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**Water Resources Economics, LLC**



**Water Resources  
Economics**

PROMOTING THE VALUE AND PRICE OF  
WATER SERVICE

**Proposal for:  
CITY OF PARAMOUNT WATER RATE STUDY**

**[Submitted on July 22, 2024]**

**Submitted by:**

Water Resources Economics, LLC  
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Culver City, CA 90230  
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Sanjay Gaur  
Founder/President  
Water Resources Economics, LLC  
10830 Pickford Way  
Culver City, CA 90230

July 22, 2024

Anthony Martinez  
Financial Services Manager  
City of Paramount  
16400 Colorado Avenue  
Paramount, CA 90723

**Subject: Proposal for Water Rate Study**

Dear Mr. Martinez,

Water Resources Economics, LLC (WRE) is pleased to submit this proposal to the City of Paramount (City) to conduct a Water Rate Study. The City is seeking a consultant who is considered an expert in conducting water rate studies in California and understands the challenges agencies face in adopting rates. WRE is well-qualified to provide this service.

I have conducted hundreds of water rate studies over the last 25 years throughout California and am an expert in developing rates that can withstand different financial and legal challenges. Through this experience I have developed a comprehensive understanding of the various technical, political, and regulatory standards associated with developing and adopting water rates in California. I have attached my resume showing the agencies I have worked with, along with numerous published articles I have authored on this subject. I am assisted at WRE by Hannah Phan, Nancy Phan, and Charles Diamond. All three of these individuals have at least seven years of consulting experience providing financial planning and rate-setting services to numerous water and wastewater utilities in California.

It would be my pleasure to assist the City on this important project. Please note that I am authorized to negotiate and execute contracts on behalf of WRE. I affirm that if selected, WRE is committed to completing the proposed scope of services within the time period required by the City. If you have any questions, please contact me at 213-327-4405 or by email at [sgaur@water-economics.com](mailto:sgaur@water-economics.com).

Sincerely,



Sanjay Gaur  
Founder/President

**PROPOSAL CONTENTS**

1. Staffing, Team experience, & Understanding of Project & Objectives ..... 1

2. Work Plan Approach and Schedule ..... 5

3. Resumes..... 6

4. References ..... 10






5. Detailed Proposal..... 13

6. Appendices or Exhibits..... 17

# 1. STAFFING, TEAM EXPERIENCE, & UNDERSTANDING OF PROJECT & OBJECTIVES

## Water Resources Economics Overview

WRE is a micro business founded and owned by Sanjay Gaur that specializes in conducting cost-of-service rate studies for water and wastewater utilities in California. WRE currently consists of five team members. Sanjay Gaur, Charles Diamond, and Eliah Mountjoy are based in Los Angeles and Hannah Phan and Nancy Phan are based in Seattle. Mr. Gaur, as Project Manager, will ultimately be responsible for the success of the study. Either Hannah Phan, Nancy Phan, or Charles Diamond will provide key support throughout the study as a Project Analyst. We specialize in conducting cost-of-service rate studies and connection fee studies for water and wastewater utilities in California. Please refer to our resumes in Section 3 for more detailed qualifications.

Financial Consultants	Subject Matter Experts
 <div><b>Sanjay Gaur</b> Founder/President (25+ years experience)</div>	 <div><b>Eliah Mountjoy</b> Public Outreach &amp; Communications Expert (15+ years experience)</div>
 <div><b>Hannah Phan</b> Principal Consultant (17 years experience)</div>	
 <div><b>Nancy Phan</b> Principal Consultant (8 years experience)</div>	
 <div><b>Charles Diamond</b> Principal Consultant (7 years experience)</div>	

## Proposed Project Team

### PROFILE: SANJAY GAUR, PROJECT MANAGER

Sanjay Gaur has more than 25 years of financial and rate consulting experience with water and wastewater utilities and has served as a consultant to more than 100 agencies in Arizona, California, Nevada, and the Caribbean. He has provided his insight into utility rate and conservation-related matters through articles in *Journal AWWA* and other publications and served as an expert source on rates development quoted in the *Los Angeles Times* and *New York Times*. He has co-authored several

