

City of
Key West FLORIDA

Response to Request for Qualifications for

**Financial Consulting Services for
Wastewater and Stormwater Systems**



1. Information Page

**Request Submitted to:
City of Key West, Florida
Financial Consulting Services
Wastewater and Stormwater Systems
RFQ 15-002**

Submitted by:



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Project Leader:

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April 1, 2015

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Ms. Cheri Smith
City Clerk
City of Key West
3126 Flagler Avenue
Key West, Florida 33040

Re: *Statement of Qualifications to Provide Financial Consulting Services for Wastewater and Stormwater Systems to the City of Key West*

Dear Ms. Smith:

Willdan Financial Services (“Willdan”) is pleased to submit this statement of qualifications to the City of Key West (“City”) to provide financial consulting services specific to wastewater and stormwater systems.

Willdan’s interactive approach will result in a tailored analysis of the current utility rates, revenues, funds, capital and operational expenditures, debt commitments, miscellaneous charges, and other financial data. The baseline financial assessment is the first step in the development of a forward looking plan geared toward the development of updated rates and charges that ensure stable, sufficient funding for utility operations and target City policy and practical considerations. The culmination of the analyses will be a comprehensive financial management plan that develops projected system operating results for the next 10 fiscal years or an another time period requested by the City. Willdan’s approach is supported by advanced financial modeling techniques and graphical interfaces to develop a dynamic and flexible financial model to guide the City through the evaluation of various operating and financial scenarios. ***Such an interactive approach and dynamic methodology ensures that Willdan can stand before the City Council and thoroughly explain the development of proposed rates and fees, leaving officials confident that numerous alternatives have been explored, and that the recommended approach is well-vetted.***

Based upon the technical skills and considerable experience in the areas of expertise required for this project, the Project Team is highly qualified to perform the rate analysis work required by the City. In addition, the Project Team is set apart due to its recognized qualifications including the following:

- ✓ ***Expertise in Financial and Rate Modeling*** – Willdan’s efforts will result in a focused and tailored analysis of the City’s current utility rates and revenues, development of a comprehensive financial management plan, cost of service analysis based on guiding industry practices, and innovative rate design solutions. The model developed will have the capability to carefully test and evaluate financial scenarios and rate design and policy assumptions. These techniques, in the hands of our experienced consultants, serve as a powerful decision-making tool and provide business solutions and recommendations relative to the strategic direction of the City’s utilities.
- ✓ ***Experience with the City*** – Willdan professionals have worked with the City on previous engagements and have significant experience and understanding of the wastewater and stormwater utility operations. In 2003 through 2005, Mr. Rick McClung (Principal Consultant) conducted the wastewater and stormwater studies on behalf of the City and presented the findings to the City Council.

A demonstration of the Project Team’s Financial Planning and Rate Model is included for your review.

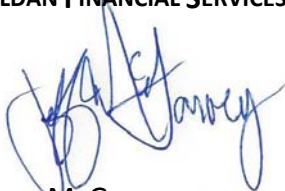
The model can be found on the enclosed flash drive.

- ✓ **Innovative Approach** – Willdan’s approach to utility rate development has been carefully honed over the years. The Project Team will work collaboratively with stakeholders to carefully assess and understand the City’s specific utility system concerns and issues and develop a truly unique, highly functional and intuitive financial model. We do not use a “cookie cutter” approach, but rather bring a combination of planning and financial expertise that provides a thorough understanding of all aspects of utility operations and management. This allows Willdan to work collaboratively with the City to provide comprehensive business solutions. The objective is to educate and inform throughout the development of the financial plan and rate analyses, not just at the completion of the project.
- ✓ **Development of Professional Standards** – Willdan professionals are currently involved in preparing the next edition of the American Water Works Association Manual (AWWA) M1 – Principles of Water Rates, Fees and Charges. Team members have also contributed to the recently released fourth edition of the AWWA Manual M29 – Water Utility Capital Financing. In other words, members of the Project Team helped “write the book” for utility rate standards.
- ✓ **Project Time Schedule** – Be assured that the Project Team has the workforce availability and resources to begin this engagement immediately upon selection, and that the current and future workload will not preclude the team from providing timely, high-quality service as required by the City.

We are excited about this opportunity to serve the City of Key West. To discuss any aspect of this submittal, or to arrange an interview, please contact me directly at (407) 872-2467, extension 1155, or via email at jmgarvey@willdan.com.

Respectfully submitted,

WILLDAN FINANCIAL SERVICES



Jeffrey McGarvey
Vice President, Managing Principal

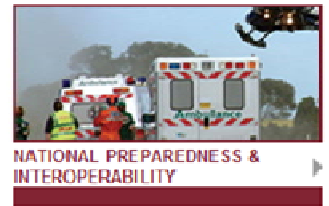
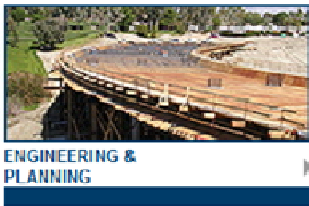


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2. Company Information

Willdan Financial Services is one of four operating divisions within Willdan Group, Inc. (WGI), which was founded in 1964 as an engineering firm working with local government. Today, WGI is a publically-owned company on NASDAQ (NASDAQ ticker: WLDN). WGI provides technical and consulting services that ensure the quality, value and security of our nation’s infrastructure, systems, facilities, and environment. The firm has been a consistent industry leader in providing all aspects of municipal and infrastructure engineering, public works contracting, public financing, planning, building and safety, construction management, homeland security, and energy efficiency and sustainability services. At present, WGI employs over 500 individuals in established offices in Orlando, Chicago, Dallas, New York City, Phoenix, Seattle, and Washington, DC; as well as throughout the state of California.



Founded in 1988, Willdan Financial Services is a wholly-owned subsidiary of WGI and is one of the largest public sector financial consulting firms in the United States. Since that time, we have assisted over 800 public agencies successfully address a broad range of financial challenges, such as financing the costs of growth and generating revenues to fund desired services. Willdan assists local public agencies by providing the following services:

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

Our staff of over 60 full-time employees supports our clients by conducting year-round workshops and on-site training to assist them in keeping current with the latest developments in our areas of expertise.

3. Methodology and Approach

Efficient and properly funded utility services are critical to the City of Key West (“City”), as well as enhancing the quality of life for City residents. A multi-year rate and financial plan will serve to facilitate the continued viability of the utility services provided by the City. The City operates its wastewater, stormwater and solid waste utility systems as self-supporting enterprise funds. The wastewater operations and collection systems operations are contracted to Operations Management International, Inc. (“OMI”). As a matter of policy, the City is tasked with financing the operations and maintenance of its utility systems through appropriate rates, fees and charges, reserve funds and other available funding sources.

Project Understanding

The City has expressed its interest in professional consulting services associated with the review of its rates and charges for wastewater and stormwater systems. Specifically, the City has requested a review of historical financial information and billing data which will be utilized in the determination of projected operating results, including funding of any necessary capital expenditures and reserves.

Willdan proposes to provide the City with comprehensive utility rate studies for the wastewater and stormwater systems. **The overall objective is to establish user rates that are sufficient to meet future system revenue requirements including debt service coverage, capital expenditures and operating reserves.** Willdan will also work with the City to establish their rates and fees around a broader set of goals or objectives (e.g. financial/rate stability, conservation, minimize customer impacts). In addition, Willdan proposes to develop multi-year projected operating results for each respective utility system. The resulting analyses will give the City the ability to test various scenarios for determining the respective impacts on the overall financial status. The analyses will include the development of user rates to be used to support the costs of system operations and improvements as well as a multi-year capital financing analyses which will create a comprehensive plan for funding future capital improvements.

If desired, Willdan will provide report documents for each separate system that summarize the rates and fees for the appropriate category, describe the relevant methodologies employed, document the major assumptions and cost factors, and summarize the financial evaluations and study results.

Willdan has also submitted on the Solid Waste System Financial Consulting Services component of the Request for Qualifications (RFQ) 15-002 and if selected for both engagements, we will build the models and analysis in a uniform format. Additionally, please be assured that Willdan has the resources and available manpower to begin the project as described herein immediately upon receiving a Notice to Proceed from the City. In addition, Willdan has staff in its Orlando office necessary to complete the requirements and present recommendations to the City Council in the required timeframe.

Project Approach

Our approach to these projects anticipates and encourages frequent and open communication between representatives of the City and Willdan. Experience has shown us that open communications between the client and consultant saves both time and money. Willdan commits that the City will stay informed about the status of the project, problem areas and areas where policy decisions and direction are needed.

The Willdan Team will utilize existing financial and operational data to develop the requested rate studies and financial analyses by utility system resulting in rates that enable full cost recovery associated with providing these important services, as well as a plan for funding system improvements and expansions. In developing proposed user rates, areas where special emphasis will be applied include:

- The utilization of defensible cost-of-service and rate-making methodologies;
- Incorporation of City’s Capital Improvement Plans for each utility system;
- Multi-year planning to maintain each systems’ financial health; and
- Review the City’s miscellaneous fees and provide comment where warranted.

As described herein, the approach utilized in the rate analysis is built around a primary objective of working collaboratively with the City to develop a comprehensive financial plan to recommend rates that have a clear rationale and basis. This objective is met by applying a communication process in which staff and other stakeholders gain understanding throughout the study of how the plan is developed, and how policy and financial decisions affect the overall plan. Such understanding will allow Willdan to clearly communicate the analysis results to staff, elected officials and the community.



Provided herein is a detailed description of the scope of work anticipated to meet the project objectives of the City for the utility user rates. The proposed scope of work is intended to develop a review and evaluation of the City’s existing rates associated with the wastewater and stormwater utility systems.

Scope of Work

The specific activities associated with the development of the respective studies and analyses are outlined on the pages that follow. The tasks outlined represent those necessary to complete the studies as identified in the City’s RFQ. This is a preliminary proposed work plan specific to the completion of these projects. However, it is possible that as the result of further discussions with the City, this preliminary plan can be revised to better reflect the City’s goals and objectives.

Wastewater Utility Rate Study

PHASE 1 – Data Collection & Review

Task 1.1 – Data Collection. As a means of initiating the project activities, the City will be provided with a list of specific data items needed to conduct the study. Applicable data items will include the following documentation.

- Current/Adopted Operating Budgets
- Current/Adopted Capital Improvement Program (CIP)
- Recent Historical Operating Results
- Historical Billing Data (Base Charge Units and actual or estimated sewage flow)

- Last Completed Utility System Rate Study
- Official Statements for Outstanding Utility Related Bonds
- City's Utility Code of Ordinances
- Comprehensive Annual Financial Reports
- Description of Interfund Transfer Policies (e.g. R&R/Depreciation Fund, General Fund, etc.)
- Fund Balance Information

The items identified above are a general list of data items required to perform the rate study on behalf of the City. During the course of the study, additional information may be requested in accordance with specific needs of the analysis.

Task 1.2 – Data Review. Upon allowing time for the City to gather and provide data in accordance with the initial data request, a kick-off meeting or conference call will be conducted with key City representatives to gain a thorough understanding of the utility operations, discuss any data concerns, discuss additional data requirements, and to ensure that the project objectives are clearly defined and understood by all parties.

