



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing City Manager to Execute Master Agreement and Task Order No. 1 of Water Utility Financial Planning, Rate Setting and Meter Installation Program to The Reed Group, Inc., of Sacramento (\$114,670) and Appropriating Funds (\$125,000)

MEETING DATE: August 6, 2008

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to execute a Master Agreement and Task Order No. 1 of the Water Utility Financial Planning, Rate Setting and Meter Installation Program to The Reed Group, Inc., of Sacramento, in the amount of \$114,670 and appropriating funds (\$125,000) as shown below.

BACKGROUND INFORMATION: At the May 2, 2007 City Council meeting, *information* was provided regarding the Water Meter Retrofit Program mandated by Assembly Bill 2572. Specific topics of discussion included historical background, water use, rate structure, rates and conservation, meter costs, an accelerated program for meter installation, and policy issues. A summary of background milestones relative to the City's water meter retrofit program is provided below.

1. 1979 Lodi started installing water services "meter ready"
2. 1980's Lodi started meter retrofit program that was terminated in 1993
3. 1992 State law mandated meters on new services
4. 2004 State law requires usage-based residential billing begin by January 1, 2010 for customers with water meters
5. 2006 Water meter installation pilot project (400 meters)
6. 2007 – 08 Water meter installations completed for new homes constructed since 1992 (2,472 meters)

At this time, staff is recommending the services of The Reed Company and the public relations firm subconsultant, The Lucy Company, be retained to facilitate introduction of a usage-based water rate. Assistance is required in order to meet the January 1, 2010 deadline to charge, based upon usage, the 2,472 customers that purchased water meters since 1992. These two companies have successfully partnered in many communities including West Sacramento, Roseville, and Granite Bay to provide financial planning, rate setting, water meter implementation programming, education and community outreach. The principal objectives of this effort will focus upon:

1. Developing a multi-year financial planning model capable of evaluating a variety of scenarios and financial strategies. The model will examine the financial aspects of usage-based rate setting,

APPROVED:


Blair King, City Manager

water meter retrofit program, PCE/TCE cleanup efforts, construction of a new water treatment plant, water system capital improvements and debt service.

2. Developing a metered rate structure and a transition strategy to implement metered rates
3. Developing and implementing a public outreach and education program to inform customers about the metering requirements, installation of meters and transition to metered rates.

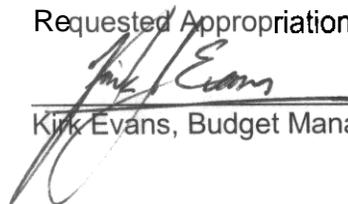
During the nine- to twelve month period of this contract, there will be a number of policy issues the City Council will be asked to address. Most of these same issues have been addressed in the communities this consultant team has previously served. Some examples are listed below.

1. Customers that have received a meter-ready box through the infrastructure replacement program or otherwise from the City – Are these customers required to reimburse those costs to the City and, if so, how much and over what timeframe?
2. Nearly 11,000 customers will require new metered services – Are these customers required to pay the cost upfront or over what timeframe?
3. For a period of time, some Lodi customers will be on flat rate billing and others will be on a usage-based billing – How long a period is acceptable to the City Council and what are the financial implications?
4. The deadline of January 1, 2010 does not leave much opportunity to send comparative billing information (flat rate versus usage-based rate) – How important is that to the City Council and how many months of comparative rate information are needed?

As mentioned, a variety of scenarios and financing strategies will be analyzed using the planning model. The results are planned to be presented to City Council in November 2008.

FISCAL IMPACT: The model will enable a detailed analysis of current and future water rates to ensure that operations and capital expenditures are balanced to the revenues.

FUNDING AVAILABLE: Requested Appropriation: \$125,000 – Water Capital (182000)


Kirk Evans, Budget Manager


F. Wally Sandelin
Public Works Director

FWS/pmf

Attachment

**TASK ORDER AGREEMENT FOR PROFESSIONAL SERVICES
BETWEEN THE CITY OF LODI
AND
THE REED GROUP, INC.**

THIS TASK ORDER AGREEMENT, hereinafter referred to as "Agreement," made and entered into on this _____ day of August 2008, by and between the City of Lodi, a municipal corporation, hereinafter referred to as "Client," and The Reed Group, Inc., hereinafter referred to as "Consultant."

WITNESSETH:

WHEREAS, Client is proceeding with the development of a water utility financial planning model that requires the services of a consultant;

WHEREAS, Consultant has available and offers to provide personnel and facilities necessary to accomplish such work as may be requested by Client;

WHEREAS, Consultant acknowledges that it is qualified to perform the scope of services required under this Agreement.

NOW, THEREFORE, Client and Consultant agree as follows:

I. DESCRIPTION OF PROJECT

Services provided shall be as described in written task orders made pursuant to and referencing this Agreement, but in general shall include financial planning and rate setting services.

II. SCOPE OF SERVICES

Consultant agrees to perform those services described in separate written task orders signed by Client and Consultant. Unless modified in writing by both parties, duties of Consultant shall not be construed to exceed those services specifically described in each task order.

III. TIME FOR COMPLETION

The time for completion of work shall be as identified in each task order issued pursuant to this Agreement.

IV. COMPENSATION

For services to be performed by Consultant, as described in each task order, Client agrees to pay, and Consultant agrees to accept, compensation as identified in each task order. Consultant shall invoice Client on a time and materials cost basis for services provided under this Agreement in accordance with the Billing Rate Schedule contained in Exhibit A unless task orders specifically indicate otherwise.

Consultant shall submit monthly invoices for services as prescribed in each task order. Client shall pay such invoices within 30 days after their receipt. If payment is not made within 30 days, interest on the unpaid balance will accrue at a rate of one (1) percent per month compounded monthly.

V. RESPONSIBILITY OF CONSULTANT

Consultant agrees that in undertaking the duties to be performed hereunder, it shall act as an independent consultant for and on behalf of Client. Client shall not direct the work and means for accomplishment of the services and work to be performed hereunder. Client, however, retains the right to require that work performed by Consultant meet specific standards without regard to the manner and means of accomplishment thereof.

VI. INDEMNIFICATION

To the fullest extent permitted by law, Consultant shall indemnify and hold harmless Client, their directors, officers, and employees from and against claims, damages, losses, and expenses (including reasonable attorneys' fees), arising out of performance of the work, provided that any such claim, damage, loss, or expense is caused by negligent acts or omissions of Consultant, any subconsultant employed directly by Consultant, anyone directly or indirectly employed by any of them, or anyone for whose acts they may be liable.

VII. INSURANCE

Consultant shall procure and maintain the following insurance policies, each of which shall provide primary coverage with respect to work performed under this Agreement.

1. Comprehensive General Liability Insurance. Insurance including premises/operations, products/completed operations, blanket contractual, and broad-form property damage liability coverages. The combined single limit for bodily injury and property damage shall not be less than \$2,000,000 per occurrence, and \$2,000,000 per year in aggregate.
2. Automobile Bodily Injury and Property Damage Liability. Insurance covering owned (if any), lion-owned, rented, and leased cars. The limit shall not be less than \$2,000,000 per occurrence.
3. Workers' Compensation and Employer's Liability. Insurance as prescribed by applicable law, including liability under the Longshoreman's and Harbor Workers' Act and the Jones Act, if applicable. The employer's liability limit shall not be less than \$2,000,000.
4. Professional Liability Insurance. Insurance covering losses resulting from errors or omissions of the Consultant. The limit of liability shall not be less than \$2,000,000 per claim and in the aggregate.

VIII. ASSIGNMENT

This Agreement is binding on the heirs, successors, and assigns of the parties hereto. This Agreement may not be assigned by either Client or Consultant without the prior written consent of the other.

IX. BENEFIT

Except as herein provided, this Agreement shall inure to the benefit of the assigns, heirs, and successors of the parties to this Agreement,

X. TERMINATION

Client may terminate this Agreement for its convenience. Consultant shall be compensated for work performed to the date of termination including a reasonable amount for profit and cost to terminate work.