## **Water Rate Study**

### *City of Paramount*

industry guides, including AWWA's *Manual M1 Principles of Water Rates, Fees and Charges, 7th Edition*; AWWA's *Water Rates, Fees, and the Legal Environment, Second Edition*; and *Water and Wastewater Finance and Pricing: The Changing Landscape*. He is a member of AWWA's Rates and Charges Committee. Mr. Gaur was a Peace Corps volunteer in Bulgaria. He holds a master's degree in Applied Economics from UC Santa Cruz and a Master in Public Administration - International Development from the Kennedy School of Government, Harvard University. Mr. Gaur is currently based in Culver City.

#### **PROFILE: HANNAH PHAN, PROJECT ANALYST**

Hannah has more than 17 years of financial and rate consulting experience, working with over 50 water, wastewater, recycled water, and solid waste utilities. She is passionate about creating customized financial and rate models that best meet the needs of each individual agency. She has presented study findings and results at numerous public meetings and attended several AWWA and WEF conferences throughout her career. Hannah holds a Master of Business Administration in Finance degree and a Bachelor of Science degree in International Business from CSU Los Angeles.

#### **PROFILE: NANCY PHAN, PROJECT ANALYST**

Nancy has over seven years of financial and rate consulting experience, working with water, wastewater, stormwater, and solid waste utilities primarily on the west coast. She has assisted agencies on over 80 rate studies throughout her career. She has been published in the Journal AWWA ("The Power of Data to Improve Water Use Efficiency and Conservation") and has presented at and organized several conferences, including the AWWA/WEF Young Professionals Summit, the Pacific Water Conference, and the Washington Association of Sewer & Water Districts Conference. She holds a Bachelor of Arts degree in Business Economics from UC Irvine and is currently based in Seattle.

#### **PROFILE: CHARLES DIAMOND, PROJECT ANALYST**

Charles has more than six years of financial and rate consulting experience with water and wastewater utilities and has served as a consultant to more than 35 public agencies in California. He has a passion for water management in California and has presented at multiple conferences, including the California Water Policy Conference and the AWWA California-Nevada Section Annual Fall Conference. He holds a Bachelor of Science degree in Environmental Economics and Policy from UC Berkeley and a Master of Environmental Science and Management degree in Water Resources Management from UC Santa Barbara. Charles is originally from the Sacramento area and is currently based in Los Angeles.

### **Recent Water Rate Study Experience**

The proposed WRE project team has a proven track record of successfully completing water rate studies for public agencies in California. Through our experience, we have learned firsthand how to ensure successful rate adoption and have developed strategies to build and maintain support from elected officials and interested stakeholders. The table on the following pages provides a partial list of California water agencies that the proposed project team has conducted water rate studies for.

## Water Rate Study

### *City of Paramount*

Please also refer to our references in Section 4 for more detailed descriptions of a few representative studies.

#### RECENT WATER RATE STUDY EXPERIENCE IN CALIFORNIA

#	Agency
1	Alameda County Water District
2	Antelope Valley-East Kern Water Agency
3	Borrego Water District
4	City of Brentwood (Northern California)
5	Burbank Water & Power
6	City of Calexico
7	City of Camarillo
8	City of Chino
9	City of Chowchilla
10	Coastside County Water District
11	Contra Costa Water District
12	City of Corona
13	Cucamonga Valley Water District
14	City of Dixon
15	East Bay Municipal Utility District
16	Eastern Municipal Utility District
17	East Orange County Water District
18	City of El Monte
19	El Toro Water District
20	Elsinore Valley Municipal Water District
21	City of Escondido
22	Fallbrook Public Utilities District
23	City of Glendora
24	Goleta Water District
25	City of Gridley
26	Helix Water District
27	Hi-Desert Water District
28	Imperial County Gateway County Service Area
29	City of Hollister
30	City of Huntington Beach
31	Indio Water Authority
32	Inyo County Water Department
33	Jurupa Community Services District
34	La Cañada Irrigation District
35	Las Virgenes Municipal Water District
36	La Puente Valley County Water District
37	City of Lincoln
38	City of Livermore
39	City of Livingston