PHASE 2 – Revenue Requirements and Rate Determinants

Task 2.1 – Historical Billing Data Analysis. The data request document will provide instructions for the development of historical customer billing information. It is anticipated that the billing information will be provided in a format necessary to summarize the wastewater system accounts, or base charge units (“BCU”), and billable flows by customer class for a recent historical period for which audited revenues exist. Based on Willdan’s understanding of the City’s billing data, billed water flow data will be provided by class and the City provides an allowance for 20 percent of water consumed to be used in ways that do not contribute flow to the wastewater system. As such, the assumed percentage of water being contributed to the wastewater system and used for revenue determination will be 80 percent based on City Ordinance No. 89-33, subsection (b)(1). The BCU’s and flow provide the basis on which operating revenues are derived and are therefore the primary factors utilized in reviewing the user rates. As such, the historical billing data provides an important basis for analyses that will be used to develop assumptions for projecting revenues under existing and/or proposed rates. Given the critical nature of this task, the Willdan Team will work closely with assigned staff members to ensure that the customer and flow data is as accurate as possible.

Task 2.2 – Customer and Flow Projections. The number of wastewater BCU’s and respective billable flows will be forecast for a multi-year planning period. Such projections will be developed by considering historical growth trends, climatological patterns, local economic conditions, potential for adding/losing major utility customers, changes in customer class usage patterns over time, and through discussions with City staff. The billable flow projections will be based on the projected number of utility accounts and a usage per account analysis to differentiate the historical effects of account growth and increased (decreased) average usage by customer class.

Task 2.3 – Projections of Revenues under Existing Rates. Projections of utility system revenues under existing rates for the planning period will be developed for the wastewater system recognizing projected accounts, flow volumes, and usage patterns by customer class (as determined in the billing analysis under the previous tasks). Such revenue projections will assume that the existing user rates and rate structures remain constant at the existing levels.

Task 2.4 – Miscellaneous Revenue Projections. The revenues to be generated from other existing sources including such items as interest earnings, connection fees, penalty charges and other miscellaneous service fees will be projected for the planning period. Such other revenue sources are important for determining the required net level of future revenues to be generated from the retail user rates.

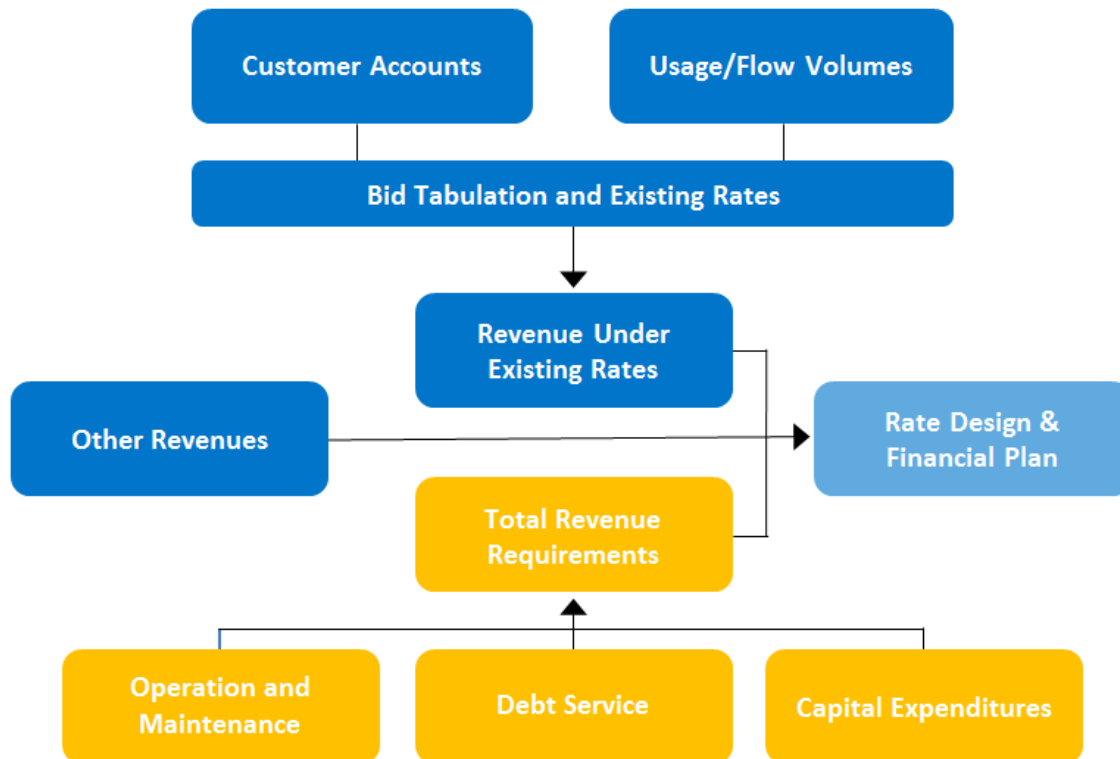
Task 2.5 – Projected Revenue Requirements. Revenue requirements (i.e. system expenditures) will be developed for the utility system based on an analysis of historical, currently budgeted, and anticipated operating and capital expenditures. The revenue requirements will be projected on a fiscal year cash flow basis, taking into account expected operational cost changes, changes in staffing or operating expenditures for new facilities, system growth occurring from new and infill development, anticipated extraordinary expenses, and allowances for inflation. The projections will include, as appropriate, the following utility system requirements:

- Wastewater Operation and Maintenance Expenses;
- Renewal and Replacements;
- Debt Service Requirements on Existing and Anticipated Debt Instruments;
- Transfers for Major Capital Improvement; and
- Other Expenditures and Transfers (e.g. Administrative Allocations, Renewal & Replacement, etc).

Further, the revenue requirements (expenses) will be allocated between the City customers and the U.S. Navy using the Navy's proportionate share of the total wastewater flows entering the wastewater plant in order to determine the required monthly charge to the Navy.

Task 2.6 – Projected Operating Results Based on Existing Rates. The projected revenues and revenue requirements will be summarized into multi-year cash flow statements providing the projected operating results for the wastewater system under the existing rates. The cash flow statement will be used to estimate annual adjustments in utility revenues necessary to fund expenditure requirements, meet bond covenant (debt service coverage ratio) requirements, maintain sufficient cumulative fund balances and maintain prudent utility management practices. The estimated timing and magnitude of any anticipated future debt issues, if any, as required to finance proposed capital improvements will also be shown. Concurrent with the development of the projected operating results, the study will review the general financial health of the utility operations and, as necessary, make recommendations for changes in fund balances, reserves, and debt service coverage ratios to maintain financial integrity and a stable bond rating. Provided on the following page is a graphic illustration of the general guidelines in the prosecution of a comprehensive wastewater rate study.

General Rate Study Illustration



PHASE 3 – Costs of Service Allocations

Task 3.1 – Functional Cost Allocations. The analysis will allocate the test year revenue requirements, as well as the revenue requirements in the subsequent years of the projection period, to the base charge and commodity charge components that constitute the functional classifications of the types of service provided by the wastewater system. The base charge revenue requirement component is assessed to recover, to the extent practicable, the fixed costs associated with system operations. The components allocated to the base charge include: 1) debt service, 2) base administration, O&M and replacement, and 3) collection system restoration. The commodity charge, or proportional use component, is assessed to recover the system costs that are more variable in nature such as collection, treatment and disposal of domestic wastewater flows.

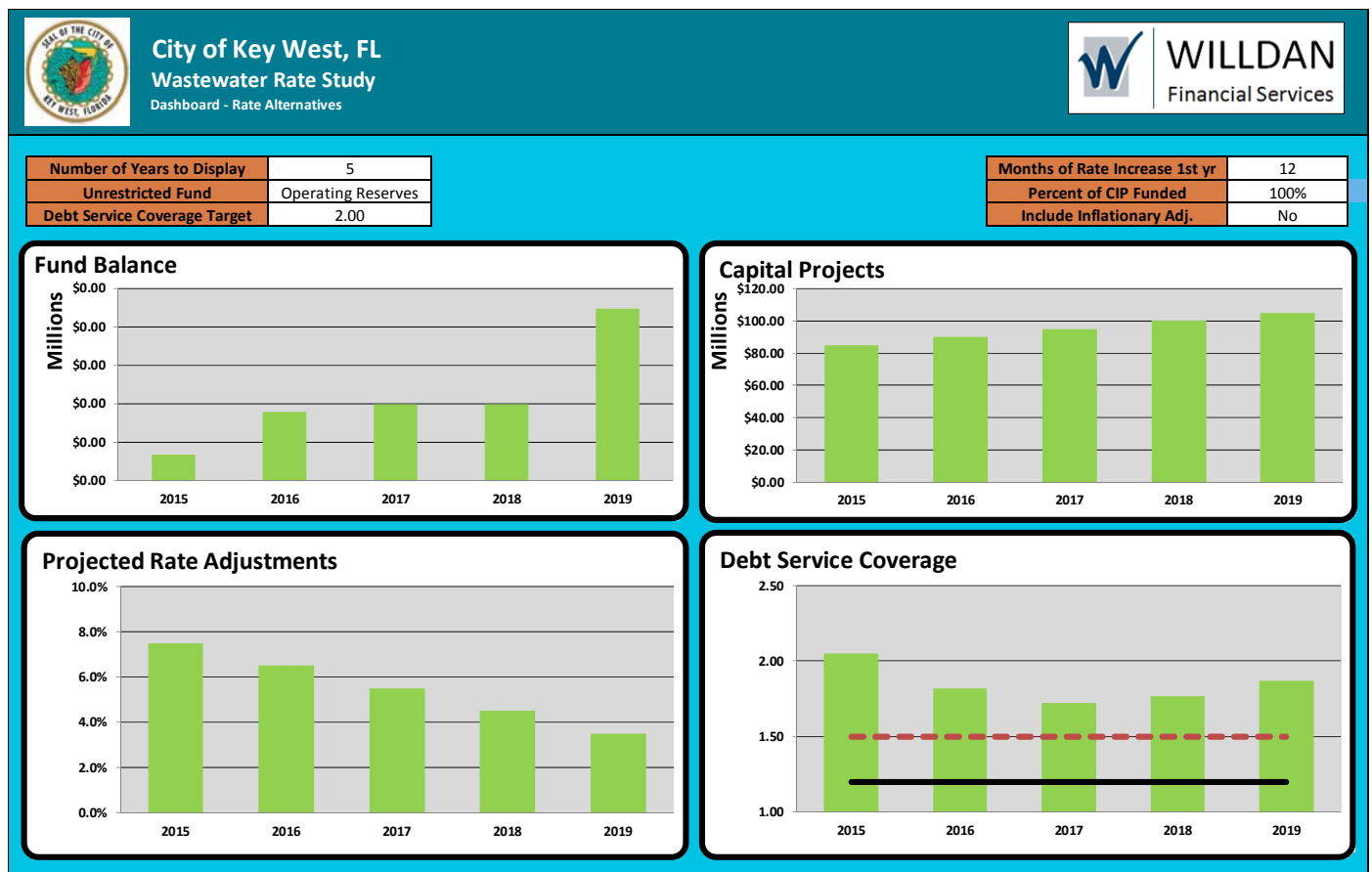
Task 3.2 – Determination of Revenue Adequacy. Comparisons of revenues under the existing rates with the allocated costs of service will be evaluated in order to determine the degree of cost recovery by the various cost classification components, and to identify areas that may possibly require adjustments to align the revenues from each rate component with the allocated costs.