In the event Consultant shall persistently fail to perform services and work hereunder in a manner satisfactory to Client, this Agreement may, at Client's option, be terminated. Consultant shall be compensated for completed and useful work performed to the date of termination.

XI. JURISDICTION AND ATTORNEYS' FEES

This Agreement shall be administered and interpreted under the laws of the State of California. Jurisdiction of litigation arising from this Agreement shall be venued with the San Joaquin County Superior Court. If any part of this Agreement is found to conflict with applicable laws, such part shall be inoperative, null, and void insofar as it is in conflict with said laws, but the remainder of this Agreement shall be in full force and effect.

In the event any dispute between the parties arises under or regarding this Agreement, the prevailing party in any litigation of the dispute, including arbitration proceedings, shall be entitled to reasonable attorney's fees from the party who does not prevail as determined by the San Joaquin County Superior Court or an arbitrator designated under the Construction Industry Arbitration Rules of the American Arbitration Association.

XII. ARBITRATION

All claims, disputes, and other matters in question between the parties to this Agreement arising out of or relating to this Agreement or the breach thereof, which are not disposed of by mutual agreement, shall be decided by arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association. No arbitration arising out of or relating to this Agreement shall include any person not a party to this Agreement except by written consent signed by the parties hereto and persons to be joined. This agreement to arbitrate shall be specifically enforceable under prevailing arbitration law.

Notice of demand for arbitration shall be filed in writing with the other parties to this Agreement and with the American Arbitration Association. The demand shall be made within a reasonable

time after the claim, dispute, or other matter in question has arisen, but in no event after the date when the institution of legal or equitable proceedings would be barred by the applicable statute of limitations. The award rendered by the arbitrators shall be final, and judgment may be entered in accordance with applicable law in any court having jurisdiction.

XIII. LIABILITY LIMITATION PROVISION

Should Consultant or any of its officers, employees, or agents be found to have been negligent in the performing of professional services or work, or to have breached any express or implied warranty, breached any representation or any provision of this Agreement, Client, all persons or entities claiming through Client and all persons or entities claiming to have in any way relied upon or been damaged by Consultant's services or work agree that the maximum aggregate amount of the liability of Consultant, its officers, employees and agents shall be limited to the total amount of the fee paid to Consultant by Client for its work performed with respect to the project, or \$1,000,000 whichever is greater. The Agreement price is predicated on this limitation of liability. Should Client object to this provision, then the Agreement price will be renegotiated by Consultant and Client to account for the increase in Consultant's potential liability. Any objection by Client to this limitation on liability must be conveyed to Consultant before Client's acceptance of this Agreement.

XIV. INTEGRATION

This Agreement represents the entire understanding of Client and Consultant as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may not be modified or altered except in writing, signed by both parties.

XV. SUBCONTRACTS

Except with prior written approval of Client, Consultant shall not enter into any subcontract with any other party for purposes of providing any work or services covered by this Agreement.

XVI. OWNERSHIP OF DOCUMENTS

All documents, photographs, reports, analyses, audits, computer media, or other material documents or data, and working papers, whether or not in final form, which have been obtained or prepared under this Agreement, shall be deemed the property of Client. Upon Client's request, Consultant shall allow Client to inspect all such documents during Consultant's regular business hours. Upon termination or completion of services under this Agreement, all information collected, work product and documents shall be delivered by Consultant to Client within ten (10) calendar days. Client agrees to indemnify, defend and hold Consultant harmless from any liability resulting from Client's use of such documents for any purpose other than the purpose for which they were intended.

XVII. AUTHORITY

The undersigned hereby represents and warrant that they are authorized by the parties they purport to represent to execute this Agreement.

THE REED GROUP, INC.

CITY OF LODI

Signature

Signature

Printed Name

Blair King

Title

City Manager

Date

Date

Attest:

Approved as to form

Randi Johl
City Clerk

Janice D. Magdich
Deputy City Attorney

Attachment – Exhibit A





THE REED GROUP, INC.

June 11, 2008

Mr. F. Wally Sandelin
City of Lodi
221 West Pine Street
P.O. Box 3006
Lodi, CA 95241-1910

Subject: Proposal for Water Utility Financial Planning, Rate Setting, and
Meter Implementation Program

Dear Mr. Sandelin:

The Reed Group, Inc. (TRGI), in conjunction with Lucy & Company, is pleased to submit this proposal to provide professional services for financial planning and rate setting assistance for the City's water utility and the development of the water meter implementation program. Our proposal has been prepared based on information obtained during our meetings with you on these subjects. The meter implementation program is intended to assist the City in meeting the requirements of Assembly Bill No. 2572 (AB 2572).

TRGI is a Sacramento-based consulting firm providing financial and management consulting services to municipal water/ wastewater utilities throughout California. We have extensive experience in long-range financial planning for water/wastewater utilities, as well as cost of service analyses and rate setting. Lucy & Company is a Sacramento-based public relations firm providing research, education, and outreach services to public agencies throughout the Sacramento/San Joaquin region. Jointly, TRGI and Lucy & Company have assisted more agencies with meter implementation programs in the region than any other firm.

As you review our proposal we believe that you will find TRGI and Lucy & Company uniquely qualified to assist the City in this study because we provide:

- ***Unique metering experience in the Sacramento region.*** TRGI and Lucy & Company have unparalleled experience in planning and implementing water meter retrofit programs in the Sacramento region. Local metering clients of TRGI and/or Lucy & Company have included the City of West Sacramento, City of Roseville, City of Sacramento, Sacramento County, City of Folsom, San Juan Water District, Fair Oaks Water District, Carmichael Water District, and Sacramento Suburban Water District.
- ***A research and experience-based approach to public outreach.*** Lucy & Company has developed an approach to metering public outreach that combines research to gauge the



pulse of the community, as well as experience from working on this issue in other communities. Each community will have unique issues and concerns, which we will identify through focus groups and a community meeting. However, through our experience with other communities we will identify issue early and develop a proactive and strategic public outreach plan for the City.

- *Local knowledge and experience.* Consultants for TRGI and Lucy & Company have performed multiple projects in Stockton, Lathrop, Manteca, and Galt are generally familiar with many issues in San Joaquin County
- *Value orientation.* TRGI's mission is to provide each client with a high level of service and unparalleled responsiveness. We do not impose a predetermined formula on our client's problems. We take the time to recognize the unique aspects of each client's situation, and to develop solutions to address their needs. The cost of providing this higher level of service is usually competitive with other firms. In addition, we strive to be long-term partners with our clients and serve as an ongoing resource on utility issues. This is evidenced by the many clients that we have worked with for ten or more years.

Our work plan and cost estimate are based on our understanding of the project stemming from discussions with you and other City staff. We are prepared to proceed with the project as described herein. Additional discussions regarding our specific approach to the project may be warranted. We welcome the opportunity to discuss these with you.

If you have **any** questions regarding our proposal, please call me at (916)444-9622. Thank you for this opportunity to provide this proposal to the City. We look forward to working with you on this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Reed", is written over a horizontal line.

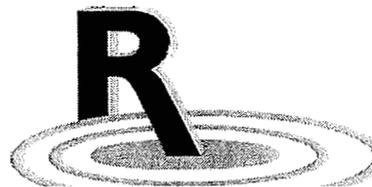
Robert Reed
The Reed Group, Inc.

CITY OF LODI

**Water Utility Financial Planning,
Rate Setting, and Meter
Implementation Program**

PROPOSAL

June 11, 2008



THE REED GROUP, INC.

I. INTRODUCTION

The Reed Group, Inc. (TRGI), in conjunction with Lucy & Company, is pleased to submit this Proposal to the City of Lodi (City) to provide professional services for water system financial planning and rate setting and the development of the water meter implementation program. Our Proposal is submitted in response to your request and our meetings in recent months.

The City is seeking the services of experienced consultants to assist in evaluating a variety of financial issues, including capital improvement program needs, and in developing the City's water meter implementation program. Beyond the technical and financial analyses, this engagement will involve gauging the pulse of the community with respect to metering issues, and developing a public outreach and education strategy to help ensure the successful implementation of the program. Therefore, the City needs consultants that not only have the requisite financial and rate setting knowledge, but also the sensitivity and public awareness skills to effectively develop strategies and present policy issues to the City Council and public. We propose to approach this important project in a manner consistent with your needs and expectations.