**Water Rate Study**  
*City of Paramount*

#	Agency
40	City of Long Beach
41	Los Alamos Community Services District
42	Mammoth Community Water District
43	City of Merced
44	Mesa Consolidated Water District
45	Municipal Water District of Orange County
46	City of Newport Beach
47	Olivenhain Municipal Water District
48	City of Palo Alto
49	Pasadena Water and Power
50	Pico Water District
51	Placer County Water Agency
52	Rancho California Water District
53	City of Pomona
54	City of Port Hueneme
55	City of Orange
56	City of Rio Vista
57	Sacramento Suburban Water District
58	San Benito County Water District
59	City of San Clemente
60	San Francisco Public Utilities Commission
61	City of San Juan Capistrano
62	Santa Clarita Valley Water District
63	City of Santa Cruz
64	Scotts Valley Water District
65	City of Shasta Lake
66	City of Sierra Madre
67	City of Signal Hill
68	City of Simi Valley
69	Soquel Creek Water District
70	South Mesa Water Company
71	Sunnyslope County Water District
72	Temescal Valley Water District
73	Trabuco Canyon Water District
74	City of Thousand Oaks
75	City of Ventura
76	Walnut Valley Water District
77	City of Watsonville
78	Western Municipal Water District
79	Yorba Linda Water District
80	Zone 7 Water Agency



## **2. WORK PLAN APPROACH AND SCHEDULE**

### **Project Management**

The WRE project team has extensive experience guiding the rate study process successfully from start to finish. Our project management approach stresses the importance of clearly defining project roles and responsibilities at or before the kickoff meeting. Additionally, we believe that establishing frequent and open communication between the City's project manager and the WRE project team via phone and email is critical. To adhere to the project schedule, the WRE team will work to schedule meetings with City staff well in advance of the target meeting date and will follow up regularly with City staff regarding outstanding action items. If requested, we will provide City staff with monthly progress reports and will periodically provide updated project schedules as necessary to ensure strong mutual understanding of the project status at all times. We also closely monitor and evaluate project budget on a monthly basis and are committed to keeping City staff informed of budget status throughout the study process.

### **Quality Control Plan**

The fundamental principle underlying WRE's quality control process is to ensure sufficient time is built into the project schedule for robust review of all draft analyses and deliverables by both members of WRE's project team. We strive to develop project schedules and budgets that allow for substantial time and effort devoted to review. Based on our experience conducting water rate studies for numerous public water utilities in California, we have developed a quality control/quality assurance checklist that each water rate model we develop is subjected to. WRE is ultimately responsible for the validity and reasonableness of all calculations incorporated into our rate model. In our experience, the most challenging aspect of water rate study quality control is verifying that all data provided by agency staff is correctly interpreted by the consultant team and incorporated into the rate study analysis. To address this challenge, we develop detailed summaries of all data inputs in PowerPoint format, which we then discuss and review closely with City staff.

### **Project Schedule**

The City's currently adopted schedule of water rates extends through December 2026. Therefore, we assume that the newly proposed rates schedule resulting from this rate study will establish water rates beginning January 2027. In that event, we recommend adopting rates at a Proposition 218 public hearing no later than September or October of 2026. Please note that the schedule will need to be moved forward if the City intends to implement new rates prior to January 2027.