PHASE 4 – User Rate and Charge Analysis

Task 4.1 – Determination of Wastewater Base Charge. Utilizing the revenue requirement allocation to the base charge component developed in Phase 3 above, Willdan will calculate the projected base charges each year of the projection period by dividing the base charge revenue requirements by the projected

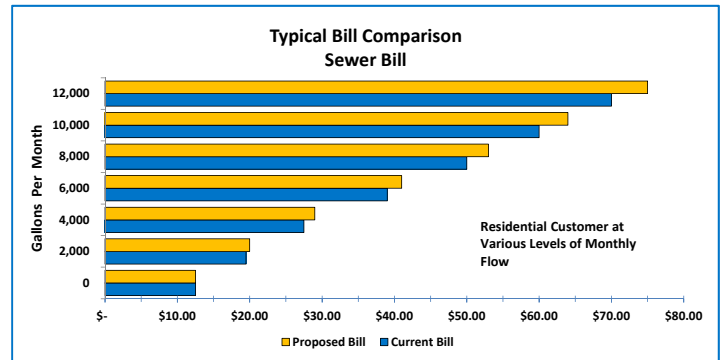
number of BCU’s as required to recover the allocated base charge expenses. Adjustments will be made based on the City’s policy of adjusting the prior year BCU charge each October 1 up to 100 percent of the percentage increase in the CPI-(U), U.S Averages.

Task 4.2 – Determination of Commodity Charge. The revenue requirement allocated to the commodity charge component will be divided by the estimated annual wastewater flows, as adjusted for unexpectedly low flows, in the determination of the commodity cost per 1,000 gallons of wastewater flow as required to fully recover allocated commodity costs. A well surcharge will also be developed for those customers with wells which contribute unmetered water flow to the City’s wastewater plant. The commodity charge will further be adjusted based on the City’s policy of adjusting the prior year’s charge each October 1 up to 100 percent of the percentage increase in the CPI-(U), U.S Averages. The model will be developed in a dynamic manner such that Willdan and City staff will be able to analyze various “What If” scenarios detailing the financial impacts under various scenarios relating to changes in customer growth, alternative capital funding options, changes to the percentage of annual CPI adjustment and any other alternative scenarios requested by the City. These scenarios will be shown in an interactive dashboard view. The rate alternatives will be developed to recover the projected revenues needed to fund utility operations, recognizing equitable cost recovery by customer class, establishing reasonable recovery of costs from existing and new utility customers, and complying with applicable regulations and policies. **A sample dashboard of important financial indicators has been provided for review below.**



Task 4.3 – Projected Operating Results Based on Proposed Rates. The resulting user rates will be applied to the projected BCU’s and billable wastewater flows in order to estimate the revenues to be generated from the proposed rates for the test year and the subsequent years of the projection period. Similar to the process described in Task 2.6, the multi-year cash flow statements will identify annual rates and rate adjustments in utility system revenues necessary to meet bond covenant requirements, maintain prudent management practices, maintain adequate fund balances and establish sound capital financing strategies.

Task 4.4 – Typical Bill Comparison. Comparisons of typical utility bills under the existing and proposed rates will be developed for each customer class and will include comparisons under various levels of usage. As part of the system comparisons, the selected customer class usage levels will also reflect the results of the billing analysis described in Task 2.1, so as to better demonstrate rate impacts on typical customer accounts in each class.

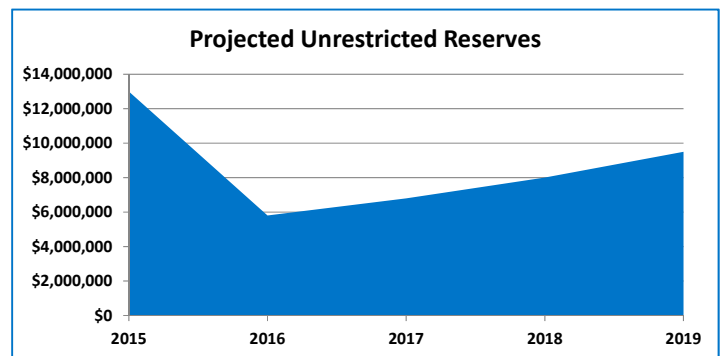


Task 4.5 – Miscellaneous Fees & Other Charges. The existing miscellaneous fees and charges will be reviewed in order to gain an understanding of the methodology used in applying the existing fees to customer and applicable occurrences. The fees will be considered based on the appropriateness as compared to the estimated direct costs. In addition, Willdan can also provide insight and recommendations as necessary on certain issues associated with deposits, rate stabilization, various policies and other potential financial enhancements. Willdan will rely on guidance from City staff to determine applicable issues of concern.

PHASE 5 – Capital Financing Plan

Task 5.1 – Review Capital Improvement Program (CIP). The City’s utility system CIP will be reviewed in conjunction with discussions with City staff. The objective of such review is to gain an understanding of the types of projects scheduled; the timing associated with such projects, and associated expenditure requirements.

Task 5.2 – Development of a Capital Financing Plan. Based on the findings made in the previous task and the Projected Operating Results described in Task 4.3, a general financing plan will be developed to provide for the anticipated capital expenditure activities, including any projected debt issuances associated with funding the CIP. Such a financing plan will include consideration for the use of restricted and unrestricted funds, surplus operating reserves, and future rate adjustments.



PHASE 6 – Reports and Deliverables

Task 6.1 – Draft Letter Report Preparation. If requested, a preliminary draft letter report will be prepared addressing the study findings and recommendations. Contents will also include salient assumptions relied upon for the projection of customers and service characteristics, revenue requirements, revenues, operating results, and any proposed adjustments to the wastewater utility rates and charges. An electronic (PDF) copy of the draft letter report document will be submitted for review by City staff.

Task 6.2 – Final Letter Report Preparation. Based on review comments received from staff, the City Council and other participants, the draft letter report will be revised to incorporate the agreed upon changes. Upon completion, hard copies of the final rate study report will be provided to the City if requested. In addition, an electronic PDF copy of the complete report will be delivered.

PHASE 7 – Meetings & Presentations

Task 7.1 – Initial Meeting (1). An initial kick-off meeting (or conference call if desired by the City) will be scheduled with City representatives during a mutually convenient time at the start of the project to discuss project requirements, finalize project scheduling and reporting requirements, and receive overall project direction. The meeting is part of the Phase 1 activities and will help ensure that the project objectives are clearly defined and understood by all parties.

Task 7.2 – Project Progress Conference Calls/Webinars. An engagement of this nature will require ongoing communication with applicable City staff during the development of the study. This will take place through conference calls and webinars with City staff and management at various points during the course of the study in order to review project progress and analysis assumptions.

Task 7.3 – City Council Meetings (1). Upon completion of the study, the results will be presented to the City Council at a scheduled public meeting. This presentation will be provided in order to offer the supporting rationale for the proposed rates and charges and to address any questions and/or concerns raised by Council members and residents prior to action being taken on the proposed rates and charges.

Stormwater Utility Rate Study

PHASE 1 – Data Collection & Review

Task 1.1 – Data Collection. As a means of initiating the project activities, the City will be provided with a list of specific data items needed to conduct the stormwater utility rate study. The applicable data items will include:

- Adopted utility operating budget;
- Copies of prior relevant studies (e.g. rate, master plans, etc.);
- Most recently approved CIP;
- Historical operating reports; and
- Historical Equivalent Stormwater Units (ESU's) - Impervious Area by Customer Class.

The items identified above are a general list of data items required to perform the stormwater rate and charge study on behalf of the City. During the course of the study, additional information may be requested in accordance with specific needs of the analysis.

Task 1.2 – Data Review. Upon allowing time for the City to gather and provide data in accordance with the initial data request, a kick-off meeting or conference call will be conducted with key City representatives to gain a thorough understanding of the utility operations, discuss any data concerns, discuss additional data requirements, and to ensure that the project objectives are clearly defined and understood by all parties.

PHASE 2 – Financial Requirements, ESU Projections and Revenue Calculation

Task 2.1 – Revenue Requirements. Willdan will utilize the Test Year operating and capital budget provided by the City to develop Test Year revenue requirements for the stormwater system, including operating and non-operating expenses that are expected to be incurred by the City. Revenue requirements for the stormwater system are defined as the amount of revenues that are required to meet all O&M costs, debt service and capital expenditures associated with the provision of stormwater service.

In order to develop the revenue requirements for the City, Willdan will review the City's audited financial statements, annual operating budgets and Capital Improvement Plans specific to the stormwater system. This portion of the study will also include a review the City's financial policies regarding internal and external funding of capital improvements to establish the parameters within which revenue requirements are determined. Willdan will combine existing O&M and capital expenses to determine total Test Year revenue requirements. Applicable escalation factors and other increases or decreases will be incorporated into projection of costs to develop the estimated annual and cumulative needs of the utility for a multi-year planning period.

Task 2.2 – Development of Historical and Projected Equivalent Stormwater Units. Based on historical ESU's provided by the City, Willdan will develop a projection based upon historical growth trends, as well as through discussions with City staff regarding anticipated ESU growth.

Task 2.3 – Stormwater Revenue Determination. Willdan will apply the existing stormwater user fee to the projected ESU's previously developed in Task 2.2 to calculate stormwater revenues each year of the projection period and determine if revenues are sufficient to recover projected revenue requirements. The stormwater user fee will further be adjusted based on the City's policy of adjusting the prior year commodity charge each October 1 up to 100 percent of the percentage increase in the CPI-(U), U.S Averages or some percentage in excess of the CPI as set forth by Ordinance.

PHASE 3 – Operating and Capital Funding Analysis

Task 3.1 – Projected Operating Results. Willdan will develop a business model that allows the City to anticipate the future financial performance of the stormwater system based on various assumptions. This model will produce the stormwater system's projected operating results and cash flow for a multi-year planning period as required by the City. The financial model will determine projected system revenues, operating and maintenance expenses, capital expenditures and the respective funding sources, existing and anticipated debt service and debt service coverage, fund transfers and the resulting fund balances for each year of the projection period. The model will also provide a summary of the activity within the utility's operating accounts and the projected year-end cash balances for the stormwater system.