TRGI is a Sacramento-based management consulting firm specializing in water and wastewater rates and fees, financial planning, operational analyses, and general management consulting. TRGI has performed more water meter implementation planning studies within the Sacramento region than any other firm.

Joining our project team will be the public relations firm of Lucy & Company. Lucy & Company is a public relations and strategic communications firm specializing in public outreach, community involvement and process facilitation. Founded in 1995, Lucy & Company has established a reputation as a premier practitioner in regional water, wastewater, transportation and land use issues. TRGI and Lucy & Company have worked jointly on several water meter implementation programs.

Our proposal has been prepared based on our understanding of the project and the current situation, as well as our experience gained from performing similar studies in the region.

II. FIRM QUALIFICATIONS

This section of the Proposal provides a brief description of our firms, including history, types of services provided, and experience in developing water meter implementation programs. Information about the project consultants, including background and responsibility during the project, is also provided.

A. *The Reed Group, Inc.*

The Reed Group, Inc. (TRGI) is a Sacramento-based firm that provides a broad range of financial and management consulting services to local governments primarily in the areas of water and wastewater utility finance and management. The mission of TRGI is to provide clients with an exceptional level of service and responsiveness, to develop creative yet practical

solutions to client needs, and to broaden understanding and facilitate consensus on complex issues.

TRGI provides services in the areas of water and wastewater rate studies, cost of service analyses, capacity charge nexus studies, multi-year financial planning, conservation planning, policy analysis and development, public participation and facilitation, and litigation support and expert witness services. The firm brings the following strengths to client engagements:

- Extensive California experience in water and wastewater utility operations, management, and finance.
- Broad knowledge of traditional practices and innovative techniques in water and wastewater rates, fees, and cost of service analyses.
- Familiarity with legal and regulatory requirements affecting public agency operations, management, and finance.
- Leadership in developing public participation and consensus-oriented approaches to rate and fee setting, particularly with metering and metered water rate issues,
- A network of resources and an ability to coordinate and manage multi-disciplinary project teams on broad ranging engagements.

A listing of clients and projects is presented in **Appendix A** of this proposal. Specific experience related to development of metering programs, including metered water rates, are described below.

City of Roseville - Meter Retrofit Program and Rate Studies

In 2000, The Reed Group, Inc. assisted the City of Roseville with the development of a water meter retrofit program. The project included an assessment of the need for water meters, development of the cost and schedule for retrofit meter installations, development of a financial strategy for paying for the program, recommendations of a metered water rate structure, public outreach research, and development of a public outreach program. In 2001, The Reed Group, Inc. conducted a supplemental study to develop metered water rates and assist with the beginnings of the transition to metered water rates. The meter retrofit program project included focus groups research and a series of workshops with a citizen advisory committee. Lucy & Company served as a subcontractor to The Reed Group, Inc. on this project for the City of Roseville. Mr. Reed has worked with the City of Roseville on a number of other water, wastewater, solid waste, and storm water projects. All projects have included presentations to the City's Public Utilities Commission and City Council.

City of West Sacramento - Meter Retrofit Program and financial Planning/Rate Study

In 2005, Mr. Reed has assisted the City of West Sacramento develop a multi-year financial plan and update its water rates. This work was done in conjunction with the update of the City's water master plan, which included initial steps to identify water meter needs. In 2007, The Reed Group, Inc., with the assistance of Lucy & Company, developed a comprehensive water meter implementation program including conducting public awareness research, developing a public outreach plan, and developing metered water rates for residential customers. The City's metering program was designed to meet the requirements of AB 514.

City of Sacramento - Metered Water Rates

The Reed Group, Inc. is currently assisting the City of Sacramento to develop and implement metered water rates for its residential customers. The City of Sacramento is facing the same requirements for installing water meters as the City of Lodi. Customers within the City that have water meters will need to be billed based on actual water usage beginning in January 2010. The development of metered water rates includes assessing the City's non-residential water rates, considering the balance between fixed and water usage based revenues relative to costs, equity, and rate simplicity. New metered water rates may be considered by the City Council in late 2008.

Carmichael Water District - Water Rate Studies

Mr. Reed has been a consultant to the Carmichael Water District since 1997. Mr. Reed assisted the District in establishing a citizen advisory committee to perform a comprehensive water rate study. At the outset of the study, the District's general manager advised us that we could not talk about the "M" word (meter). We indicated that we could not conduct a water rate study if we could not talk about water usage. After about 15 workshops, the citizen advisory committee unanimously recommended that the District aggressively pursue the metering of all services. Carmichael Water District then became one of the leaders in the Sacramento region in installing retrofit meters on previously unmetered service connections.

Since the original rate study, Mr. Reed has assisted the District with several water rate updates and connection fee calculations. In 2003, TRGI worked with an engineering firm to develop a water master plan and financial business plan for the District. While the original rate study and subsequent rate updates included five-year financial plans, the financial business plan included a full life-cycle analysis of the District's water system facilities and addressed long-term replacement and rehabilitation needs.

Some of the District's water rate updates involved adopting double digit rate increases. Mr. Reed assisted the District in presenting rate recommendations during rate hearings, at times including 200 people in the audience. Because the District has established an open process for dealing with controversial issues it has enjoyed growing community support.

San Juan Water District - Retail and Wholesale Water Rate Studies

Mr. Reed has performed numerous wholesale and retail financial plan and water rate studies for the San Juan Water District. In 2000, The Reed Group, Inc. completed a retail water rate and financial planning study for the District. That project included working with a citizen advisory committee to evaluate and develop metered water rates as the District was nearing the completion of its meter retrofit program. Since that time the District has successfully transitioned all customers to metered water rates. In 2006, The Reed Group, Inc. performed an update to the retail financial plan and water rate study, including a comprehensive analysis of water usage now that all customers are on metered rates.

Fair Oaks Water District - Metering Implementation Plan

In 1998, The Reed Group, Inc. performed the first comprehensive metering implementation plan in the Sacramento region. The project included a detailed technical evaluation of the

requirements for water metering (number of meters, types of installations, cost estimates, and staffing/time requirements), financial planning (funding strategy, multi-year financial plan, cash flow analysis of conversion from flat to metered rates), and public outreach and education (market research, public outreach plan, and development of materials). The project included workshops with the District's board of directors, as well as several community meetings. Lucy & Company was a subcontractor to The Reed Group, Inc. on this landmark project.

B. Lucy & Company

Lucy & Company is a public relations and strategic communications firm specializing in public outreach, community involvement and process facilitation. Founded in 1995, Lucy & Company has established a reputation as a premier practitioner in regional water, wastewater, transportation and land use issues.

Unequaled experience, proven ability, in-depth knowledge and a passion for what we do - these qualities make Lucy & Company unique. We have developed and implemented hundreds of public outreach programs throughout the greater Sacramento and Central Valley regions. Our creative and effective campaigns have received dozens of awards from industry organizations, including the International Association of Business Communicators, Sacramento Advertising Club and Sacramento Public Relations Association.

Water purveyors and cities alike consider Lucy & Company as specialists in water metering outreach. Since metering was federally mandated, Lucy & Company has implemented successful outreach strategies to assist water agencies in all phases of the program, from research through implementation. Outreach includes effective print materials and Web sites as well as media relations conducted by a creative team who is knowledgeable in the areas, with advisors from the Lucy & Company staff who have deep experience in metering outreach.

Our clients are represented by a talented, full-service team that is dedicated to personal service. Our experienced professionals repeatedly go beyond the role of project manager or tactician to function as a strategic, creative team that turns "ordinary" programs into successful campaigns that achieve results. Reliable and friendly client service is a top priority with the entire Lucy & Company team.

Strategic, creative, committed and effective – that's Lucy & Company.

Specific water metering outreach experience, and other local experience, of Lucy & Company is summarized below.