### **3. RESUMES**

#### **Resume – Sanjay Gaur, Founder/President**

##### **PROFILE**

Sanjay Gaur has more than 25 years of financial and rate consulting experience with water and wastewater utilities and has served as a consultant to more than 100 agencies in Arizona, California, Nevada, and the Caribbean. He has provided his insight into utility rate and conservation-related matters through articles in *Journal AWWA* and other publications and served as an expert source on rates development quoted in the *Los Angeles Times* and *New York Times*. He has co-authored several industry guides, including AWWA's *Manual M1 Principles of Water Rates, Fees and Charges, 7th Edition*; AWWA's *Water Rates, Fees, and the Legal Environment, Second Edition*; and *Water and Wastewater Finance and Pricing: The Changing Landscape*. He is a member of AWWA's Rates and Charges Committee. Mr. Gaur was a Peace Corps volunteer in Bulgaria. He holds a master's degree in Applied Economics from UC Santa Cruz and a Master in Public Administration - International Development from the Kennedy School of Government, Harvard University. Mr. Gaur is currently based in Culver City.

##### **TECHNICAL SPECIALTIES**

- Financial analysis
- Cost of service studies
- Conservation rate structure design
- Capacity fee studies
- Public Outreach
- Prop 218 Logistics

##### **PROFESSIONAL HISTORY**

- **Water Resources Economics, LLC**, Principal Consultant (2021-present)
- **Raftelis Financial Consultants, Inc.**, Vice President (2015-2021); Senior Manager (2012-2014); Manager (2009-2012)
- **Red Oak Consulting**, Division of Malcolm Pirnie (2007-2009)
- **MuniFinancial** (2005-2006)
- **A & N Technical Services**, (1999–2003)
- **United States Peace Corps**, Bulgaria (1995-1997)

##### **EDUCATION**

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

**Resume – Hannah Phan, Principal Consultant**

**PROFILE**

Hannah has more than 17 years of financial and rate consulting experience, working with over 50 water, wastewater, recycled water, and solid waste utilities. She is passionate about creating customized financial and rate models that best meet the needs of each individual agency. She has presented study findings and results at numerous public meetings and attended several AWWA and WEF conferences throughout her career. Hannah holds a Master of Business Administration in Finance degree and a Bachelor of Science degree in International Business from CSU Los Angeles.

**TECHNICAL SPECIALTIES**

- Excel-based financial models
- Cost of service rate studies
- Long-term financial plan and analysis
- Capacity fee studies
- Rate structure designs
- Proposition 218

**PROFESSIONAL HISTORY**

- **Water Resources Economics, LLC**, Principal Consultant (2024-present)
- **Raftelis Financial Consultants, Inc.**, Manager (2017-2022); Senior Consultant (2009-2016); Consultant (2007-2009)

**EDUCATION**

- Master of Business Administration, Finance – California State University, Los Angeles (2007)
- Bachelor of Science, International Business – California State University, Los Angeles (2006)

## **Resume – Nancy Phan, Principal Consultant**

### **PROFILE**

Nancy has over seven years of financial and rate consulting experience, working with water, wastewater, stormwater, and solid waste utilities primarily on the west coast. She has assisted agencies on over 80 rate studies throughout her career. She has been published in the Journal AWWA (“The Power of Data to Improve Water Use Efficiency and Conservation”) and has presented at and organized several conferences, including the AWWA/WEF Young Professionals Summit, the Pacific Water Conference, and the Washington Association of Sewer & Water Districts Conference. She holds a Bachelor of Arts degree in Business Economics from UC Irvine and is currently based in Seattle.