Task 3.2 – Scenario Analyses. The resulting model will give the City the ability to test the financial impact of changes to various assumptions such as customer growth, user rates and levels of capital expenditure scenarios. As part of this task, Willdan will develop the following:

- A “base case” scenario which establishes the reference case for other scenarios to be compared to this one will be based on:
 - Anticipated revenues generated from existing user fees and moderate increase in the number of customers and associated ESU’s;
 - Anticipated system expenses projected using reasonable escalators;
 - Current, unadjusted Capital Improvement Program; and
 - Other costs including payments to the City, if any.
- An alternative scenario that reflects the magnitude of rate changes that would be necessary, if any, to support projected revenue requirements including the current, unadjusted Capital Improvement Program.
- An alternative scenario that adjusts the timing and costs associated with current capital improvement program as well as allows for alternative funding strategies and incorporates the recommendations developed in the Rate Design phase.

The proposed model will be designed to be flexible enough to accommodate additional scenarios should the City so desire. It is important to note that this model will integrate the City’s stormwater Capital Improvement Plan and anticipated system revenues and expenses and produce a concise summary by fiscal year in a comprehensible format. The model will allow the City to determine the optimum rate path for balancing the financial health of the stormwater system against political and other considerations. The model will be PC-based using Microsoft Excel and, at the completion of the project, will be provided to the City.

PHASE 4 – Reports & Deliverables

Task 4.1 – Draft Letter Report. Willdan will prepare a draft letter report document presenting the findings of the analyses performed in Task 1 through Task 3. The report will include:

- A description of the methodologies used to develop recommended rates and charges for the Test Year and subsequent years of the projection period;
- The methods utilized to project system expenses and revenues through the multi-year forecast period;
- The results of the multi-year financial forecast; and
- Recommendations to the City regarding user fee adjustments and, as relevant, other financial issues.

Task 4.2 – Final Letter Report. Based on comments received from staff, the City Council and other participants, the draft letter report will be revised to incorporate the agreed upon changes. Upon completion, hard copies of the final rate study letter report will be provided to the City. In addition, an electronic PDF copy of the complete letter report will be delivered.

PHASE 5 – Meetings & Presentations

Task 5.1 – Initial Meeting (1). The stormwater project will include an initial kick-off meeting (or conference call if desired by the City) that will occur in conjunction with the initial meeting or call for the wastewater project. As previously addressed, the purpose of the meeting will be to discuss project requirements, finalize project scheduling and reporting requirements, and receive overall project direction.

Task 5.2 – Project Progress Conference Calls/Webinars. An engagement of this nature will require ongoing communication with applicable City staff during the development of the study. This will take place through conference calls and webinars with City staff and management at various points during the course of the study in order to review project progress and analysis assumptions.

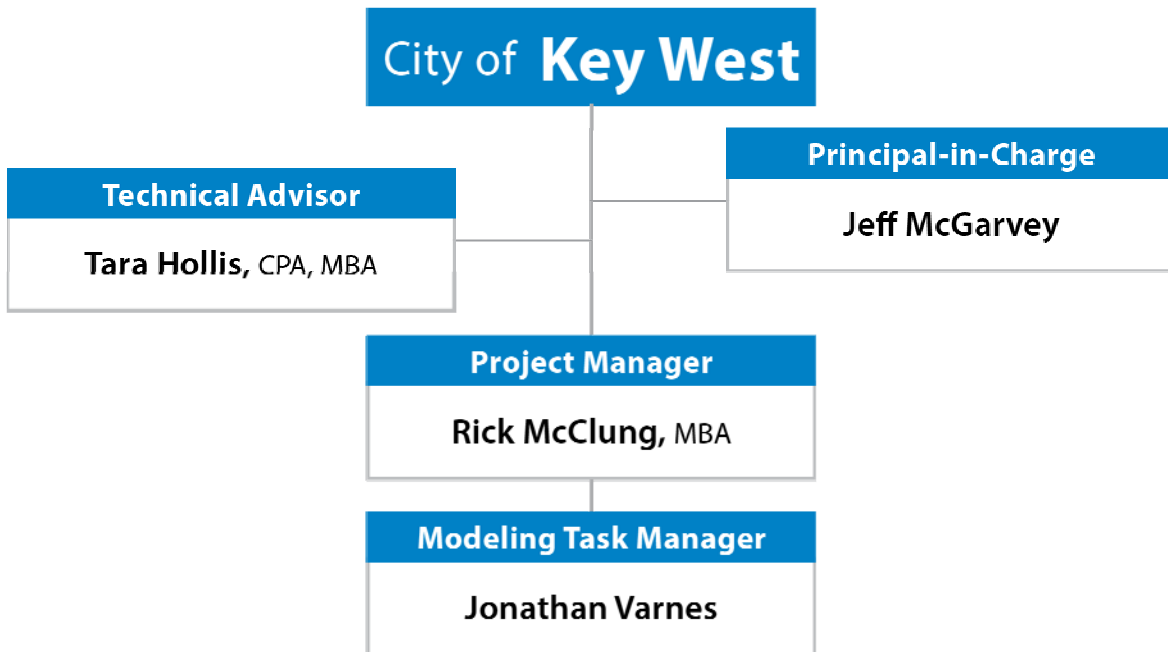
Task 5.3 – City Council Meetings (1). Upon completion of the study, the results and recommendations of the rate study will be presented to the City Council at a scheduled public meeting and will be presented at the same time as the wastewater study results and recommendations. This presentation will be provided in order to offer the supporting rationale for the proposed rates and charges and to address any questions and/or concerns raised by Council members and residents prior to action being taken on the proposed rates and charges.

4. Personnel

The management and supervision of the project team is based on a simple philosophy: staff each position with experienced, capable personnel in sufficient numbers to deliver a superior product to the City, on time and on budget. With that philosophy in mind, Willdan has selected experienced professionals for this engagement. The proposed project team possesses the depth of experience that will successfully fulfill the desired work performance.

Willdan staffs each project with experienced, capable personnel in sufficient numbers to deliver a superior product.

The organizational chart provided above outlines the reporting relationship of the team members proposed for the City’s project. In addition, resumes for each key individual proposed for the City’s engagement are provided on the following pages.



Jeff McGarvey

Principal-in-Charge

Mr. McGarvey is a Vice President and Managing Principal in Willdan’s Financial Consulting Services group. For more than 20 years, he has provided professional consulting services to municipal water, wastewater, solid waste, electric, and natural gas utilities throughout the country. He possesses a broad range of municipal utility systems’ experience, including special expertise in complex alternatives analyses; utility rate analyses; utility valuations and acquisitions; regionalization and consolidation studies; debt issuance support, such as the preparation of financial feasibility analyses associated with revenue bond issuance; capital financing analyses; strategic planning; rate and regulatory assistance; and instituting financial mechanisms to provide the sufficient recovery of operating and capital costs.

Rate and Cost of Service Studies - Mr. McGarvey has extensive experience in utility rates and cost of service studies for water, wastewater, solid waste, electric and natural gas systems located throughout the country. Such experience generally relates to performing budget analyses, customer and usage analyses, development of revenue requirements, cost of service allocations and sensitivity analyses related to the implementation of rate structures designed to promote desired usage characteristics.

Revenue Bonds, Feasibility Analyses and Capital Funding - Mr. McGarvey has been involved in the preparation of capital financing plans and feasibility studies associated with the issuance of several hundred million dollars in municipal revenue bonds and bond anticipation notes (BANs). The funding proceeds have been utilized for such purposes as utility acquisitions, expansion of facilities and various other capital improvement needs. In addition, Mr. McGarvey has developed capital funding strategies utilizing various combinations of bonds, bank loans, government assistance loans (i.e. State Revolving Funds) and grants. In his capacity as financial feasibility consultant, Mr. McGarvey has made numerous presentations on behalf of clients to various bond insurers and rating agencies (Moody’s, Standard & Poor’s, and Fitch).

Business and Strategic Planning - Mr. McGarvey has experience in developing complex financial and economic evaluation models for water, wastewater, solid waste, electric and natural gas systems located throughout the country. Such experience generally relates to the development of business and strategic plans as well as performing structured alternatives analyses and sensitivity analyses related to the evaluation and implementation of system modifications such as service and operational changes as well as planning for customer growth and capital expenditures.

Acquisitions and Valuation Analyses - Mr. McGarvey has been involved in numerous acquisitions and valuation analyses for utility systems located throughout the southeastern region. The acquisition projects generally involve financial due diligence, valuations, negotiations and financing activities associated with such transactions. Mr. McGarvey has performed valuation analyses utilizing various generally accepted methodologies including cost approach, original cost less depreciation, comparable sales, replacement cost new less depreciation and reproduction cost new less depreciation.

Select Relevant Experience

- **Comprehensive Water and Sewer Rate Study – Branson, MO:** Served as the lead rate and financial consultant for the City’s water and sewer systems. In this capacity, provided advisory services for financial and rate planning assignments for the City and its utilities. Assignments included such tasks as the development of rate and cost-of-service analyses, multi-year capital financing analyses to help

Education

Bachelor of Science, Finance, University of Central Florida

Areas of Expertise

- Alternatives Analysis
- Strategic Planning
- Rate Studies
- Cost of Service Studies
- Revenue Bonds
- Feasibility Analyses
- Capital Funding
- Acquisitions
- Valuation Analyses

Affiliations

- American Water Works Association
- The Water Environment Federation
- The Utility Management Conference
- The WateReuse Foundation

22 Years of Experience

prioritize projects and matched them to funding sources; user rate sufficiency. Developed impact fees to ensure sufficient revenue.

- **Multi-Year Capital Financing Analysis – Citrus County, FL:** Mr. McGarvey served as Lead Consultant in the development of a multi-year capital financing analysis for the solid waste management division of Citrus County, Florida. As a result of growth and the County’s interest in preserving landfill capacity, several alternative capital improvement program scenarios were being considered. Mr. McGarvey prepared a multi-year capital financing model which allowed the County to test the financial impact of each respective scenario and identify the necessary funding sources. The model also took into consideration different growth scenarios and the impact on available system capacity as well as the impact on system operations.
- **Water and Wastewater Consulting Services – Lee’s Summit, MO:** Served as the project manager to develop comprehensive strategic plan for utilities department. Process included development of a communications plan, organizing, educating and facilitating a community advisory group, development and administration of a community survey, and assessment of performance and determining recommendations for improvements. As an outcome of strategic planning process, developed a comprehensive rate and tap fee study.
- **Water, Wastewater and Storm Drainage Comprehensive Fee and Rate Study – Brighton, CO:** Serving as the Principal-in-Charge to identify and prioritize system financial and operational objectives and desired rate attributes, review existing rates and make recommendations that effectively meet these goals. Develop a comprehensive multi-year capital financing analysis as well as rate policies that will guide the rate setting process. Culmination is a rate and financial management plan projecting operating results for each of the utility systems.
- **Rate Study for Water and Wastewater Services – Durango, CO:** Serving as the Principal-in-Charge to provide long term financial plan, cost of service based rates and update the City’s plant investment fees. City needs to perform \$50 million in improvements to wastewater treatment plant in order to comply with State wastewater treatment standards and to provide available capacity for new growth. Developed balanced financial plan incorporating rate increases and anticipated debt to fully fund requirements and minimize customer impact.
- **Solid Waste Master Plan – Miami-Dade County, FL:** Willdan Financial Services served as the lead financial consultant in the development of a solid waste master plan for the Department of Solid Waste Management (DSWM) in Miami-Dade County, Florida. This task included the development of a comprehensive multi-year financial analysis fully integrating all aspects of the County’s proposed solid waste master plan, including the capital improvement plan. The financial model will provide County decision makers with a decision making tool that will identify feasible options based on broad strategic goals and specific established criteria. The approach includes estimating the financial implications of plan alternatives and their collective impact on DSWM and formulating alternative financial plans necessary for funding proposed developments and programs. This process will allow the County to develop workable solid waste programs and initiatives as well as efficient facility designs while taking into consideration the anticipated impact to the system’s financial health.

