF&H consultants. The following team has worked together closely on numerous water, wastewater, and stormwater rate studies. They all work together in the firm's Walnut Creek, CA office. Detailed résumés for each of our key personnel assigned to this project are included at the end of our Statement of Qualifications in the appendix.

John Farnkopf, Project Director

John Farnkopf directs HF&H's water, wastewater, and stormwater rate consulting practice. He has over 40 years of rate-making experience with wholesale water agencies. John's experience includes 13 years of experience as a water resources consulting engineer and Big 8 management consultant before co-founding HF&H in 1989. Since that time, he has focused on setting water, wastewater, and stormwater rates and development impact fees. John was the Project Director or technical advisor for all of the projects listed in our SOQ.

Rick Simonson, Project Manager

Rick Simonson's experience includes six years of audit experience prior to joining HF&H. Over his nearly 19 years at HF&H, Rick has managed numerous rate studies for water, wastewater, and solid waste agencies. Over the past six years Rick's focus has been on cost-of-service studies for water and wastewater clients. He has also conducted cost allocation studies to determine the amount that enterprises should reimburse the general fund for public safety services, governmental facilities, and rights-of-way maintenance. Rick will act as the Project Manager for all portions of this project scope.

Geoffrey Michalczyk, Project Analyst

Geoffrey Michalczyk provides water and wastewater consulting services to cities, counties, and special districts throughout California. He has assisted in creating utility rate structures and connection fees in compliance with state law and industry standards. Additionally, he has developed long-term financial plans for the operations of water and wastewater systems. Geoffrey specializes in municipal finance and is knowledgeable in developing rates and fees that provide adequate funding for the long-term needs of his clients. His recent project experience includes sewer rate models for the West Bay Sanitary District, Union Sanitary District, the City of Daly City, and Castro Valley Sanitary District.

Gabe Sasser, P.E., Project Analyst

Gabe brings more than 4 years of consulting experience managing natural gas pipeline assessment and regulator station re-build projects. In addition, he has previous engineering experience supporting design and developing entitlement documents, improvement plans and specifications for a civil engineering land development firm. Gabe joined HF&H on March 1, 2019, and focuses on rate studies and customer impact analyses. His recent project experience includes developing a sewer model for the Sausalito-Marín City Sanitary District, a connection fee model for the North Coast County Water District, a water rates and a connection fee model for Foresthill Public Utility District, and a cost allocation model for the United Water Conservation District.

STAFFING PLAN

Figure C-1 depicts the organization chart for the project. Below, responsibilities of each staff member has been outlined.

Figure C-1. Organization Chart



John Farnkopf will act as Project Director. He has been allocated 48 hours of the projected 385 hours needed to complete the project. As Project Director, he will be responsible for the following functions:

- Coordinate the project team's interaction with the County to ensure that all work is completed properly.
- Manage the project team's progress against the schedule and budget.
- Prepare draft and final reports with support from the project team.
- Perform QA/QC on all deliverables.

Rick Simonson will act as Project Manager. He has been allocated 137 hours of the projected 385 hours needed to complete the project. As Project Manager, he will be responsible for the following functions:

- Lead all project meetings and presentations.
- Work closely with the Project Director to manage progress against the schedule and budget.
- Supervise HF&H staff.
- Perform QA/QC on all models and deliverables.

Geoffrey Michalczyk and Gabe Sasser will act as Project Analysts. They have been allocated 194 hours of the projected 385 hours needed to complete the project. They will work closely with John and Rick in developing a water model which will allow for on-the-spot scenarios and sensitivity analyses. They will be responsible for the following assignments:

- Develop rate models and analysis.
- Assist in preparing the project report.
- Attend meetings and assist with presentations, as necessary.

OTHER RELEVANT INFORMATION

HF&H utilizes a project and resource planning system that integrates with our accounting, timekeeping, and invoicing systems to ensure accurate, real-time information. This tool helps HF&H make sure the right people are on the right projects at the right time. Automated project scheduling, real-time resource allocation, budgeting, and forecasting help HF&H project managers ensure that appropriate staff are available and allocated effectively and that projects come in on time and within budget. Timesheet entries and expense reports feed actual costs back into the project plan for an accurate rolling forecast that HF&H project managers use to make faster, more informed decisions, which ensures projects stay on track.