### **TECHNICAL SPECIALTIES**

- Excel-based financial models
- Cost of service studies
- Water and wastewater rate design
- Technical report writing
- Proposition 218 rates
- Data analysis

### **PROFESSIONAL HISTORY**

- **Water Resources Economics, LLC**, Principal (2023-present)
- **Raftelis Financial Consultants, Inc.**, Manager (2022-2023); Senior Consultant (2020-2021); Consultant (2018-2019); Associate Consultant (2016-2017)

### **EDUCATION**

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

**Resume - Charles Diamond, Principal Consultant**

**PROFILE**

Charles has more than six years of financial and rate consulting experience with water and wastewater utilities and has served as a consultant to more than 35 public agencies in California. He has a passion for water management in California and has presented at multiple conferences, including the California Water Policy Conference and the AWWA California-Nevada Section Annual Fall Conference. He holds a Bachelor of Science degree in Environmental Economics and Policy from UC Berkeley and a Master of Environmental Science and Management degree in Water Resources Management from UC Santa Barbara. Charles is originally from the Sacramento area and is currently based in Los Angeles.

**TECHNICAL SPECIALTIES**

- Long-term utility financial plans
- Cost of service studies
- Rate design
- Capacity fee studies
- Excel-based financial models
- Data analysis

**PROFESSIONAL HISTORY**

- **Water Resources Economics, LLC**, Senior Consultant (2023-present)
- **Raftelis Financial Consultants, Inc.**, Manager (2023); Senior Consultant (2021-2022); Consultant (2019-2020); Associate Consultant (2017-2018)
- **The Nature Conservancy**, Science & Stewardship Practitioner (2013-2015)

**EDUCATION**

- Master of Environmental Science and Management – Water Resources Management, Bren School of Environmental Science & Management – University of California, Santa Barbara (2017)
- Bachelor of Science, Environmental Economics and Policy - University of California, Berkeley (2013)

## **4. REFERENCES**

### **City of Santa Cruz**

Rosemary Menard, Water Director  
Santa Cruz Water Department  
RMenard@cityofsantacruz.com  
(831) 420-5205

Mr. Gaur has assisted Santa Cruz Water Department since 2010. The City of Santa Cruz's water use is one of the lowest in the United States. In addition, community members understand the scarcity of water and are sensitive to affordability concerns for low-end water users. Community members are active and demand that the water rates reflect these values. However, this translates into revenue instability for the water enterprise, especially during water rationing in drought conditions. In addition, the water enterprise is undergoing an intensive capital refurbishment plan over the next 10 years. Water enterprise needs to issue debt and needs to show the rating agencies that they can meet these future obligations, especially given that 90% of the revenue is dependent on water sales. Mr. Gaur has successfully assisted the Water Department in meeting both goals, having water rates that reflect water scarcity and promote affordability, while demonstrating to the bond market it can meet future obligations. Mr. Gaur has successfully had the City adopt a five-year rate schedule, drought rates, and capacity fees.

Quote from Ms. Menard:

*I have had several opportunities to work with Sanjay Gaur on utility financial planning over the last eight years and I greatly appreciate his comprehensive knowledge of utility financial planning and rate-making principles and practices. He works collaboratively with his clients, understands the difference between analysis and policy decisions, and facilitates effective engagement of utility staff, governing board policy makers, and community interests in financial planning and rate-making processes. Working with Sanjay is a strategy that any agency can use to "up their game" when it comes to the challenging public policy issues many utilities face today.*

### **Placer County Water Agency**

Joseph H. Parker  
Director of Financial Services  
[jhparker@pcwa.net](mailto:jhparker@pcwa.net)  
530-823-4875

Mr. Gaur has assisted Placer County Water Agency since 2015. The most significant rate study he conducted for the Agency was in 2017, where the agency had many different types of services and rates due to recent annexation of other local water utility service areas. Mr. Gaur assisted the Agency in developing a comprehensive cost-of-service study that showed the nexus of how the rates are determined for treated retail, treated wholesale, untreated retail, and untreated resale. The process was complicated by having to address the historical canal system developed during the California Gold Rush and the rationality of the miner's-inch rates for agriculture that sustained the cultural

## **Water Rate Study**

### *City of Paramount*

aspect of the county, while meeting state regulatory requirements. Mr. Gaur facilitated several workshops with Executive Staff and members of the Finance Committee and Board. The rates were adopted successfully in 2017.