Sacramento County Water Agency

To keep the County's water customers informed about the federally-mandated metered rates program, Lucy & Company developed and implemented a public outreach plan to proactively target specific communities with information applicable to their service area. Activities included strategic support for community presentations, coordination of public meetings and the development of customer outreach materials. Additionally, Lucy & Company developed and launched the County's first-ever customer newsletter.

City of Sacramento

Lucy & Company has completed the research phase of the metering implementation plan for the City of Sacramento Department of Utilities. Research tactics included planning and coordinating all aspects of a statistically-valid telephone survey as well as four focus groups. Drawing on the research findings, Lucy & Company has prepared an implementation plan to work with the department on transitioning Sacramento from flat to metered rates over the next 20 years. Additionally, Lucy & Company has conducted initial public outreach for this program, including development of pages for the department's Web site and a regularly updated hotline.

Fair Oaks Water District

Lucy & Company worked with a financial consultant and engineering firm to develop a five-year comprehensive metering implementation plan that addressed all potential metering issues. To develop the public outreach plan, Lucy & Company conducted research, which included phone interviews and an internal staff and materials audit. Primary research consisted of focus groups with community leaders and residents. As part of the program, Lucy & Company facilitated a series of customer advisory workshops to obtain community feedback about the District's metering implementation plan, held rate increase public workshops, provided media relations support, created newsletters, developed a new district Web site and established a new District identity package.

City of Roseville

In Roseville, the city turned to Lucy & Company to navigate the stormy waters of implementing metered water service. Through focus group research, the establishment and guidance of a citizen's advisory committee and community workshops, Lucy & Company zeroed in on the public's top concerns about meter installation and offered recommendations for addressing them. The most contentious issue was the \$750 unit cost of installing water meters in homes built prior to 1992 (since homes after '92 were already paying the cost in their loan payments). Other significant concerns included fear of higher bills with metered rates, concern about adequate notification and outreach as the program unfolded and the disruption to property during meter installation.

Under the direction of Lucy & Company, the City obtained feedback from the public on all components of a comprehensive metering implementation plan, which included phasing of meter installation, public notification methods and messages, how the cost of meter installation should be distributed and an equitable metered rate structure.

The result was a comprehensive document that included a strategic public outreach plan, engineering and rate analysis and recommendations based on customer input and feedback. The City Council adopted the metering implementation plan with very few changes and implementation has progressed smoothly.

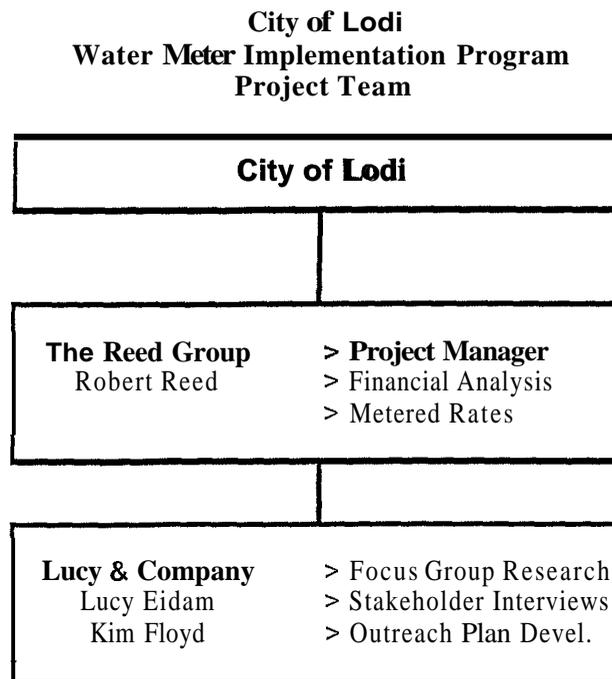
San Juan Water District

In 1999, Lucy & Company conducted scientifically valid research of San Juan Water District's customers. One major finding was that customers felt they were lacking adequate information about metered rate implementation. The research also revealed widespread concern about the impact of metered rates on residential water bills, with 60 percent of all respondents very or somewhat concerned, and 50 percent of all respondents expecting higher bills once metered.

As a result of these findings, Lucy & Company developed a four-year strategic approach to communicating with customers about water meters. Utilizing tactics such as a customer rate resource committee, bill inserts, brochures, Web sites and newsletters, the District has provided customers with various and frequent updates about metered rate implementation in the ensuing years, San Juan Water District transitioned its customers smoothly to metered, well before the target date, with a number of customers voluntarily switching early in the process.

C. Project Team

Our proposed project team is summarized in *the* organization chart below. A summary of the qualifications and experience of each consultant are also presented below. Resumes for each consultant are included in **Appendix B** of this proposal.

Project Manager - Robert Reed

Robert Reed, President of TRGI, brings 25 years of experience initially as an engineer for a major water/wastewater agency and, for the past 18 years, as a management consultant to local governments. He has provided a diverse range of services to more than 100 clients. Approximately two-thirds of the engagements have been for clients for whom Mr. Reed has

provided multiple services. He has led metering projects for the City of West Sacramento, City of Roseville, City of Folsom, Fair Oaks Water District, and Carmichael Water Districts. He has also performed several metered water rate and related studies for the San Juan Water District, Sacramento Suburban Water District, and other local utilities. He is also currently working with the City of Sacramento on developing metered water rates for residential customers.

Mr. Reed will serve as project manager for the water meter implementation program project for the City of Lodi, and will be responsible for all aspects of the project. He will personally perform the analytical aspects of the project (financial planning and water rate development) and will oversee the work of Lucy & Company. In addition, he will participate in all community meetings, focus groups, and presentations to the City Council.

Lucy Eidam

Lucy has more than 20 years of experience as a communications professional skilled in all phases of strategic development and program supervision. As president, Lucy manages the 10-person organization, providing strategic direction for the firm's clients. She provides insight and guidance to ensure that program components meet overall project goals. In addition to critical thinking, Lucy has a flair for developing creative and innovative campaigns that deliver results.

A trained meeting facilitator, Lucy applies her professional and effective facilitation skills at public meetings and workshops, strategic planning sessions and creative concept meetings. She has particular interest and expertise in process facilitation, bringing together diverse groups and interests to help them work toward consensus-based decisions. She has done this work for varied groups including the Regional Water Authority, the first Regional Cooperative Water Efficiency Plan and the Sacramento Mayors and Board Chair Forum.

Responsible for management of a growing, woman-owned public relations firm specializing in water recycling, wastewater and water public outreach and involvement programs. Lucy's strategic and creative methods result in many successful, multi-faceted campaigns, which include public opinion research, public meetings, stakeholder outreach and targeted media relations.

Kim Floyd

Kim has nearly 14 years of experience as a communications professional skilled in all aspects of public outreach, strategic communication planning and community relations. With background in both *the* public and private sectors, Kim understands issues from "both sides of the aisle," bringing valuable insight to Lucy & Company and its clients.

Kim's solid technical knowledge is invaluable in directing targeted outreach programs for multi-million dollar infrastructure projects. She leads the firm's research and stakeholder outreach programs, and expertly guides clients through project development and implementation.

As client services manager, Kim is responsible for managing diverse projects ranging from one-time deliverables to comprehensive, multi-year public outreach programs. She helps clients plan effective outreach strategies and choose appropriate tactics to deliver key messages. These

tactics include community meetings, stakeholder outreach, newsletters, Web sites, media relations, advertising and special events.

III. REFERENCES

The Reed Group, Inc. and Lucy & Company offer the following references on metering projects. We encourage you to contact our references and to inquire on how we meet the unique needs of each project and client. Of course, the City already has direct experience in working with The Reed Group, Inc. during the recent water master plan update.

The Reed Group, Inc.