J. McGarvey

Resume Continued

Papers, Publications, and Presentations

“Positioning MDWASD as a Leader in Capital Planning,” 2011; Miami-Dade Water and Sewer Department Senior Management Workshop.

“Renewal and Replacement Costs: How Much is Enough?” 2011; Florida Water Resources Conference.

“Renewal and Replacement Costs: How Much is Enough?” 2011; South Carolina Environmental Conference.

“Renewal and Replacement Costs: How Much is Enough?” 2011; Condran, Michael; AWWA/WEF Utility Management Conference.

“Rate Design Goals and Objectives: Positioning for Success,” 2009; Water Authority of Volusia County Technical Advisory Committee.

“Membrane Bioreactor Life-Cycle Cost Assessment Simulation: Digital Game-Based Learning,” 2009; WEFTEC® Workshop.

“Wall Street’s Perception of North Carolina Water and Sewer Utilities: Positioning for Success,” 2008; North Carolina AWWA-WEA Annual Conference.

“Financial and Economic Impacts of EPA/DEQ Initiatives to Reduce Sewage Overflows,” 2008; McGarvey, Jeff; Virginia Water Environment Federation Water Jam Conference.

Richard McClung, MBA

Project Manager

Mr. McClung is a Principal Consultant with more than 27 years of municipal utility consulting experience. His consulting experience includes a variety of projects associated with water and wastewater utility systems throughout the southeastern region.

Mr. McClung's experience encompasses a wide range of utility rate and finance issues, including: wholesale and retail ratemaking, revenue bond financial feasibility reports, valuation studies for acquisitions and mergers, capital financing analyses, economic feasibility studies, assessment programs and cost of service studies.

His primary focus has been in the development of retail rate studies, financial feasibility reports associated with the issuance of municipal revenue bonds, impact fee studies and capital financing (funding) plans. Mr. McClung has also been involved with other facets of utility consulting including feasibility analyses of regional systems, strategic planning, assisting with rate and regulatory matters, analyzing capital funding alternatives and instituting financial mechanisms to provide for sufficient and equitable recovery of operating and capital costs.

Mr. McClung has made presentations associated with the financial feasibility of capital funding programs to local government commissions, rating agencies and bond insurers (i.e. Moody's, Standard & Poor's, Fitch, Ambac, FSA, etc) in order to assist bond issuers in improving their credit ratings and lowering issuance costs. He has also prepared and presented information related to retail rates, impact fees and capital funding programs to elected officials and interested audience members in attendance at local public hearings and workshops.

In addition, Mr. McClung has an extensive working knowledge of governmental budgeting processes, funding alternatives, accounting procedures, financial reporting requirements, enterprise operations and administrative relations. He has developed procedures and supervised preparation of dynamic and interactive computer models for utility rate studies, financial benchmarking, data retrieval and analysis, feasibility analyses, system expansion programs, capital acquisition alternatives, and wholesale capacity transactions.

Select Relevant Experience

- **Water and Sewer Rate Study and Capacity Fee Study - Cape Fear Public Utility Authority – Wilmington, NC:** Project Manager. Performed comprehensive water and sewer rate study, capacity fee study and followed up with a bond feasibility report required for funding prior capital needs. Currently performing a second bond feasibility report for capital project funding as well as for refunding or outstanding bonds. Will also be providing client with a 10-year financial plan following the conclusion of the bond report. *Completion Date: 2014.*
- **Water and Sewer Rate Study and Capital Financing Plan – Kannapolis, NC:** Project Manager. Completed water and sewer rate study and capital financing plan to factor in the financial impact and benefits of a comprehensive meter replacement program. Following completion of the rate study, performed a bond feasibility report for inclusion in an Official Statement, the proceeds from which were used to fund the meter replacement project, as well as other necessary capital projects. *Completion Date: 2013.*

Education

*Master of Business Administration,
University of Central Florida*

*Bachelor of Science, Finance, University
of Central Florida*

Areas of Expertise

- Rate Studies
- Rate Design
- Dynamic Computer Modeling
- Customer Statistical Analysis
- Cost of Service Studies
- Benchmarking
- Alternatives Analysis
- Revenue Bonds
- Feasibility Analyses
- Capital Financing

27 Years of Experience

- **Utility Consulting Services – Mooresville, NC:** Project Manager. Through each annual update provided, developed five-year projection of revenues and expenses for the Town to use as a planning tool in determining the timing of planned capital improvement projects and the required water and wastewater rate increases. Also developed Bond Feasibility Report for inclusion in Official Statements in the combined amount of \$92.5 million for the Series 2003, Series 2005, Series 2010A and Series 2010B Bonds. *Completion Date: 2014.*
- **Water, Sewer, Electric and Gas Rate Study – Clinton, SC:** Project Manager. Worked with the City in the development of a combined system (water, sewer, electric, and gas) rate study. Provided the City with alternative rate structures which were cost based and more fair and equitable to the customer. Also, provided the City with purchased power and purchased gas adjustment model to better track and recover the cost of wholesale electric and natural gas purchases. Currently performing an update to the study. *Completion Date: 2013.*
- **Water and Wastewater Revenue Sufficiency Study – City of Pickens, SC:** Project Manager. Recently completed a water and wastewater revenue sufficiency study which the City utilized to set their annual water and wastewater budget for their current fiscal year. The study included the potential financial impact and benefits of a planned meter change out program. Following completion of the study, provided the City's financial advisor with a Certificate of Engineer letter certifying the projected revenues, expenses and debt coverages. *Completion Date: 2014.*

R. McClung
Resume Continued

Jonathan Varnes

Modeling Task Manager

Mr. Varnes has served as a municipal utility rate consultant for 15 years; during which he has conducted over 150 retail and wholesale rate studies across the country. Furthermore, he is one of the foremost utility rate modeling experts in the rate consulting industry. Mr. Varnes' experience extends across a variety of utility rate and financial studies, including the following: retail and wholesale rate and cost of service studies; connection fee / impact fee studies; miscellaneous fee and charge studies; bond feasibility reports; interactive rate model development; CIP financial scenario planning; rate ordinance drafting; billing system validation / rate testing; and valuation / divestiture studies.

Rate and Cost of Service Studies

Mr. Varnes possesses nationwide experience with utility rate and cost of service studies for retail and wholesale use. His project experience includes water, sewer, reuse, and stormwater rate studies using state-of-the-art utility financial planning tools. He has developed both short and long-term financial plans for utilities of all sizes – including regional water authorities and regional sewer providers with as many as six municipal customers, each with individual wholesale service contracts.

Interactive Rate Model and Report Development

Mr. Varnes, a utility rate modeling expert, develops interactive rate models that contain dashboards showing key performance indicators. He is also proficient in the customization of models to each client's unique financial dynamics. Upon completion of the analysis, Mr. Varnes can conduct model training and provide a user's manual, which allows clients to perform in-house updates on an annual, or as needed, basis. Occasionally, he is called upon to redesign models developed by past consultants on his client's behalf.

In addition to the development and utilization of comprehensive forecasting tools, Mr. Varnes develops comprehensive reports which communicate the overall rate study results to both the layperson and subject-matter experts. This is done with the use of graphics and tables designed to summarize the results in a manner which is easily understood by the reader – regardless of their level of expertise. Also, for utility staff, the reports generated by Mr. Varnes include detailed, line-item data and calculations so that those who wish to better understand the results may "drill down" into the detailed calculations to research the data, results and conclusions more thoroughly.

Bond Feasibility Reports

Mr. Varnes possesses experience in preparing bond feasibility reports, which include comprehensive utility rate sufficiency analyses. He also provides presentation and rating agency support to clients during the approval process. Mr. Varnes has developed comprehensive bond feasibility reports for over a decade and most importantly, in light of the increased scrutiny placed on utilities by rating agencies in the current economic climate, he has developed bond feasibility reports resulting in the successful issuance of over \$100 million of bonds for his clients in the last few years – widely recognized as one of the most difficult markets in which to issue bonds at favorable rates in recent memory.

Selected Relevant Experience

- **Utility System Financial Services – Oviedo, FL:** Lead Project Consultant. Provide as-needed utility rate services for up to the next five years. Current task consists of developing a base-line financial analysis of each of the respective utilities

Education

Bachelor of Science, Finance, University of Florida

Areas of Expertise

- Alternatives Analysis
- Rate Studies
- Cost of Service Studies
- Revenue Bonds
- Feasibility Analyses
- Capital Funding

Affiliations

- American Water Works Association

15 Years of Experience

enterprises to determine available resources. Assisting with the development of a multi-year capital improvement plan and to match system capital requirements to available funding sources. *Completion Date: Ongoing.*

- **Water and Wastewater Rate and Capacity Fee Analysis – Crescent City, CA:** Lead Project Consultant. Updated and expanded the financial plan for water and wastewater utilities. Assisted with the calculation of utility rates and fees in order to cover the repayment of a State Revolving Fund loan secured to finance the costs of construction, ensure adequate funding for repair and periodic maintenance of the new and existing facilities, and for ongoing operations and routine maintenance. Developed the utility financial models. *Completion Date: Ongoing.*
- **Nevada Irrigation Water District's Water Rate and Cost of Services Studies – Grass Valley, CA:** Lead Project Consultant. Review of existing charges, particularly treated and raw water, to ensure the defensibility of the District's tiered rates, as well as recovery of the true costs of providing utility services to its customer base. Assisted in the development of a comprehensive revenue requirements analysis, with due diligence paid to establishing and verifying expenses and fund balances, and developing, reviewing and analyzing various CIP financing strategies. *Completion Date: Ongoing.*
- **Water and Sewer Retail and Bulk Rate Study and Contract Review – Hollywood, FL:** Lead Project Consultant: Conducted comprehensive water and sewer rate study (retail and bulk rates) which resulted in the successful adoption of a 5 year rate plan for the City. Development of the analysis included use of an interactive rate model which allowed us to sit with the City during several important working sessions to test alternative rate plans, capital financing plans, and rate structures to arrive at the solution which best met the City's needs. *Completion Date: 2013.*
- **Utility Rate Analysis – Flagstaff, AZ:** Lead Project Consultant: Conducting a comprehensive water, sewer, reclaimed water, stormwater rate study (retail and bulk rates) for a 10-year forecast period. Development of the analysis includes use of an interactive rate model which allows us to sit with the City during several important working sessions to test alternative rate plans, capital financing plans, and rate structures to arrive at the solution which best meets the City's needs. *Completion Date: Ongoing.*

J. Varnes

Resume Continued

Tara Hollis, CPA, MBA

Technical Advisor

Ms. Hollis specializes in rate and cost of service studies, feasibility and financial reports, and debt structuring analysis for the issuance of utility indebtedness for major capital improvement programs. She has an extensive range of experience in financial analysis including budget analyses, customer and usage analyses, development of revenue requirements, cost of service allocations, and sensitivity analyses related to the implementation of conservation efforts. Included in these broad areas of financial analyses are detailed analyses pertaining to the sufficient recovery of revenue such as utility rates and rate design alternatives, the determination of specialized user fees and charges, service availability and impact fees, and various miscellaneous service charges.