Quote from Mr. Parker:

*Over the years, Sanjay Gaur has been and continues to be an exceptional asset for my agency. I have collaborated with Sanjay for almost 15 years and have appreciated his original thinking, his preparedness, and his ability to facilitate technical discussions and quickly respond to detailed questions in a clear, articulate manner. I first met Sanjay soon after I became Chair of ACWA's Finance Committee and during my ten years as Chair, Sanjay's expertise was a source of support for ACWA members, as he led training sessions at ACWA's semi-annual conferences. Sanjay is a strong communicator supported by sharp analytical skills and a solution-focused attitude. His insight has been appreciated by my Board and gained him respect as our "go-to" resource.*

### **Western Municipal Water District**

Kevin C. Mascaro  
Director of Finance  
[kmascaro@wmwd.com](mailto:kmascaro@wmwd.com)  
(951) 571-7160

Mr. Gaur has worked with Western Municipal Water District since 2007. He assisted the District on several financial and rate matters. The most significant study was the development and implementation of a water budget rate structure. The District moved from a uniform rate structure to a tiered water budget rate. The rate structure was successfully implemented, which helped the agency promote water efficiency, ensure affordability for essential use, and enhance revenue stability. In 2018, Western Municipal Water District had a rate challenge over its water budget rates. Mr. Gaur assisted the District in developing the legal arguments and the District prevailed in the lawsuit.

Quote: Mr. Mascaro

*For over a decade, Sanjay has provided wisdom to our agency in the formulation of water rates and capacity charge policies. His intelligence, personable character, and proven industry insight have benefited us greatly.*

### **Fallbrook Public Utility District**

Jack Bebee  
General Manager  
[jackb@fpud.com](mailto:jackb@fpud.com)  
(760) 728-1125;1105

Mr. Gaur assisted the District in adopting a five-year rate schedule in 2017. The District was evaluating an alternative water supply to increase reliability and provide water for future

## **Water Rate Study**

### *City of Paramount*

development. Mr. Gaur developed the appropriate financial strategy. In addition, the District's service area has historically been mainly agricultural. Increased water costs and property values have made this industry vulnerable, which has increased the political climate of any rate increase. Mr. Gaur successfully worked with the Board in having the five-year rates adopted.

Quote from Mr. Bebee:

*Sanjay played a critical role in getting our District on a solid financial footing through development of our financial plan and a five-year rate increase strategy. His ability to help explain the District's financial needs to both our governing board as well as a very engaged public was key to our successful implementation of a sustainable financial program.*



## **5. DETAILED PROPOSAL**

Based on our experience conducting water rate studies for numerous public agencies in California, we believe that the tasks outlined below appropriately align with the City's study objectives and will help ensure a successful outcome.

### **Task 1: Project Initiation & Management**

#### **PROJECT KICKOFF**

WRE will conduct a virtual kickoff meeting with City staff to review the financial, legal, and political landscape of adopting water rates in California. In advance of the kickoff meeting, WRE will provide a detailed data request list to City staff describing data items needed to conduct the study. Topics to be discussed during the kickoff meeting include the scope of services, the City's existing water rates, the project schedule, project roles and responsibilities, the data request list, and any other concerns that City staff may have. WRE will provide draft meeting minutes to City staff for review after the kickoff meeting.

#### **PROJECT MANAGEMENT**

Task 1 also includes ongoing project management duties throughout the course of the study. Sanjay Gaur, in the role of Project Manager, will be ultimately accountable for the successful execution of the proposed scope of work. To adhere to the project schedule, the WRE team will work to schedule meetings with City staff well in advance of the target meeting date and will follow up regularly with City staff regarding outstanding action items. If requested by City staff, WRE will also provide short progress reports on a regular basis and provide updated project schedules if and when changes to the proposed schedule are necessitated.