Having entered the detailed project plan in our system and reported against it on a daily basis, the engagement manager can monitor progress on a basis that is timely for the current condition of the particular engagement (rather than on a predetermined bi-

weekly or monthly schedule). Similarly, work papers are reviewed on a basis that is timely for the specific engagement (and not waiting until the preparation of the final report or, worse yet, after completion of the engagement). The project manager can identify and address delays or analytical problems on a real time basis.

A quality work product is a team effort involving all parties throughout our data gathering, analysis, and reporting phases: HF&H directors and managers; HF&H analysts, and client staff and management. Consultants assigned to the project shall: be qualified to perform the work; have a clear work plan that meets professional standards; and, execute their assignments effectively. The engagement manager is responsible for the day-to-day monitoring of work, review of work products, and anticipation of problems or concerns. In addition to reviewing the processes and progress of consultants, client staff reviews the work products prepared by the project team. This helps the HF&H team ensure the accuracy and relevance of findings, the appropriateness of recommendations, and the clarity of work products.

The engagement director and manager are responsible for: adjusting our work plan as the engagement progresses; ensuring that our consultants/analysts are adequately supported; assuring consistency among approaches and methods; and, scheduling work to ensure the efficiency of efforts. Additionally, the engagement manager reviews work in progress, attends key interviews and meetings, reviews the results of the analyses, and evaluates the conclusions and checks the clarity of written materials.

The engagement director and manager are responsible for reporting progress to client staff and management as frequently as appropriate for the project. In doing so, they are supported by our project reporting system that tracks hours and progress against plan by subtask and consultant. As part of this progress reporting, they will identify any areas of concern and recommend alternative approaches to addressing the concern.

TAB D. PROJECT APPROACH

WORK PLAN

Task 1. Project Initiation

Project initiation begins with a kickoff meeting attended by key County and consulting staff. The purpose of the meeting is to establish the roles of County staff in providing data and reviewing deliverables. The participants will also be familiarized with the work plan, schedule, and roles of HF&H's staff. The kickoff meeting is also the first opportunity to discuss policy issues for eventual presentation to the Board.

Alternatives will be identified for analysis along with the required data. As part of defining these alternatives, we will discuss the feasibility of implementation, particularly in acquiring the necessary data. We will discuss the County's preferred approach to modeling. Potential modifications and improvements that meet the County's needs going forward can be discussed at this time, although it is expected that refinements will be made at any time during the study.

Project initiation also involves data collection. A data request will be submitted in advance of the kickoff meeting. As part of documenting the kickoff meeting, notes will be prepared and distributed, including a data request that reflects the alternatives that are identified in the meeting.

Task 2. Revenue Requirement Projections

We will prepare a five-year financial planning model projecting O&M and capital expenses, operating and non-operating revenue, and reserve fund balances. Expenses are based on the County's budget and capital improvement program.

Using the financial planning model, we will evaluate the impacts of funding capital projects from a combination of sources including rate revenue, capacity fees, reserves, and the potential issuance of additional long-term debt.

The revenue requirement projections will indicate the future revenue increases that will be needed to fund the annual revenue requirements, including reserves. We will review the current reserves to determine the types of reserves (e.g., operating, capital, stabilization) and recommend minimum and target balances for each. Our approach is very methodical. We will establish rules for modeling the rate increases, which will either reflect current policies or that can be adopted as either informal or formal policies where none currently

Establishing prudent reserve targets is an extremely important component of a rate study

exist. Any changes in expenses will flow through the model as across-the-board, equal percentage rate increases on the existing rate structure over the five-year planning period. However, the model will also preserve the ability to adjust loadings to determine the impact of changes in the cost of service on rates. In this way, revenue increases may be different for each class if their loadings are changed.

It goes without saying that the County will become capable of using the rate model by the time the project is complete. The model that is produced in this study will be a collaborative effort with the County's staff to ensure that it provides the functionality that is needed for setting new rates now and for the County's subsequent use. Our models are provided as work products without additional licensing costs or other proprietary restrictions.

Overall, the intention will be to maintain a simple, intuitive flow of numbers without "black box" formulae or macros that are difficult to check or prone to making unintended adjustments. We will avoid introducing unnecessary complexity. During the model development, we will work closely with staff in reviewing interim work products to ensure that we provide the functionality that is needed for setting new rates now and for the County's subsequent use.