Ms. Hollis has extensive experience related to reviewing and analyzing compliance with bond covenant requirements and contractual obligations. She has assisted in the development of numerous bond documents including engineering reports and official statements for the issuance of municipal debt instruments. Ms. Hollis creates computerized dynamic spreadsheet models for use in valuing and analyzing future sales, profitability, and financial performance ratios of utility systems and to determine fund needs for capital expansion programs. She has been a principal investigator in water, wastewater, and electric system comparable sales. She has been involved with the preparation of over 100 utility system valuations utilizing the cost, income, and comparable sales approaches. Additionally, Ms. Hollis is currently pursuing the Certified Valuation Analyst designation from the National Association of Certified Valuators and Analysts.

Professional Experience

- Development of extensive and dynamic computer models for water, wastewater and reclaimed water rate studies, feasibility studies, forecasts, and valuations.
- Development of retail and bulk rates; impact fees; capital funding plans; and user rates and charges including the preparation of water, wastewater, reclaimed water, and stormwater user rate studies for public utilities.
- Water conservation rate analysis, structuring, and enactment.
- Miscellaneous service charges for a variety of customer request services including customer deposits, water meter installation charges, water and wastewater taps, turn-on charges, and the initiation of service charges.
- Development and analysis of the adequacy of wholesale rates and rate components for revenue and litigation purposes.
- Development of presentation workshops and accompanying briefing documents for utility rate study and cost of service clients to foster client and audience understanding of the analysis conducted.
- Facilitate focus groups and stakeholder coordination meetings relative to the impact of potential rate adjustments on customers.
- Prepared Request for Inclusion, Loan Documents, Ordinances/Resolutions, and Monthly Pay Applications, Davis-Bacon Wage requirement audits, etc.
- Preparation of grant administration paperwork.
- Development of Customer Accommodation Programs for water and wastewater.
- Assistance with litigation, negotiations, and expert witness services. Served as an expert witness in utility rate and financial matters.
- Assistance and documentation for revenue and other special forms of tax-exempt bond financing including detailed projections and reports to support the issuance of over \$1 billion in long-term indebtedness.
- Preparation of Bond Resolutions, Official Statement, Certificates of Compliance,

Education

*Master of Business Administration,
University of Central Florida*

*Bachelor of Science, Business
Administration, University of Central
Florida*

Certifications

C.P.A. Florida, No. AC-0031100

Areas of Expertise

- *Business & Financial Analysis*
- *Dynamic Computer Modeling*
- *Utility Rate and Cost Studies*
- *Feasibility and Financial Analysis and Reporting*
- *Debt Structuring Analyses*
- *Expert Witness Testimony and Litigation Support*
- *Equity Recapture Strategies*
- *Utility Optimization Services*
- *Utility Regulatory Services*

Affiliations

- *American Water Works Association*
- *National Association of Certified Valuators and Analysts, Member*

18 Years of Experience

Additional Bonds Test certificates, and other related documents in support of long-term indebtedness.

- Conducting valuation studies using various techniques including the cost approach, income approach, and comparable sales approach for water, wastewater, and electric utility systems, and developing detailed financial forecasts and cash flow models to be used in damages calculations.
- Preparation of Utility Annual Reports and review of compliance issues as required by the Bonds Resolutions.
- Provided Utility Consulting Professional Services to Florida entities including:

- Apopka, FL	- Bay County, FL	- Bay Laurel Center CDD, FL
- Cape Coral, FL	- Citrus County, FL	- Clermont, FL
- DeLand, FL	- Eustis, FL	- Fellsmere, FL
- Fernandina Beach	- Fort Meade, FL	- Fort Myers Beach, FL
- Fruitland Park, FL	- Hillsborough County, FL	- Indian River Shores, FL
- JEA, FL	- Lake Wales, FL	- Marion County, FL
- Melbourne, FL	- Mulberry, FL	- Nassau County, FL
- North Miami Beach, FL	- Palm Bay, FL	- Polk City, FL
- Port St. Lucie, FL	- Sanibel, FL	- Sarasota County, FL
- Seminole County, FL	- St. Johns County, FL	- Tindall Hammock ISCD, FL
- Vero Beach, FL	- Winter Haven, FL	- Winter Park, FL

Select Relevant Experience

- **Water, Wastewater, and Reclaimed Water Rate Study; Miscellaneous Charge Study; and Line Charge Study for Bay Laurel Center CDD – Ocala, FL:** Project Manager. The main objectives of this study were 1) to develop rates that would further promote water resource conservation and continue to provide revenue sufficiency; 2) to modify reclaimed water rates; 3) to review, update, and recommend a comprehensive list of miscellaneous charges; and 4) to review and update the District’s current water and wastewater line charges.
- **Water, Wastewater, and Reclaimed Water Financial and Operational Optimization Report – Vero Beach, FL:** Project Manager. Identified and modeled optimization options including reviewing and recommending engineering, efficiency, cost center, revenue and expense, staffing, funding, and billing options. Included benchmarking against industry standards and comparative utilities; Billing Frequency Analysis on customer data; comparing alternate rate structures; and completing a Readiness-to-Serve Charge Study.
- **Wastewater Treatment Program – Mulberry, FL:** Project Manager. Implemented funding strategies and bridge financing alternatives for Wastewater Improvements Program. Prepared multiple comparisons and utility rate financial explorations. Assisted in rate adjustments and revenue sufficiency analysis for water and wastewater. Obtained 66% grant for program implementation through the State Revolving Fund. Acted as FDEP liaison during construction.
- **Consulting Engineer’s Report – Polk City, FL:** Project Manager. Created rate/optimization model which identified optimization options & projected financial feasibility and sustainability. Worked with staff to reduce costs, add revenue streams, revamp billing practices for more appropriate cost recovery, and refinance outstanding debts & receive additional funding for upgrading their systems, bringing the City from negative cash flows and near-dissolution to a position of financial strength.

T. Hollis, CPA, MBA
Resume Continued

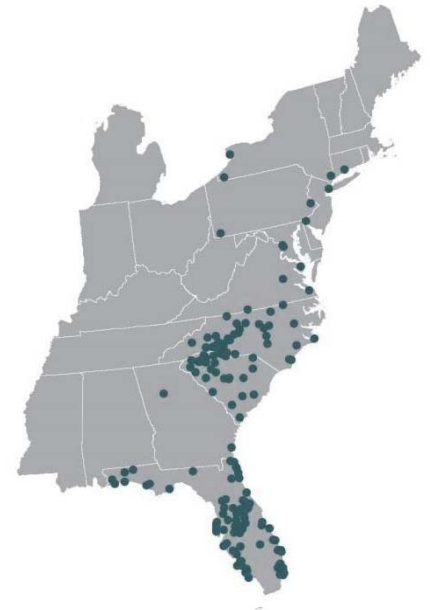
Papers, Publications, and Presentations

- “Financial Forces Impacting Utility Systems,” presented at the Growth and Infrastructure Consortium Annual Conference, Bradenton, FL, November 2014*
- “Financial Forces Impacting Small Utility Systems.” 2014 Indiana Section AWWA Conference, February 2014.*
- “Financial Sustainability as a Basis for Utility Management.” South Carolina Rural Water Association Decision Maker’s Summit 2011; April 2011.*
- “Discussion of Outside City Utility Rate Surcharge.” Special Meeting – Various Municipality Leaders in State of Florida (Hosted by the City of North Miami Beach and the City of North Miami). October 2008.*

5. Qualifications

Willdan’s professional staff has provided professional consulting services, including financial planning; rate and cost-of-service studies; alternative and feasibility analyses; and operational and management studies for wastewater and stormwater utility clients across the United States. Additionally, ***Willdan staff are involved with the development of the rate-setting methodologies set forth in the American Water Works Association (AWWA) M-1 manual “Principles of Water Rates, Fees and Charges,” and the AWWA M-29 manual, “Fundamentals of Water Capital Financing.”*** Willdan is nationally recognized for its expertise with its staff frequently being called upon to speak or instruct on utility financial matters, as subject matter experts, including the AWWA Utility Management conference.

Eastern Region Experience



Willdan Team members possess considerable experience in utility financial planning and rate design. Team members have performed hundreds of utility rate studies.

Willdan staff is experienced in a broad range of utility planning services; and therefore understand the importance of an approach that integrates elements of utility planning, engineering, and finance. Willdan Team members possess considerable experience in utility rate and cost-of-service studies and have performed these services for hundreds of utilities throughout the country. The Willdan Team includes staff with public sector experience spanning 30+ years, and staff on the forefront of utility rate-making and rate-modeling. In addition, team members have held such public sector positions as finance directors, deputy city managers

and auditors, and therefore understand the financial, operational and political realities faced by governmental staff and management.

Willdan will work with the City to identify and prioritize operational and fiscal objectives and match these to specific rate attributes; and use this information throughout the engagement to develop a comprehensive financial plan and design utility rates that effectively meet these goals. The culmination of the analyses will be rate policies that guide the rate setting process, and a financial management plan that develops projected system operating results for the utilities for the forecasted period. Willdan will employ its proven interactive approach, coupled with advanced financial modeling techniques to design rates and a financial plan that meet established goals and performance criteria. These modeling techniques serve as a powerful decision-making tool and provide the City with genuine business solutions and recommendations as to the strategic direction of its utilities.

Our utility rate Excel-based model is user friendly, comprehensive and well-designed, providing our experienced consultants with a powerful tool to develop ideas, scenarios and approaches collaboratively with staff, and effectively and immediately provide analysis and feedback to facilitate meaningful policy discussions and assist effective and informed decision making. Through a live projected-model, we review

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

the data, assumptions and results with staff, allowing us to cycle through various alternatives, test “what if” questions which typically arise during our interactive team meetings, and build consensus toward the rate and financial plan which best addresses your needs. Features of our model include the ability to incorporate line-item data and assumptions which are then summarized in our dashboard, presenting key financial indicators for your utility. This allows us to demonstrate capital project.

During this project we will utilize our model, with its interactive dashboard, as a comprehensive financial tool to allow planning and evaluation of variable inputs and assumptions, thereby creating a thorough analysis of revenue requirements. These analyses are then seamlessly integrated with the rate development component of the model to project various rate design alternatives, and effects they would have on the City’s financial outlook.

6. Representative Financial Services and References

Provided below are recent project descriptions, including client contact information, that are similar in nature to those requested by the City. We are proud of our reputation for customer service, and encourage you to contact these clients in regards to our commitment to completing the projects within budget and agreed upon timelines.