City of West Sacramento - Water Meter Implementation Program
Michael Bessette, Associate Civil Engineer
916-617-4665

City of Roseville - Water Meter Retrofit Program
Derrick Whitehead, Director of Environmental Utilities
916-774-5770

San Juan Water District - Wholesale and Retail Water Rate Studies
Shauna Lorange, General Manager
916-791-6936

Lucy & Company

Sacramento County Water Agency - Meter Retrofit Public Outreach Program
Diane Margetts, Communications and Media Officer
916-874-4517

City of Sacramento - Metering Implementation Community Relations Research
Jessica Hess, Department of Utilities, Public Information Officer
916-808-8260

City of Roseville - Water Meter Retrofit Program-Public Outreach Plan
Derrick Whitehead, Director of Environmental Utilities
916-774-5770

San Juan Water District - Water Meter Outreach Research, Development & Implementation
Shauna Lorange, General Manager
916-791-6936

IV. DESCRIPTION OF PROPOSED SERVICES

This section describes the services to be provided during water meter implementation program project. It includes a discussion of our recommended approach for the project, and a detailed

work plan of tasks. Our goal is to meet the City's objectives by providing a high level of service in a cost effective and efficient manner.

A. *Situation Analysis*

A few years ago, the City of Lodi established a special charge appearing on the water bill to provide funds for cleanup of groundwater contaminated with PCE and TCE. At the same time, the City is seeking a settlement with parties involved with the contamination. While the cleanup effort may take 40 years, the City wants to review current and projected costs and revenues associated with the issue and verify that the previously developed financial strategy is adequate or adjust it to meet objectives.

In addition, the City is planning for the construction of a new water treatment plant (around 2014), and also examining the current and long-term needs for water system rehabilitation and upgrade. The City would like to explore the financial implications of various scenarios and use this information to develop a sound financial strategy for addressing each issue.

Assembly Bill No. 2572 (AB 2572) became law in 2004 and requires urban water suppliers to install water meters on all water services not previously metered by January 1, 2025. It also requires all water service connections with a water meter to be billed based on water usage no later than January 1, 2010.

The city of Lodi is moving forward with a water meter implementation program pursuant to AB 2572. The City must complete the installation of and read about 4,000 meters by January 1, 2010; all remaining connections must be metered and read by January 1, 2025. To date, the City has installed 400 meters through a pilot program and has plans to install 600 more in a subsequent phase. All metered connections continue to be billed on a flat rate.

There is an estimated 17,000 to 18,000 water meter installations that need to be completed as part of the water meter implementation program.

In order to assess and plan for future obligations of the water utility as well as successfully implement the water meter implementation program the City needs to:

- Develop a multi-year financial planning model capable of evaluating a variety of scenarios and financial strategies. In addition to examining the financial aspects of PCE/TCE cleanup efforts, construction of a new water treatment plant, and water system rehabilitation and upgrade needs, the model will be used to assess the financial implications of the metering program, as well as ongoing operations, debt obligations, and the overall capital improvement program for the City's water utility.
- Identify the number and type of water meter installations that will need to be completed both by 2010 and by 2025. This plan, including cost estimates and timeline are being developed by City staff.
- Evaluate and develop a metered water rate structure and develop a transition strategy to implement metered rates.
- Conduct research on public understanding and opinions regarding the requirement to install water meters and to bill customers for water service based on metered usage.

- Develop and implement a public outreach and education program to inform customers about the metering requirements, installation of meters, and transition to metered water rates.
- Identify policy issues related *to* the metering program and other water utility issues.

The Reed Group, Inc., in association with Lucy & Company, proposes to assist the City with each of the foregoing activities, and to help guide City staff and the City Council with the myriad of issues *to* be addressed as the program is developed and implemented.

B. Summary of Study Approach

The development of the water meter implementation program will involve the integration of several types of services, each requiring a different set of skills. Key to the success of this project will be the ability of the project manager to coordinate the work of each project team member and ensure that the various elements are woven together in a complete and comprehensive manner.

The success of this project will also hinge on open and honest communications with residents and businesses within the community. We have found that the greatest obstacle to metering or other large projects is often a fear of the unknown. When customers do not understand the issues, do not know their own water use characteristics, and do not recognize the potential benefits of metering there is a tendency to resist change. The resistance can be vocal, political, and entrenched. However, metering can proceed smoothly if the program is developed and implemented in an open manner; one that provides opportunity for input and is responsive to concerns of the community. By taking a proactive and strategic approach, the City can enhance its public relations with its customers. Our proactive approach includes research *to* gauge the pulse of the community as we develop specific implementation recommendations. Public outreach objectives of this project include:

- Increase customers' knowledge and understanding about the state legislation mandating meter installations
- Communicate and address potential issues of concern in a straight-forward manner, either *in* written communications or prepared statements, to both English and non-English speaking customers
- Repeatedly provide new and timely information about metering through various communication materials and methods
- Drive traffic to the City of Lodi's web site, or other identified source, for more information about water meters
- Help City staff to educate the public by providing information about the program to customers, elected officials, business and community leaders, and other stakeholders.

C. Work Plan

Our work plan is intended to meet the City's objectives for this project and is structured based on the scope of work discussed with the City in recent months. Deliverables associated with

each task are identified, and the table following the task descriptions summarizes the estimated consultant hours associated with each task and sub-task.

Task 1 - Financial Planning and Water Rate Setting

This study will include developing a multi-year financial planning model to evaluate the current and estimated future financial condition of the water utility. The financial plan will then be used to (1) assess the financial implications of a variety of long-range planning and capital improvement program issues, (2) evaluate the metering program, as well as other planned capital improvement projects, (3) identify the annual water rate revenue requirements, and (4) consider financial policies and other actions to help mitigate future water rate increases. This task will also include calculating water rates, including new metered water rates for residential customers, and developing a transition strategy for converting flat rate customers to metered rates. Task 1 will be comprised of four sub-tasks. They include:

- 1.1 Financial Plan Development** - A multi-year financial plan will be developed for the City's water utility consistent with the time frame used for long-term planning. The financial plan will consider operating and maintenance costs, current and future debt obligations, and capital program needs. The primary purpose of the financial plan will be to determine annual water rate revenue requirements (to be used for rate setting). However, the plan will also be used to consider financial policies, identify when the City may need to issue new long-term debt for capital projects (e.g., water treatment plant), and evaluate the impacts of new debt obligations.

Various aspects of the water meter implementation program may affect the financial plan. This could include (1) capital program costs and schedule associated with installing water meters on existing water service connections, (2) transition to metered rate billing for residential customers, (3) implementation of public outreach plan recommendations, (4) operational changes associated with the metering program, including meter reading, utility billing, and meter replacement. During this project, we will monitor the potential financial implications of all aspects of the water meter implementation program.

Deliverables: Memorandum to staff with updated financial plan exhibits

- 1.2 Scenario Development and Analysis** - The financial planning model will provide a valuable tool for analyzing various financial issues. Working with City staff, we will identify, define, and model up to four scenarios for financial analysis. Scenarios will include evaluating the current and projected revenues and expenses related to the PCE/TCE cleanup effort, evaluating the implications of water system rehabilitation and upgrade projects, timeline, and funding, and evaluating the impacts of the planned water treatment plant. The analyses will include developing financial strategies for each scenario with the intention of minimizing future water rate increases.

Deliverables: Memorandum summarizing financial plan scenarios, assumptions, findings, and financial strategies.

- 1.3 Water Rate Calculations** - This sub-task will include development of recommendations regarding metered water rates for residential customers, as well as

a general update of the City's other water rates. Annual revenue needs will be determined using the financial plan model. Water rate calculations will include cost of service analyses and rate design to develop rate structures that provide needed revenues, are equitable to customers, and meet other City objectives. We will meet with staff to discuss the various rate structure alternatives available to the City, as well as their advantages and disadvantages. In particular, we will address (1) the requirements for implementing conservation-oriented rate structures, (2) financial stability, and (3) affordability of water service. A decision on rate structure recommendations will also reflect information obtained from public outreach research activities. We will then develop metered water rate schedules based on a proposed rate structure. Calculations will be based on available data and information, and revenue requirements contained in the multi-year financial plan.

Deliverables: Water rate summary report with 5-year rate schedules and transition strategy

- 1.4 Metered Rate Transition Strategy - The City is required to begin billing on metered water rates by January 1, 2010 for all customers with water meters. The task will include developing a metered rate transition strategy and timetable. The transition strategy will consider existing customers with and without water meters, as well as new connections occurring as new development occurs.