Task 3. Cost-of-Service Analysis

The cost-of-service analysis builds on the first year of the revenue requirement projections. We are particularly mindful of the administrative record that is called for in today's litigious rate-making environment. The County is aware that its rates must be cost based. Court cases in recent years provide additional guidance.

The cost-of-service analysis will allocate the revenue requirements between the fixed and variable costs and among the various zones. We will work closely with County staff to develop allocation factors based on usage and loading data for each zone. The result will be compared with the revenue from current charges to determine the difference and the transitional strategy that may be needed to align the updated rates with the cost of service without causing rate shock or hardships for any zone.

The cost-of-service analysis is dependent on the rate structure for which rates are designed based on the results of the cost-of-service analysis. Prior to preparing the cost-of-service analysis, we will present alternatives for the County's consideration. In presenting these alternatives, we will determine whether the County's customer billing system has the ability to charge the rates. We do not want to pursue alternative rate structures before we know that they can be implemented by the County.

The cost-of-service analysis will clearly indicate how the revenue requirement is apportioned among the customer classes, which is a requirement under Proposition 218 in meeting the burden of proof.

Task 4. Rate Design

The rate design will be integral with the cost-of-service analysis. We will carefully show each link in the analysis in meeting the burden of proof to demonstrate that the rates are clearly proportionate to the cost of providing service, as required under Proposition 218.

The process of designing rates is one in which the County's current rates are compared with the proposed alternatives that are identified during the cost-of-service analysis. Again, our approach is very methodical to ensure that the proposed alternatives meet all of the County's rate-making objectives.

There may be other issues facing the County, such as hardship subsidies for low-income customers. We will assist the County in understanding the legal requirements and current industry standards.

Our rate designs are presented so that impacts are easily understood by staff, elected officials, and rate payers. We compare rate structure alternatives with the current rate structure and with comparable agencies' rate structures. We also compare the customer bills produced by those rate structures. We use tabular and graphical techniques to clearly communicate the differences. These techniques allow us to make refinements during meetings to achieve the optimal result.

Task 5. Connection/Other Fees

We will collect capital asset records and inventories of facilities from the County to serve as the basis for estimating the cost of existing facilities. Reasonable assumptions will be made if needed to compensate for missing data (e.g., original costs or acquisition dates) with the assistance of County staff. The cost estimates will include construction cost plus an allowance for County costs associated with design and construction management. We will review with the County the methodology that we recommend based on the County's circumstances.

A simple spreadsheet model will be prepared, consolidating the inventory, cost, and acquisition date information for the wastewater system's existing facilities, respectively. The models will also reflect any adjustments that are warranted.

Connection Fee Charges will be derived that equitably allocate the cost of capacity between current rate payers and growth. The fees can include a buy-in component for existing capacity as well as a component for additional capacity required by growth.

We will review the preliminary results with County staff to refine the methodology. In particular, we will confirm how depreciation and, if applicable, how developer contributions will be handled. For example, significant developer contributions may be excluded because they do not constitute costs borne by rate payers for which reimbursement is required. The nature of any adjustments will be discussed with County staff prior to including them in the model.

We will also examine the County's permit and inspection fees for new wastewater connections. At the kickoff meeting, we will discuss the County's current methodology of calculating fees. If an updated structure is deemed necessary, we will discuss the preferred methodology with staff.

Once the modeling analysis is completed to staff's satisfaction a preliminary draft report will be prepared describing the derivation of the connection and other fees. The report will contain an appendix of the assets that are included in the calculation and any other support documents. The report text and appendix will document the current fees as well as provide a solid basis for future updates. The wastewater rates will be documented in the same report.

Task 6. Communicate Results

The purpose of this task is to present the results of the analysis to the County and the public. We will begin by documenting the results of the analysis in a draft report, which we will review with County staff and revise according to their comments.

We will present the results to the Board members for their feedback. Based on that feedback, further revisions will be made to the analysis and the report.

Our reports and presentations are geared towards helping the public and Board understand, and ultimately support, the rate changes.

The revised draft report will be presented to the Board of Directors for their approval and their authorization for County staff to mail notices to rate payers, initiating the Proposition 218 protest process.