Utility Rate Analyses | Oviedo, FL

Willdan was recently selected to provide as-needed utility rate services for up to the next five years. This work is to include a comprehensive water, reclaimed water, wastewater, and stormwater review of utility rates and charges; financial policies and practices; capital program activity and funding sources; and debt issuance support including continuing disclosure services. The current task consists of developing a base-line financial analysis of each of the respective utilities enterprises to determine available resources. Willdan is working closely with the City's Public Works Department and consulting engineers to develop a multi-year capital improvement plan and to match system capital requirements to available funding sources.

Using the information developed in preparing the base-line financial analysis, Willdan will work with the City to prepare comprehensive rate and cost of service analysis for each respective utility system. Objectives for rate-setting have been identified as:

- Set equitable rates necessary to meet the specific revenue requirements of the water, reclaimed water, wastewater, and stormwater systems allowing each system to be financially self-supporting.
- Proposed rate structure will provide for a stable and predictable revenue stream and mitigate, to the extent practical, future generational subsidies.
- Under the new rate structure, fluctuations in revenue will be proportional to fluctuations in variable costs and, to the extent practical, base rates should be adequate to recover fixed costs on an annualized basis.
- Proposed rates and financial plan will fully integrate each utility's 10-year capital improvement plan including the estimated "true" cost of renewal and replacement activities thereby eliminating the accumulation of a deferred maintenance backlog.

Client Contact: Mr. Jerry Boop, Finance Director
400 Alexandria Boulevard, Oviedo, Florida 32765
Tel #: (407) 971-5544; E-Mail: jboop@cityofoviedo.net

Date Service Provided: October 2013 to present (Ongoing)

Water and Wastewater System Consulting Services | Bay County, FL

Project team members have provided various consulting services to the Bay County Utilities Department since 2006. Brief descriptions of the most recent services are included as follows:

- *Wholesale Water and Wholesale Wastewater System Multi-year Rate Analysis:* Bay County currently provides wholesale water service to various entities throughout the County. Project team members conducted a wholesale rate study to: 1) identify the rate adjustments needed to provide the County

with the revenues necessary to meet the operational monetary and capital needs of its wholesale water system, 2) review and analyze the County's fiscal requirements to identify and insure appropriate recovery of expense requirements by customer class, and 3) to estimate projections of the revenue requirements and percentage adjustments over a five year period. Due to changes within their wholesale wastewater customer base and revenue requirements, the County retained project team members to complete the Military Point Advanced Wastewater Treatment Facility multi-year rate analysis. These services included analyzing existing rates, reviewing historical and projected customer statistics and revenue requirements, developing user fee rates, and providing conclusions and recommendations. Provided a five-year projection of operating results, thereby allowing Bay County to test various growth scenarios; and create funding strategies for their CIP.

- *Retail Water and Wastewater System Multi-year Rate Analysis:* The Bay County Utility System provides retail service to an estimated 5,600 water customers and 3,400 wastewater customers. With growth slowdown, which has affected utility revenues across the state, the County desired to create a rate and financial plan that would advance the financial health of their water and wastewater system. The goal of this project was to establish a county-wide schedule of user rates and charges that meet retail utility system financial and operational goals.
- *Financial Feasibility Analysis, Series 2014 Utility System Revenue Bonds:* Bay County owns and operates a water and sewer utility system. The water system provides water wholesale water to eight municipal customers within the County, as well as to retail customers within the unincorporated portions of the County. The County's sewer system also serves retail customers within the unincorporated County. The County is in the process of issuing its Series 2014 bonds to refund certain outstanding debt obligations and provide funding for system improvements. Ms. Hollis is serving as lead consultant in developing the financial feasibility report contained within the offering documents for the Series 2014 bonds.

Client Contact: Mr. Don Murray, Assistant Director
Bay County Utility Services
3410 Transmitter Road, Panama City, FL 32404
Tel #: (850) 248-5010; E-mail: dmurray@baycountyfl.gov

Date Service Provided: 2006 to present (ongoing)

Public Utilities Department Efficiency Review | Clearwater, FL

Challenges facing public utilities are many, including more stringent regulatory and operating environments, the need for new water supplies, higher costs, increased environment responsibility, aging infrastructure, and a changing workforce. These challenges led the City of Clearwater to undertake a management and efficiency review of its Public Utilities Department (PUD); in so doing, re-examine spending, operations, and organizational structure. In completing a management and efficiency review, the City had two primary goals:

1. Lowering spending and saving money, in the short term, wherever feasible; and
2. Improving performance and yielding additional savings in the long term.

Mr. McGarvey served as lead consultant in reviewing the City's PUD, focus was given to:

- Evaluating and reviewing core services, while confirming major functions to be performed.

- Determining whether department-wide functions are effectively performed.
- Assessment of PUD's financial viability.
- Identifying core-service performance targets.

This short-term review served to clarify whether greater changes could be made within the department or, rather, to one of its processes to improve long-term effectiveness. Considered options were:

- Maintaining an existing program;
- Restructuring, adjusting, or combining program(s); or
- Outsourcing a program.

Furthermore, in identifying ways to improve departmental efficiency, the study evaluated effective organizational structures for delivery of core services and developed effective performance measures.

Client Contact: Ms. Tracy Mercer, Public Utilities Director
1650 North Arcturas Avenue, Building C, Clearwater, FL 33765
Tel #: (727) 562-4962; E-mail: Tracy.Mercer@myClearwater.com

Date Service Provided: 2011 to 2014

Water and Wastewater Consulting Services | Lee's Summit, MO

Willdan worked with the WUD to develop a comprehensive water and sewer rate study and tap fee analysis. The effort was the result of a strategic planning exercise, whereby the City identified the need to address utility system rate structures and levels, and develop rate/financial policies serving as a framework for the cultivation of these new rates. In addition to water and sewer utility user rates, the effort includes reviewing utility system tap fees, and revising them to reflect WUD's updated master plan. The results of this engagement was the unanimous adoption of a complete multi-year financial plan allowing WUD to meet the goals and objectives established during the strategic planning process, as well as effectively communicate recommendations and actions to stakeholder groups.

Client Contact: Mr. Mark Schaufler, Director of Water Utilities
220 SE Green, Lee's Summit, MO 64063
Tel #: (816) 969-1900; E-mail: mark.schaufler@cityofls.net

Date Service Provided: June 2012 to March 2013

Comparative Analysis of Solid Waste Program | Alachua County, Florida

Willdan assisted Alachua County and its engineers with a comparative analysis of operations at the County's contracted disposal facility. The objective of the study was to compare selected parameters to current practices at the disposal facility with those at comparable facilities in the region, in order to provide the County with a high-level review of current practices. As lead financial consultant, Mr. McGarvey researched publicly available financial information and developed certain performance metrics, or financial ratios, for each solid waste facility/operation considered. Financial ratios can generally be categorized according to the financial aspect(s) being measured. Based on the County's goals for this analysis, the following financial ratios were considered:

- “Liquidity” Ratios – to measure the availability of cash or near cash assets
 - Current Ratios
 - Working Capital
- “Profitability” Ratios – to measure efficient use of assets and control of operating expenses
 - Net Operating Margin
 - Return on Assets
 - Sales-to-Assets

The project also included an analysis of planned capital improvement projects and their impact on tipping fee projections. Financial scenarios were calculated to evaluate potential impacts of tipping fee variations on cash and near cash reserves.

Willdan is part of team of professionals that was recently selected to implement facility improvements identified in the above process. As part of this most recent engagement, Willdan will work with solid waste engineers and planners to develop comprehensive alternatives analysis as well as a multi-year, holistic rate and financial plan for the County’s solid waste program.

Client Contact: Mr. John Locklear, Locklear & Associates
4140 NW 37th Place, Suite A, Gainesville, FL 32606
Tel #: (352) 672-6867; E-mail: john@locklearconsulting.com

Date Service Provided: February 2014 to present (ongoing)

Rate and Cost of Service Studies | Nevada Irrigation District, CA

Willdan assisted the Nevada Irrigation District with the preparation of a water rate and cost of service study. The engagement included the review of existing charges, particularly treated and raw water, to ensure the defensibility of the District’s tiered rates, as well as recovery of the true costs of providing utility services to its customer base. Particular sensitivity surrounded the question of equity between agricultural and residential customers since the agricultural interests in the area are well known and established. Stakeholder outreach meetings were held to explain the process and results to key interested parties. Willdan developed a comprehensive revenue requirement analysis, with extensive due diligence focused on establishing and verifying expenses and fund balances, and developing, reviewing and analyzing various CIP financing strategies. Willdan staff attended numerous meetings with the Board of Directors to demonstrate the functions of our financial model, including the review of possible revenue and rate scenarios, and attended the final Public Hearing.

Client Contact: Mr. Jim Malberg, Finance Manager (Former)
9257 Elk Grove Blvd., Elk Grove, CA 95624
Tel #: (916) 685-3556

Date Service Provided: April 2013 to January 2014

7. Required Forms and Sample Work

Required Forms

The following pages contain the completed standardized forms listed below, which were provided within the RFQ packet.

- Anti-kickback Affidavit
- Public Entity Crimes Certification
- Equal Benefits for Domestic Partners Affidavit
- Cone of Silence Affidavit
- Current Occupational License

Sample Work

Provided on the enclosed flash drive for the City of Key West's review and consideration in conjunction with RFQ 15-002, is a demonstration of Willdan's financial planning and rate model. A description of the model was provided in Section 3 (Methodology and Approach) and Section 5 (Qualifications) of this submittal.

ANTI-KICKBACK AFFIDAVIT

STATE OF Florida
SS:
COUNTY OF Orange

THIS FORM MUST BE SIGNED AND SWORN TO IN THE PRESENCE OF A NOTARY PUBLIC OR OTHER OFFICIAL AUTHORIZED TO ADMINISTER OATHS,

This sworn statement is submitted to the City of Key West, Florida, by
Jeffrey McGarvey, Vice President, Managing Principal
(print individual's name and title)

for Willdan Financial Services
(print name of entity submitting sworn statement)

whose business address is 200 South Orange Avenue, Suite 1550
Orlando, Florida 32801

and (if applicable) its Federal Employer Identification Number (FEIN) is
33-0302345

(if the entity has no FEIN, include the Social Security Number of the individual signing this sworn statement):

I, the undersigned, being hereby duly sworn, depose and say that no sum has been paid and no sum will be paid to any employee or elected official of the City of Key West as a commission, kickback, reward or gift, directly or indirectly, by me or any member of my firm, or by any officer or agent of the corporation.

BY: [Signature]
TITLE: Vice President, Managing Principal

sworn and prescribed before me this 30 day of March, 2015

Christina Cheryl Ennis
NOTARY PUBLIC, State of Florida
My commission expires: Dec. 23, 2017



* * * * *

**SWORN STATEMENT UNDER SECTION 287.133(3)(a)
FLORIDA STATUTES, ON PUBLIC ENTITY CRIMES**

THIS FORM MUST BE SIGNED AND SWORN TO IN THE PRESENCE OF A NOTARY PUBLIC OR OTHER OFFICIAL AUTHORIZED TO ADMINISTER OATHS.