The transition to metered billing of residential customers can begin once meters are installed and meter reading activities begin. At present, several hundred water meters are already in place (and a few thousand simple need meters dropped into existing boxes). In addition, all new construction includes meters. Once meter reading activities are initiated the transition to metered billing can also begin.

We recommend that the transition strategy include a multi-prong approach. Of course, we will revise our recommendations based on community outreach research as well as input from staff. However, the metered billing transition strategy should consider:

- Immediate metered billing for all new service connections
- Voluntary metered billing for all existing customers that have meters and believe they would benefit from metered billing (i.e., have lower bills)
- 12-months of water use history and comparative bills provided before any residential customer is required to be on metered rates
- Statutory deadlines for converting customer to metered rates.
- Availability of water conservation assistance programs to help customers reduce their water usage.

In developing the metered billing transition strategy for the City we expect to work closely with multiple departments of the City (e.g., public works, finance, City manager's office, etc.)

Deliverables: Metered billing transition strategy (to be included in metered rate summary report - sub-task 1.2)

Task 2 - Public Outreach

The goal of this task is to educate customers about the water meter implementation process by executing a proactive, strategic public outreach program designed to increase customer knowledge about water meters and what a metering program means to the City of Lodi, the meter installation process, and potential rate increases and financial impacts to customers.

Lucy & Company, in conjunction with The Reed Group, will develop a research and experience-based public outreach approach, creating the most positive and successful meter implementation program possible. Phase I research, as proposed below, will provide the foundation for a comprehensive public outreach program strategy. Possible components of such a program have been highlighted for reference purposes in Phase II. A complete implementation schedule and task strategy will be prepared upon thorough analysis of research findings.

2.1 Focus Group Research - In this sub-task Lucy & Company will recruit focus groups which generate qualitative data allowing for the exploration of issues in greater detail than quantitative studies. Focus groups are often used to uncover information about particular issues or topics where little is known and to confirm or refute assumptions. They can be used as a starting point for future research or to unearth issues that require further study. Focus groups help identify the "pulse" of a particular community or group for the following reasons:

- Focus groups are less structured than quantitative studies, allowing for the introduction of new angles and perspectives – rather than forcing a participant to select from predetermined rating scales or categories.
- The dynamics of a focus group environment often lend value-added elements – focus groups can take on an educational quality in which participants inform one another about the issues at hand.
- The "open response" format provides an opportunity to obtain large and rich amounts of data in the respondents' own words, helping clarify important key messaging opportunities.
- Participants can react to and build upon the responses of other group members, increasing opportunities for enhanced understanding.

The city of Lodi's Water Metering Implementation Program focus groups will touch on the following areas, each having critical importance to public outreach planning:

- Is the general public aware of the water metering concept?
- What definition of metering makes sense to a layperson?
- What are the prevailing attitudes about the concept?
- What relevant points should be made to address the key concerns expressed by the general public and stakeholders as the project moves forward?
- What opportunities and challenges will likely arise during program implementation?

To evaluate attitudes about metering, a demographically-relevant mix of community members will be randomly recruited to participate in one of three focus groups. The strategic recruiting process better ensures the groups accurately reflect the demographic composition of the community, resulting in a more pristine, meaningful outcome.

Lucy & Company will: develop needs, expectations and questions in partnership with the project team; coordinate development of recruitment screener and moderator's guide; moderate two focus groups; facilitate transcription services and develop a comprehensive research report for use in determining tactics for strategic public outreach plan.

Focus Group Methodology

- Each focus group of 10 people (maximum) will last for two hours.
- Participants will be randomly recruited to ensure fair representation of all community member groups.
- Participants will be provided a light dinner and paid \$60 each for their time and input.

Deliverables: Focus group research report summarizing findings

- 2.2 Stakeholder Interviews - One-on-one interviews would be the most effective means of soliciting feedback from and gauging opinions and attitudes of business, community and other key opinion leaders. Lucy & Company would schedule and conduct up to 10 interviews, either in-person or via telephone, with key opinion leaders. These representatives would be identified in partnership with the City.

Deliverables: Stakeholder Interview Synopsis

- 2.3 Public Outreach Plan Development - Based on input from focus groups and stakeholder interviews, Lucy & Company will work with the City to develop a strategic public outreach plan to guide the meter installation and rate transition program throughout 2013. The plan will provide an overall guide for activities and will include evaluation milestones and key messages to ensure goals and objectives are met. The plan will also include recommendations for an implementation phase of the public outreach program (as described below).

Deliverables: Public outreach plan

- 2.4 Public Outreach Implementation (Phase II) - Most of the metering program's first four months will be dedicated to Phase I research and planning. The remainder of the time will be spent on Phase II outreach implementation. Below are suggested activities; however, a detailed scope and cost estimate will be presented as part of the public outreach plan in Phase I based on research findings.

Stakeholder Database - Develop and maintain comprehensive stakeholder database to include water services customers, city staff, elected officials and other public opinion leaders,

Key Messages - Develop key messages to serve as the foundation of the Metering Implementation Outreach Campaign. A key message consists of one brief positioning statement along with two to three supporting statements that are used to address a particular topic. The key messages will be incorporated into all communications materials to ensure that all city representatives are sharing consistent messages and speaking with one voice.

Outreach Materials - The team will prepare a suite of outreach materials and develop design standards, topic lists and other information which will be included in all future metering communication pieces. Examples of potential outreach materials include:

- Official letter printed *on* city letterhead and envelope
- Direct mail postcards or newsletters
- Metering brochure/Frequently Asked Questions (FAQ)
- Door hangers (notice of meter installation)

Media Relations - Working with the media to ensure customers are receiving messages about metering through a variety of avenues will help diminish any major opposition later down the road.

Web Site - Develop a Web page that incorporates information about water metering and its implications for the city of Lodi, as well as general FAQs about the meter installation process.

Stakeholder Outreach - Work with local organizations to place information about the metering program in community publications and resources. Examples include neighborhood association publications, chamber newsletters, applicable Web sites, etc.

Community Meetings - In order to reach both the general public and opinion leaders, Lucy & Company recommends a two-fold approach to community meetings:

1. Presentations to the City Council
2. Presentations to community organizations, neighborhood associations and civic groups.

Hotline Number - Establish a "24/7" hotline to provide Lodi residents with a single number for information about the metering program.

Graphic Identify - Establish and standardize graphics to utilize when communicating information about the metering implementation program.

Task 3 - Project Management/Coordination

This task includes various project management and coordination activities, as well as other activities not covered in other tasks.

- 3.1 Meetings with Staff - Our Project Manager, and other consultant staff, as appropriate, will be available to meet with City staff throughout the project. We anticipate the need for a number of formal meetings with staff from various City departments to address issues such as meter reading, metered billing, etc. Other

meetings may be required to coordinate with the City's project manager, and to plan various aspects of the project

Deliverables: Meeting agendas

- 3.2 Project Management - Our Project Manager, Bob Reed, will be responsible for managing and coordinating the activities of the project team throughout the engagement. Mr. Reed will be the primary point of contact with the City and have overall responsibility for the project. Immediately upon receiving a notice to proceed, we will schedule a kick-off meeting between project team members and appropriate City staff. At that time, we will review the project scope, approach, and schedule, and coordinate initial activities.

In addition, each month we will prepare and submit via e-mail monthly invoices to the City's project manager.

Deliverables: Monthly invoices

- 3.3 "Shirt Sleeve" Study Sessions - The City Council conducts weekly study sessions where council members can devote time to specific issues. Because of the variety and complexity of issues to be addressed during this project, it is proposed that a series of study sessions be conducted with the Council to address the financial planning, water rate, and metering program issues to be covered by the study. These study sessions would provide the opportunity for early input to the study as well as a chance to become fully familiar with *the* many complex and interrelated issues that will impact the water utility for years *to* come. While the specific schedule and agenda for these study sessions will be determined as the study progresses, this sub-task allows for up to five study sessions with the City Council.