Task 7. Implementation

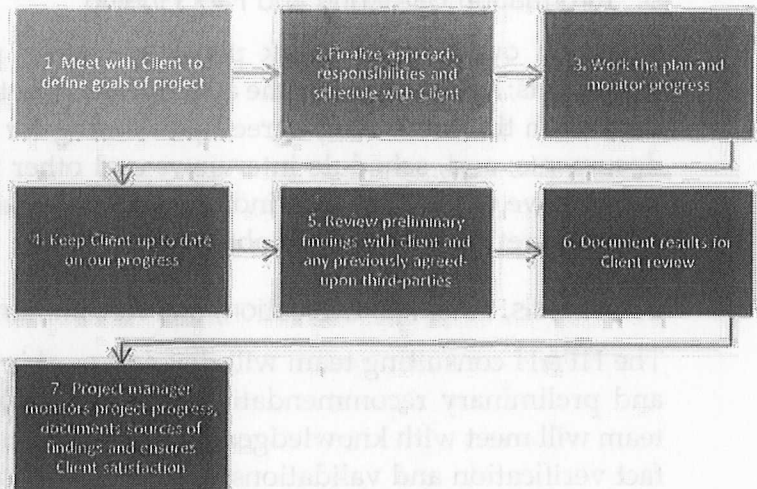
The purpose of this final task is to conclude the project with successful implementation of the preferred alternative. We will assist in preparing the notice to rate payers required under Proposition 218 in Task 5. We will also assist in updating Ordinance #31.39. We will attend the protest hearing at the end of the 45-day protest period to answer questions. A final report will be prepared reflecting any comments received from the Board, if necessary.

Task 8. Project Management

An allowance is required for monitoring schedules and budgets, periodic status calls with County staff regarding the progress of the project and other issues, as well as, for quality control checks to review each other’s analyses and work products.

QUALITY CONTROL

HF&H utilizes a highly client-interactive management consulting methodology that logically leads to the successful performance of our engagements and that it tailors for each client’s specific engagement and task. This methodology is intended to ensure alignment of the project objectives to the organizations goals, agreement on existing conditions and consensus around the chosen solution, and clear communication of the recommendations. It is based on interaction of client and HF&H team staff, assignment of qualified staff, direction of staff by managers using clear work plans, and systems and procedures to support the team and the project. The seven steps that comprise HF&H’s project management and approach are summarized above.



This methodology is comprised of the following seven steps.

A. Definition and Quantification of the Client’s Goals and Objectives

We meet with client management and, as appropriate, other parties (e.g., elected officials, the public, executive management, etc.) to define the client’s broad overall organizational goals (e.g., commitment to cost-effective public services, commitment to environmental goals, etc.) and specific objectives (such as lower customer rates or adequate reserves) for the engagement, as well as process objectives (such as schedule and budget).

B. Specification of Approach, Assignment of Responsibilities, and Schedule

We meet with client staff to develop the best strategy for optimizing the objectives of the engagement; assigning responsibilities between the client and HF&H staff; and, discussing reasonable deadlines for the completion of those responsibilities.

C. Detailed Work Plans, Work Products, Budgets & Work Paper Organization

Having defined responsibilities, HF&H prepares detailed work plans by task and subtask assigning specific staff, budgeting specific time, laying out the organization of the work papers that document the performance of the work and the basis for the findings. The work plan includes, by subtask, the data and document requirements, interview and other field work plans, and analytical techniques to be used. The staff assignments, scheduled performance dates, and estimated hours are entered into our project management system and progress is reported by our staff on a daily basis.

D. Information Gathering and Fact Finding

Based on our detailed work plans, we will: prepare requests for information and documents; submit them to the appropriate client staff (identified during Step B); review them with the client staff; agree upon timing for the submission of the information and documents; and, schedule interviews and other field work. At the completion of each subtask, we will review our findings with knowledgeable client staff to ensure we do not misinterpret the information obtained.