1. This sworn statement is submitted to the City of Key West, Florida, by Jeffrey McGarvey, Vice President, Managing Principal
(print individual's name and title)

for Willdan Financial Services
(print name of entity submitting sworn statement)

whose business address is 200 South Orange Avenue, Suite 1550, Orlando, FL 32801
and (if applicable) its Federal Employer Identification Number (FEIN) is 33-0302345

(If the entity has no FEIN, include the Social Security Number of the individual signing this sworn statement _____):
2. I understand that a "public entity crime" as defined in Paragraph 287.133(1)(g), Florida Statutes, means a violation of any state or federal law by a person with respect to and directly related to the transaction of business with any public entity or with an agency or political subdivision of any other state or of the United States, including, but not limited to, any bid or contract for goods or services to be provided to any public entity or an agency or political subdivision of any other state or of the United States and involving antitrust, fraud, theft, bribery, collusion, racketeering, conspiracy, or material misrepresentation.
3. I understand that "convicted" or "conviction" as defined in Paragraph 287.133(1)(g), Florida Statutes, means a finding of guilt or a conviction of a public entity crime, with or without an adjudication of guilt, in any federal or state trial court of record relating to charges brought by indictment or information after July 1, 1989, as a result of a jury verdict, nonjury trial, or entry of a plea of guilty or nolo contendere.
4. I understand that an "affiliate" as defined in Paragraph 287.133(1)(a), Florida Statutes, means:
 - a. A predecessor or successor of a person convicted of a public entity crime: or
 - b. An entity under the control of any natural person who is active in the management of the entity and who has been convicted of a public entity crime. The term "affiliate" includes those officers, directors, executives, partners, shareholders, employees, members and agents who are active in the management of an affiliate. The ownership by one person of shares constituting a controlling interest in another person, or a pooling of equipment of income among persons when not for fair market value under an arm's length agreement, shall be a prima facie case that one person controls another person. A person who knowingly enters into a joint venture with a person who has been convicted of a public entity crime in Florida during the preceding 36 months shall be considered an affiliate.
5. I understand that a "person" as defined in Paragraph 287.133(1)(e), Florida Statutes, means any natural person or entity organized under the laws of any state or of the United States with

the legal power to enter into a binding contract and which bids or applies to bid on contracts for the provision of goods or services let by a public entity, or which otherwise transacts or applies to transact business with a public entity. The term "person" includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in management of an entity.

6. Based on information and belief, the statement which I have marked below is true in relation to the entity submitting this sworn statement (indicate which statement applies).

XX Neither the entity submitting this sworn statement, or any of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, nor any affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989.

 The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989.

 The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989, AND (Please indicate which additional statement applies.)

 There has been a proceeding concerning the conviction before a hearing of the State of Florida, Division of Administrative Hearings. The final order entered by the hearing officer did not place the person or affiliate on the convicted vendor list. (Please attach a copy of the final order.)

 The person or affiliate was placed on the convicted vendor list. There has been a subsequent proceeding before a hearing officer of the State of Florida, Division of Administrative Hearings. The final order entered by the hearing officer determined that it was in the public interest to remove the person or affiliate from the convicted vendor list. (Please attach a copy of the final order.)

 The person or affiliate has not been put on the convicted vendor list. (Please describe any action taken by or pending with the Department of General Services.)



(signature)

(date)

3.30.15

STATE OF Florida

COUNTY OF Orange

PERSONALLY APPEARED BEFORE ME, the undersigned authority,

Jeffrey McGarvey who, after first being sworn by me, affixed his/her
(name of individual signing)

signature in the space provided above on this 30 day of March, 2015

My commission expires: Dec. 23, 2017 Christina Cheryl Ennis
NOTARY PUBLIC

PERSONALLY APPEARED BEFORE ME, the undersigned authority

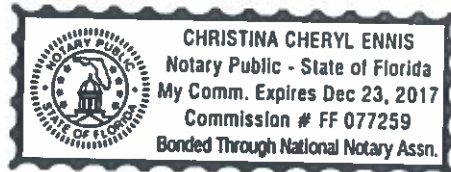
Christina Ennis who, after first being sworn by me,

JEFF MCGARVEY (name of individual) affixed his/her signature in the
space provided above on this 30 day of March, 2015

Christina Cheryl Ennis
NOTARY PUBLIC

Christina Cheryl Ennis
Printed Name

My commission expires: Dec. 23, 2015
NOTARY PUBLIC



* * * * *

EQUAL BENEFITS FOR DOMESTIC PARTNERS AFFIDAVIT

STATE OF FLORIDA)

: SS

COUNTY OF MONROE)

I, the undersigned hereby duly sworn, depose and say that the firm of _____

Willdan Financial Services

provides benefits to domestic partners of its employees on the same basis as it provides benefits to employees' spouses, per City of Key West Code of Ordinances Sec. 2-799.

By: _____

Jeffrey McGarvey, Vice President, Managing Principal

Sworn and subscribed before me this 30 day of March 2015.

Christina Cheryl Ennis

NOTARY PUBLIC, State of Florida Florida at Large

My Commission Expires: Dec. 23, 2015

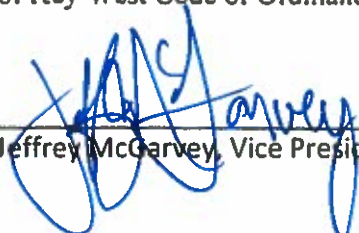


* * * * *

CONE OF SILENCE AFFIDAVIT

STATE OF Florida)
 : SS
COUNTY OF Orange)

I, the undersigned hereby duly sworn, depose and say that all owner(s), partners, officers, directors, employees and agents representing the firm of Willdan Financial Services have read and understand the limitations and procedures regarding communications concerning City of Key West Code of Ordinances Sec. 2-773 Cone of Silence.

By: 
Jeffrey McCarvey, Vice President, Managing Principal

Sworn and subscribed before me this
30th day of March 2015.



NOTARY PUBLIC, State of Florida at Large

My Commission Expires: Dec 23, 2015




* * * * *

Current Occupational License

To satisfy the City's request for a copy of our current occupational license, provided below is a scanned copy of Willdan's current business license issued by the City of Orlando and certificate of good standing with the State of Florida.

CITY OF ORLANDO
ECONOMIC DEVELOPMENT
PERMITTING SERVICES
LOCAL BUSINESS TAX RECEIPT
(formerly known as "Business License," changed per state law HB1289-2008)

2014-2015



Issued Date: 10/01/2014
Expiration Date: 09/30/2015

Business Name:
WILLDAN FINANCIAL SERVICES INC
200 S ORANGE AVE
STE 1550
ORLANDO, FL 32801

Business Type(s):
SER REP & ZZZ CONSULTANT

NOTICE-THIS RECEIPT ONLY EVIDENCES PAYMENT OF THE LOCAL BUSINESS TAX PURSUANT TO CH. 206, FLORIDA STATUTES. IT DOES NOT PERMIT THE HOLDER TO OPERATE IN VIOLATION OF ANY CITY, STATE, OR FEDERAL LAW. CITY PERMITTING MUST BE NOTIFIED OF ANY MATERIAL CHANGE TO THE INFORMATION FOUND HEREIN BELOW. THIS RECEIPT DOES NOT CONSTITUTE AN ENDORSEMENT OR APPROVAL OF THE HOLDER'S SKILL OR COMPETENCY.

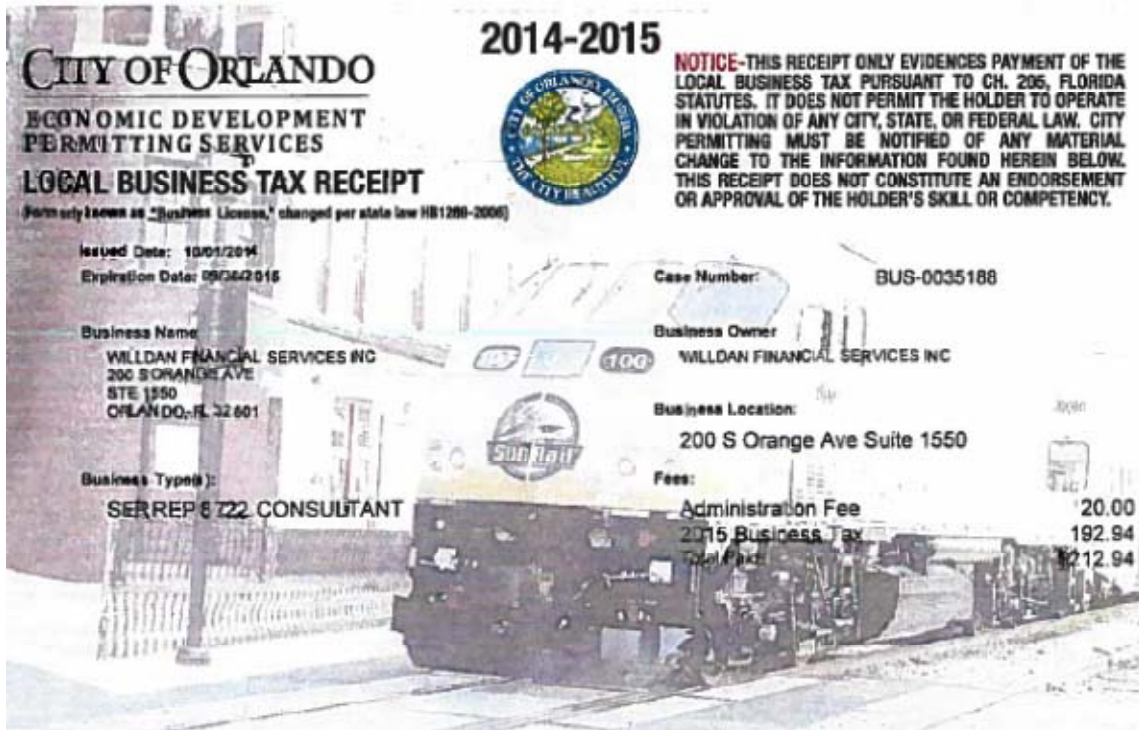
Case Number: BUS-0035188

Business Owner:
WILLDAN FINANCIAL SERVICES INC

Business Location:
200 S Orange Ave Suite 1550

Fees:

Administration Fee	20.00
2015 Business Tax	192.94
Total Fees	212.94



State of Florida Department of State

I certify from the records of this office that WILLDAN FINANCIAL SERVICES, INC. is a California corporation authorized to transact business in the State of Florida, qualified on December 15, 2003.

The document number of this corporation is F03000006225.

I further certify that said corporation has paid all fees due this office through December 31, 2014, that its most recent annual report/uniform business report was filed on April 1, 2014, and its status is active.

I further certify that said corporation has not filed a Certificate of Withdrawal.

*Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capital, this
the Eighth day of July, 2014*



Ken Detjmer
Secretary of State

Authentication ID: CU8833502885

To authenticate this certificate, visit the following site, enter this ID, and then follow the instructions displayed.

<https://efile.sunbiz.org/certauthver.html>



200 South Orange Avenue, Suite 1550
Orlando, Florida 32801
407.872.2467 | Fax: 888.326.6864
www.willdan.com