**Meetings:** One virtual kickoff meeting with City staff

**Deliverables:** Data request list in Microsoft Word, kickoff meeting presentation in Microsoft PowerPoint, kickoff meeting minutes in Microsoft Word

### **Task 2: Financial Plan Development**

WRE will create a Microsoft Excel-based financial plan model to assess the financial health of the City's water enterprise. We will evaluate the level of revenue adjustments required to ensure long-term fiscal sustainability. WRE will work with City staff to forecast expenses and revenue requirements over a five-year (or ten-year, if desired) planning horizon. Projecting revenue adjustments over a multi-year planning horizon illustrates future rate impacts and potential challenges to the City's financial health so it can plan expenses, monitor reserve balances, and/or schedule capital projects to smooth rate impacts. We strive for smooth revenue adjustments and minimal rate impacts while achieving long-term revenue goals. For example, strategic timing of capital expenditures and the use of reserve funds can help mitigate rate fluctuations. As part of the financial plan, we will review the City water enterprise's existing reserve targets (if applicable) and evaluate the potential need for recommended changes. Additionally, the financial plan will account

## Water Rate Study

### City of Paramount

for the City water system's unique factors relating to well operations, AMI installation, and other operating considerations.

WRE understands the importance of developing a user-friendly, flexible Excel-based model that City staff can use for future financial planning. All our models include a financial plan dashboard as a standard feature with the following:

- Flexibility to change many assumptions such as CIP levels and the magnitude and timing of revenue adjustments
- Error flagging of problematic results such as failure to meet debt coverage, below target reserves, etc.
- Sensitivity analyses and various "what-if" scenario assessments, so that impacts can be viewed instantaneously with built-in screen graphics

The dashboard is an effective tool to visually assess how each assumption or scenario impacts the financial plan so that decisions regarding revenue adjustments, capital project financing, and reserve balances can be made quickly. WRE will hold up to four virtual meetings with City staff to review assumptions and finalize the proposed financial plan to be used to calculate rates. The ultimate goal of the financial plan task is to quantify the total annual water rate revenue requirement over the five-year rate-setting period.

**Meetings:** Up to four virtual meetings with City staff to discuss the financial plan

**Deliverables:** Meeting presentations in Microsoft PowerPoint, financial plan model in Microsoft Excel

### Task 3: Cost-of-Service Analysis

The cost-of-service analysis task provides the defensibility needed for water rates to meet Proposition 218 requirements. Our cost-of-service analysis will be based on industry standards and methodologies consistent with the *M1 Principles of Water Rates, Fees, and Charges, Seventh Edition* manual published by AWWA. Cost allocations will be based on the AWWA-approved Base-Extra Capacity method, which focuses on different usage patterns (or peaking factors). The cost-of-service analysis will allocate the total rate revenue requirement to various "cost causation components" and then to customer classes in proportion to use of and burden on the City's water system. This ensures that customers will be charged commensurate with the cost incurred by the City's water enterprise to provide water service. WRE will hold up to two virtual meetings with City staff to discuss the cost-of-service analysis.

**Meetings:** Two virtual meetings with City staff to review the cost of service analysis

**Deliverables:** Meeting presentations in Microsoft PowerPoint, cost of service analysis in Microsoft Excel

#### **Task 4: Rate Design**

##### **WATER RATE STRUCTURE EVALUATION**

The first step in the rate development process is to evaluate the existing rate structure and to identify potential changes for consideration. The City's existing rate structure for both potable and reclaimed water service includes two primary charges: 1) fixed charges based on meter size and 2) volumetric rates per unit of water delivered. The City currently has a two-tier volumetric rate structure in place for all customer classes. WRE will work closely with City staff to evaluate the appropriateness of the existing rate structure and recommend potential changes for consideration based on City-specific policy objectives.