Deliverables: Study Session materials

- 3.4 Presentation of Recommendations - Final study conclusions and recommendations will need to be presented to the City Council for consideration and approval. We propose to attend and make formal presentations during *two* City Council meetings. The first meeting would occur once recommendations are finalized and would precede the start of the public hearing notice process required to approve new water rates. The second presentation to the City Council would occur in conjunction with a public hearing to adopt new water rates. In particular, we propose to present recommendations regarding (1) metered water rate structure, (2) transition strategy from flat to metered rates, (3) and public outreach plan to inform and educate customers.

Deliverables: Presentation materials

D. Additional Services

We have prepared our work plan in accordance with our understanding of the project. Every proposed engagement work plan is limited in its scope due to factors such as the availability of information, the client's definition of tasks, limited familiarity with issues, etc. As the water meter implementation program project proceeds, the City may wish its consultants to perform additional tasks not currently planned. We take pride in our ability to adapt our work plan to

accommodate each client’s needs, often without adjustments to project budget or schedule. We will work closely with the staff to ensure the project proceeds according to plan. However, should the City desire additional assistance or services, not now contemplated, we would be pleased to address your needs. Potential areas of additional assistance include:

- Conduct a workshop with City staff, City Council members, and/or interested citizens on the pros and cons of alternative water rate structures for residential customers. This would precede detailed metered water rate calculations.
- Conduct community meetings to inform the community about the metering program.
- Assist with customer notification of meter installation just prior to construction.
- Other tasks as identified during the study.

V. PROJECT BUDGET AND SCHEDULE

The table below summarizes the estimated cost for the water meter implementation program project. The cost estimate includes estimated hours and expenses for each task. The detail is provided for information purposes. We are committed to providing the services as described herein for a not-to-exceed limit of \$114,670, including expenses. While the costs associated with individual tasks may vary from those shown in the table, the entire project would be performed within the contract ceiling.

City of *Lodi*
Water Utility Financial Planning, Rate Setting, and Meter Implementation Program

Task	Bob Reed	L & C Principal	Client Mgr.	Srv. Manager	Project Manager	Outreach Specialist	Total Hours	Profess. Fees	Expenses
Hourly Billing Rates	\$ 220	\$ 175	\$ 165	\$ 130	\$ 100				
1. Financial Planning and Rate Setting									
Financial Plan Development	56						56	\$ 12,320	
Scenario Development & Analysis	64						64	\$ 14,080	
Water Rate Calculations	48						48	\$ 10,560	
Metered Rate Transition Strategy	16						16	\$ 3,520	
2. Public Outreach									
Focus Group Research	8	15	20			25	68	\$ 10,185	\$ 7,010
Stakeholder Interviews			15		30	20	65	\$ 8,375	
Public Outreach Plan Development	4	2	6		25	10	47	\$ 6,470	
Phase II - Implementation			To be determined				TBD	TBD	
3. Project Mgmt./Coordination									
Team Meetings	16	5	10		17	10	54	\$ 9,255	\$ 2,500
Project Management	12		5		5	5	27	\$ 4,615	
“Shirt Sleeve” Study Sessions	80						80	\$ 17,600	\$ 600
Presentation of Recommendations	16						16	\$ 3,520	\$ 200
Subcontractor Markup (10%)									\$ 3,860
TOTAL HOURS AND COSTS	320	22	56	77	70	70	545	\$100,500	\$ 14,170

It is our practice to bill clients for actual costs, subject to the not-to-exceed budget, on a monthly basis. All payments are due within 30 days. Our cost estimate is valid for 90 days and is based on the project schedule, as described below. Our cost estimate is based on the comprehensive scope are described herein. If only select tasks are selected, the individual cost of tasks may

change. Cost estimates also are based on designers maintaining ownership of printer files and electronic working files. The City may purchase these ownership rights for an additional charge. Hourly billing rates and other charges are subject to adjustment in January of each year.

The timeline below is consistent with a 6-month schedule to perform financial and rate setting tasks and to develop a public outreach plan. Implementation of the public outreach plan (phase 2) would begin after completion of phase 1. Our schedule assumes that the City awards a contract June, with work to beginning in early July. Because of the nature and scope of this project both the consultant and staff must bear responsibility in keeping the project on schedule. Estimates of the timing of each task, as well as of major milestones in the project, are depicted in the schedule below.

City of Lodi
Water Utility Financial Planning, Rate Setting, and Meter Implementation Program
Project Schedule

Task	July	August	September	October	November	December	January	February
1. Financial Planning and Rate Setting								
Financial Plan Development	█							
Scenario Development & Analysis		█	█					
Water Rate Calculations			█	█				
Metered Rate Transition Strategy				█				
2. Public Outreach								
Focus Group Research		█	█	█				
Stakeholder Interviews			█					
Public Outreach Plan Development				█				
Phase II - Implementation							█	█
3. Project Mgmt./Coordination								
Team Meetings	█	█	█	█	█			
Project Management	█	█	█	█	█	█	█	█
"Shirt Sleeve" Study Sessions								
Presentation of Recommendations							█	

We will review the schedule with staff during the kick-off meeting. In particular, we will review a schedule and topics for each planned study session to be held with the City Council. Many of the project tasks and sub-tasks can proceed in parallel, although some activities will need to follow a logical sequencing.

APPENDIX A - THE REED GROUP, INC. - CLIENT LISTING

Partial Listing of Water/Wastewater Clients

Client	Rate/Fee Studies and Financial Planning											Management Studies				Lit.Spt.					
	Water Rates	Wastewater Rates	Reclaimed Water Rates	Stormwater Program	Capacity Charges	Cost of Service Analyses	Industrial Allocations	Workshops./Citizen Comm	Special Rate/Fee Issues	Administrative Fees	Debt Iss./Coverage Calc.	Multi-Year Financial Plan	Reserve Policies	Strategic Planning	Organization Study	Operations Review	Conservation Planning	Metering Programs	Inst. Anal./Consol. Study	Utility Rates	Capacity Charges
<i>The Reed Group, Inc. Projects*</i>																					
Amador Water Agency	✓					✓	✓		✓	✓	✓	✓									✓
Bear Crk. Vly. San. Auth., OR					✓	✓															
City of Calistoga					✓																
City of Camarillo	✓	✓			✓	✓		✓	✓	✓		✓									
Carmichael Water District	✓				✓	✓		✓	✓		✓	✓					✓				✓
Contra Costa Water District	✓				✓	✓	✓	✓	✓												✓
City of Dana Point								✓											✓		
City of Del Mar	✓	✓			✓	✓	✓	✓	✓			✓	✓								
City of Dixon		✓			✓	✓	✓	✓		✓		✓	✓								
Dixon-Solano Muni. Wtr. Srvc.	✓				✓	✓		✓	✓		✓	✓									
Dublin San Ramon Serv. Dist.														✓	✓						
East Bay Munic. Utility Dist.					✓	✓			✓												
City of East Palo Alto																			✓		
El Dorado Irrigation Dist.																					
Fair Oaks Water District	✓				✓			✓	✓			✓	✓					✓			
City of Folsom	✓	✓			✓	✓		✓	✓		✓	✓					✓				
City of Galt	✓	✓			✓												✓				
City of Hanford																				✓	
City of Lathrop	✓	✓			✓	✓		✓		✓	✓	✓									
Los Angeles DWP	✓							✓	✓						✓						
City of Manteca	✓				✓	✓		✓		✓	✓	✓									
Marin Municipal Water Dist.	✓		✓			✓		✓	✓		✓	✓				✓					
Aesa Consolidated Wtr. Dist.														✓	✓	✓					
City of Morgan Hill	✓	✓				✓															
Yipomo CSD	✓	✓			✓	✓		✓	✓		✓	✓									
Northridge Water District	✓				✓	✓		✓		✓	✓	✓									
City of Oceanside	✓	✓			✓			✓		✓	✓	✓									
Olivenhain Munic. Wtr. Dist.	✓	✓				✓								✓	✓	✓					
City of Orange	✓					✓						✓	✓								
Quincy CSD	✓	✓			✓	✓	✓	✓		✓	✓	✓									
City of Plymouth	✓				✓			✓		✓	✓	✓									
City of Redding	✓	✓			✓							✓									
Rio Linda/Elverta CWD	✓				✓	✓		✓	✓		✓	✓									
City of Roseville	✓	✓		✓	✓			✓	✓		✓	✓									
City of Sacramento	✓				✓			✓		✓	✓	✓						✓			
Sacramento Suburban WD	✓				✓			✓	✓		✓	✓									
City of St. Helena	✓	✓				✓		✓	✓		✓	✓									
City of San Clemente	✓	✓	✓		✓	✓		✓		✓	✓	✓									
San Juan Water District	✓				✓			✓	✓		✓	✓								✓	
City of San Leandro														✓	✓	✓					
Santa Margarita Water Dist.	✓	✓	✓		✓	✓		✓	✓		✓									✓	
City of Santa Monica	✓	✓		✓	✓	✓		✓				✓									
City of Santa Rosa	✓	✓			✓	✓		✓		✓	✓	✓									
City of Santa Monica	✓				✓			✓	✓		✓	✓									
Solano Irrigation District	✓					✓		✓		✓	✓	✓		✓	✓	✓					
Suisun-Solano Water Auth.	✓				✓	✓		✓		✓	✓	✓		✓							
City of Sutter Creek		✓				✓		✓													
Trabuco Canyon Water Dist.	✓				✓			✓			✓	✓									
City of West Sacramento	✓				✓	✓				✓	✓	✓							✓		
Town of Yountville	✓	✓				✓		✓													