E. Analysis, Findings, Evaluation, and Recommendations

The HF&H consulting team will develop working outlines of the background, findings, and preliminary recommendations for each task. At this point, the HF&H consulting team will meet with knowledgeable client staff in an interactive and iterative dialogue of fact verification and validations. We will discuss alternative approaches to the solution of problems, as well as the ability to capitalize upon timely opportunities. If relevant information has been overlooked or misinterpreted in earlier steps, it will emerge through this process. Once a consensus has been developed with client staff, HF&H will present those approaches to client management for review, verification, validation and discussion. Once consensus has been reached with client management, the HF&H team will move to the reporting phase.

F. Reporting

This step in the consulting process is comprised of: preliminary report preparation; presentation of preliminary findings and recommendations for discussion and modification; preparation of the final report (including presentation materials); and presentation of the final report to the appropriate internal (e.g., departmental staff, executive management, briefings of individual elected officials) as well as external (e.g., public workshops and public hearing before the Board of Supervisors) audiences.

G. Monitoring, Quality Assurance, Management, and Progress Reporting

HF&H utilizes a project and resource planning system that integrates with our accounting, timekeeping, and invoicing systems to ensure accurate, real-time information. This tool helps HF&H make sure the right people are on the right projects

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at the right time. Automated project scheduling, real-time resource allocation, budgeting, and forecasting help HF&H project managers ensure that appropriate staff are available and allocated effectively and that projects come in on time and within budget. Timesheet entries and expense reports feed actual costs back into the project plan for an accurate rolling forecast that HF&H project managers use to make faster, more informed decisions, which ensures projects stay on track.

Having entered the detailed project plan in our system and reported against it on a daily basis, the engagement manager can monitor progress on a basis that is timely for the current condition of the particular engagement (rather than on a predetermined bi-weekly or monthly schedule). Similarly, work papers are reviewed on a basis that is timely for the specific engagement (and not waiting until the preparation of the final report or, worse yet, after completion of the engagement). The project manager can identify and address delays or analytical problems on a real time basis.

A quality work product is a team effort involving three parties throughout our data gathering, analysis, and reporting phases: HF&H engagement directors and managers, HF&H analysts, and client staff and management. Consultants assigned to the project shall be qualified to perform the work, have a clear work plan that meets professional standards, and execute their assignments effectively. The engagement manager is responsible for the day-to-day monitoring of work, review of work products, and anticipation of problems or concerns. In addition to reviewing the processes and progress of consultants, client staff reviews the work products prepared by the project team. This helps the HF&H team ensure the accuracy and relevance of findings, the appropriateness of recommendations, and the clarity of work products.

The engagement director and manager are responsible for: adjusting our work plan as the engagement progresses; ensuring that our consultants/analysts are adequately supported; assuring consistency among approaches and methods; and, scheduling work to ensure the efficiency of efforts. Additionally, the engagement manager reviews work in progress, attends key interviews and meetings, reviews the results of the analyses, and evaluates the conclusions and checks the clarity of written materials.

The engagement director and manager are responsible for reporting progress to client staff and management as frequently as appropriate for the project. In doing so, they are supported by our project reporting system that tracks hours and progress against plan by subtask and consultant. As part of this progress reporting, they will identify any areas of concern and recommend alternative approaches to addressing the concern.

ISSUES AND SOLUTIONS

During the course of this proposed study, there are several potential issues that could be encountered. The following details these potential issues and our approach to resolving each:

- **Incomplete or inaccurate financial data.** Our team seeks to give the County an accurate representation of its current and future financial statuses. To this extent, we will thoroughly review all data provided by the County to ensure budgetary and debt services data tie to audited information and to verify reserves and existing revenues align.
- **Long lead time to obtain response from County staff.** Our team strives to provide a timely and cost-effective service to the County. It is understandable that County staff may require additional time to respond to our requests. We will work with staff to minimize request iterations and follow-up with County staff to answer questions and avoid any delays due to the processing of data.
- **Public reaction to rate adjustments.** It is likely that current rates will require an increase in order to properly mitigate associated rising costs of service and future capital improvement plans the County has. Our team will provide a straight-forward explanation of the reasoning behind the rate increase which demonstrates the rates were set in a fair and equitable manner.
- **Rate shock due to overhaul of existing rates.** In past situations, we have calculated large increases in rate requirements to build reserves, satisfy future capital improvement planning or to keep pace with the cost of service. In these instances, we have worked with the municipality to develop a rate schedule that more gradually introduces these increases. If we find this during our review, we will evaluate with County staff and work to implement a more gradual rate increase schedule to minimize rate shock potential.