##### **WATER RATE MODEL**

WRE will develop an Excel-based water rate model, which will be used to calculate proposed water rates based on the rate revenue requirement determination in Task 2 and cost-of-service allocations in Task 3. The model will be set up to calculate proposed rates based on the selected rate structure option previously identified in Task 4. The water rate model will include sample water bill impacts to compare current versus proposed bills for representative customers, as well as a survey of average residential water bills among neighboring retail water agencies. Preliminary water rates will be reviewed with City staff during up to three virtual meetings. WRE will refine the preliminary rate calculations based on feedback received from City staff during each virtual meeting.

**Meetings:** Up to three virtual meetings with the City staff

**Deliverables:** Water rate model in Microsoft Excel

#### **Task 5: Report Development**

WRE will draft a detailed rate study report that presents the proposed rate option identified at the end of Task 4. The report will highlight the major issues and decisions reached during the rate development process. It will provide detailed explanations of the financial plan projections, cost-of-service analysis, and proposed rate calculations. The report will serve as the City's administrative record to meet Proposition 218 requirements. City staff and legal counsel will review and provide input on the draft report, which WRE will incorporate into a final report version. If necessary, WRE will schedule up to one virtual meeting with City staff and legal counsel to discuss comments and feedback on the draft report.

**Meetings:** Up to one virtual meeting with City staff to discuss draft report comments

**Deliverables:** Draft and final report in Microsoft Word and/or PDF format

#### **Task 6: Public Meeting Support**

##### **CITY COMMISSION/COMMUNITY MEETING**

WRE will attend in-person and present at one City Commission or community meeting. WRE will prepare a PowerPoint presentation for the meeting. City staff will have the opportunity to review and request changes to WRE's PowerPoint presentation in advance of the meeting. The specific content

## **Water Rate Study**

### *City of Paramount*

to be covered at the meeting is subject to guidance from City staff. One option is to provide a rate workshop that provides an overview of the rate study process and various rate structure options. Please also note that while the proposed scope of services only includes one City Commission/community meeting, we are happy to provide a revised scope with additional meetings if selected.

#### **CITY COUNCIL MEETING**

WRE will attend and present the proposed rate study results at an in-person City Council meeting. City staff will have the opportunity to review and request changes to WRE's PowerPoint presentation in advance of the meeting. WRE's presentation will include a discussion of the financial plan projections, cost-of-service analysis, and rate design process. WRE will be prepared to answer any questions that City Council may have. The goal of the meeting will be to seek authorization from City Council to proceed with the Proposition 218 rate adoption process, which requires the mailing of notices to all City water customers no fewer than 45 days prior to a scheduled public hearing.

**Meetings:** One in-person City Commission/community meeting, one in-person City Council meeting

**Deliverables:** Meeting presentations in Microsoft PowerPoint

#### **Task 7: Proposition 218 Public Hearing Support**

##### **PROPOSITION 218 PUBLIC HEARING NOTICE**

WRE will draft a Proposition 218 public hearing notice that clearly shows all proposed water rates to be considered for adoption and provides details on the public hearing date, time, and location. The notice will also include clear instructions on how customers may protest the proposed rate changes. City staff and legal counsel will review the draft public hearing notice and provide requested changes to WRE for incorporation into a final version. The City is required to mail out the public hearing notice to all its water customers no fewer than 45 days prior to the scheduled public hearing.

##### **PROPOSITION 218 PUBLIC HEARING**

WRE will attend the Proposition 218 public hearing in person and be available to answer any questions from City Council or the public that may arise during the public hearing. If requested by City staff, WRE can also prepare a PowerPoint presentation and present a summary of the rate study results at the public hearing. In addition, WRE will provide guidance on how to conduct the Public Hearing based on best practices and past experiences with other public water agencies in California.

**Meetings:** One in-person Proposition 218 public hearing

**Deliverables:** Draft and final Proposition 218 public hearing notice in Microsoft Word, meeting presentation in Microsoft PowerPoint (if requested by City staff)

## **6. APPENDICES OR EXHIBITS**

None.