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TAB E. EXCEPTIONS

We have reviewed the RFP including the Sample Personal Services Contract (Attachment A of the RFP) and do not take any exceptions. We will enter such an agreement if selected for the proposed project.

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EXHIBIT B

COUNTY OF NEVADA - HF&H FEE ESTIMATE

Tasks	Hourly rates	Estimated Hours and Fees					Total	Work Products
		Farnkopf Project Director	Simonson Project Manager	Michalczyk Project Analyst	Sasser Project Analyst	Admin		
Task 1 - Project Initiation		\$285	\$255	\$160	\$155	\$120		
Meet with County Staff/Gather Data	Task hours	8	8	4	4	0	24	Meeting notes
	Task Fees	\$2,280	\$2,040	\$640	\$620	\$0	\$5,580	Request for data
Task 2 - Revenue Requirement Projections								
Develop Revenue Requirement Projections		1	4	12	12	0	29	Draft model
Review Preliminary Analysis with County Staff		6	6	2	2	0	16	Conf. call(s)
Revise Model		2	2	12	12	0	28	Revised models
	Task hours	9	12	26	26	0	73	
	Task Fees	\$2,565	\$3,060	\$4,160	\$4,030	\$0	\$13,815	
Task 3 - Cost of Service Analysis								
Develop Cost of Service Analysis		2	8	12	12	0	34	Draft model
Review Preliminary Analysis with County Staff		0	8	0	0	0	8	Attend Meeting
Revise Model		2	4	8	8	0	22	Revised models
	Task hours	4	20	20	20	0	64	
	Task Fees	\$1,140	\$5,100	\$3,200	\$3,100	\$0	\$12,540	
Task 4 - Rate Design								
Develop Alternative Rate Structures		2	8	8	8	0	26	Draft model
Bill Impact Analyses		1	2	4	2	0	9	
Review Preliminary Results with County Staff		0	8	0	0	0	8	Attend Meeting
Revise Alternatives		2	4	6	6	0	18	Revised alternatives
	Task hours	5	22	18	16	0	61	
	Task Fees	\$1,425	\$5,610	\$2,880	\$2,480	\$0	\$12,395	
Task 5 - Connection/Other Fees								
Data Collection		1	2	4	4	0	11	
Calculate Fees		4	6	10	4	0	24	Draft model
Review Preliminary Results with District Staff		2	2	0	0	0	4	Conf. call
Revise Results Accordingly		2	6	8	4	0	20	Revised model
	Task hours	9	16	22	12	0	59	
	Task Fees	\$2,565	\$4,080	\$3,520	\$1,860	\$0	\$12,025	
Task 6 - Communicate Results								
Advisory Committee Meeting		0	8	0	0	0	8	Models, Presentation
Prepare Draft Report		4	16	8	4	2	34	Draft report
Review Draft Report with Staff		2	2	0	0	0	4	Conf. call(s)
Revise Draft Report		2	4	4	0	2	12	Revised draft report
Board of Supervisors Meeting		0	8	0	0	0	8	Draft report/Presentation
	Task hours	8	38	12	4	4	66	
	Task Fees	\$2,280	\$9,690	\$1,920	\$620	\$480	\$14,990	
Task 7 - Implementation								
Assist with Prep of Prop 218 Notice/Ord/Reso		1	1	4	2	0	8	Notice/Ord/Reso
Attend Prop 218 Protest Hearing		0	8	0	0	0	8	Presentation
Prepare Final Report		2	4	2	0	2	10	Final report
	Task hours	3	13	6	2	2	26	
	Task Fees	\$855	\$3,315	\$960	\$310	\$240	\$5,680	
Task 8 - Project Management								
Manage Schedule/Budget, Prepare Invoices	Task hours	2	8	2	0	0	12	Status check-ins
	Task Fees	\$570	\$2,040	\$320	\$0	\$0	\$2,930	Invoices
	Total Hours	48	137	110	84	6	385	
	Total Fees	\$13,680	\$34,935	\$17,600	\$13,020	\$720	\$79,955	
	% of Total Hours	12%	36%	29%	22%	2%	100%	
	Direct Expenses (travel, misc.)						\$1,200	
	Total Fees and Expenses						\$81,155	