* Some projects were performed by Robert Reed prior to establishing The Reed Group, Inc.

APPENDIX B - CONSULTANT RESUMES

*ROBERT REED**THE REED GROUP, INC.*

Mr. Reed is President of The Reed Group, Inc. (TRGI). He has over 20 years of experience providing a broad range of financial and management consulting services to local governments in the areas of water and wastewater utility management, as well as public works and engineering functions. The mission of TRGI is to provide clients with an exceptional level of service and responsiveness, to develop creative yet practical solutions to client needs, and to broaden understanding and facilitate consensus on complex issues. Areas of specialty include:

Utility Rate/Fee Studies - water, wastewater, stormwater, and solid waste cost of service and rate design studies; wholesale and retail rates; marginal cost pricing; community-based rate setting methodologies

Water Meter Retrofit Implementation - planning, development, and implementation of meter retrofit programs including technical evaluation of metering options, cost analysis and scheduling, financial planning and funding strategies, transition from flat to metered rate structures, rate structure analysis, and public outreach and education

Capital Facility Financing Studies - evaluation of the economic and financial feasibility of capital improvement programs; capital facility financial planning; development impact fee and capacity charge studies

Resources Management - financial reserve policy analysis; water conservation planning; drought impact studies; urban water management plan preparation; water rate conservation incentives; water supply yield and water availability studies.

Litigation Support - litigation support, including expert witness testimony in matters related to water and wastewater rates and charges including Proposition 218; provided technical support during SWRCB water rights proceedings.

Representative Projects

- ❖ *City of Roseville, (since 1999)* - In 2000, Mr. Reed assisted the City of Roseville with the development of a water meter retrofit program. The project included financial analyses, public outreach and education, and development of metered water rates. During the study we conducted several focus group workshops, and worked with a citizen advisory committee to develop plan recommendations. Plan recommendations were presented to the Public Utilities Commission and City Council. Since that time Mr. Reed has continued to work with the City on a variety of water, sewer, stormwater, and solid waste issues.
- ❖ *City of Folsom, (since 1999)* - Assisted the Public Works Department with the development of a meter retrofit program and water rate structure study, The meter implementation program included public outreach, multi-year financial planning, and rate analyses. Mr. Reed also performed a wastewater and solid waste rate and fee study for the City. Each project also included extensive involvement with the City's Utility Advisory Committee, and presentations to the City Council.
- ❖ *Fair Oaks Water District (since 1998)* - Comprehensive water rate study. Assisted staff and the Board of Directors in considering a broad range of water rate and fee issues. In 1999, Mr. Reed led a study to develop a Metering Implementation Plan for the District. This study includes the technical

evaluation of meter installation issues, development of a multi-year financial plan to determine how to pay for and finance meter installations, and assessment of needed public outreach and education activities. Mr. Reed assisted the District in refunding existing long-term debt to take advantage of low interest rates. We also explored the availability and suitability of low-interest SRF loans for the metering program. A detailed 15-year financial plan was developed as part of this project.

- ❖ *Carmichael Water District, CA (since 1997)* - Water rate study and 5-year financial plan. Conducted 10 workshops with an 11-member citizens advisory committee (including 2 Board members). Focus of study was on cost of service issues and rate design with a transition from flat to metered rates. The District's largest customers were represented on the committee. Mr. Reed has continued to assist the District with water rate and financial plan updates, as well as litigation support services. He also assisted the District in successfully rebutting a legal challenge to the District's water rates on Proposition 218 grounds.
- ❖ *San Juan Water District (since 2000)* - Assisted the San Juan Water District with several water rate and financial planning studies at both the retail and wholesale levels. In 2005, Mr. Reed is assisting with an update to the District's retail financial plan and water rates. Mr. Reed is also updating the District's retail connection fees as part of this study.
- ❖ *Solano Irrigation District (since 1998)* - Water rate and financial plan studies. Assisted the District in three separate studies to address policy issues related to rate structures, revenue strategies, financial policies, and long-range financial planning. Separate studies were performed for the Dixon-Solano Municipal Water Service (joint water system with City of Dixon), the Suisun-Solano Water Authority (joint water system with the City of Suisun City), and SID's General Fund. Public workshops have been conducted with elected officials and the public in each study. In 2000, Mr. Reed served as Project Manager on a classification, compensation, and organization study for the District. The study included interviews with about one-half of the staff throughout the organization and focused on organizational structure issues to improve operational effectiveness. A compensation survey was performed to compare the District with its labor market, and job descriptions were updated to reflect the work performed for each of about 40 staff positions.
- ❖ *Sacramento Suburban Water District, CA (1996-present)* - Mr. Reed is currently working with the Sacramento Suburban Water District on preparing an update to their capital improvement plan, multi-year financial plan, and water rates. Mr. Reed worked with the predecessor Northridge Water District on to develop two previous five-year water rate plans and FDC calculations. He also developed recommendations on wheeling charges whereby other entities could wheel water through the District's transmission facilities. Mr. Reed also assisted the Arcade Water District (also a predecessor to SSWD) in working with their Irrigation Task Force and developing an alternative conservation-oriented water rate structure for public agency irrigation customers.
- ❖ *City of Sacramento* - Assisted the Utilities Department on several small projects, including assessment of residential flat water rates, update to water system connection fees, and evaluation of potential annexation of a portion of SSWD's service area into the City's water utility service area.
- ❖ *City of Lathrop (since 1993)* - Assisted the City to develop comprehensive capital facilities fee (development impact fee) program for the City including facilities related to storm drainage, water, sewer, transportation, municipal facilities, parks, and community facilities. Also performed several utility rate studies and worked with financing team on the issuance of long-term debt for water system improvements.

- ❖ *Contra Costa Water District, CA (since 1996)* - Wholesale (raw) water rate structure study affecting the District's municipal and industrial customers. Working with a Technical Advisory Committee (TAC), we developed recommendations for modifying the water rate structure to better achieve District objectives. Also provided litigation support or expert witness assistance in litigation on the District's Facilities Reserve Charges (similar to SDCs).
- ❖ *City of Santa Rosa, CA (since 1998)* -- Water and wastewater rate study. Performed a water and wastewater rate study for the City of Santa Rosa's retail operations. The study included detailed cost of service analyses, refinement of current rate structures, development of a five-year financial plan, and review of financial policies and practices. During the study we performed two day-long workshops with City staff to explore rate and financial issues in detail. Staff found these workshops to be extremely beneficial in understanding and developing consensus on various issues. Mr. Reed also performed studies pertaining to water shortage rates, water conservation incentives embodied in rate structures, and financial reserve policies.

Education

B.S. Engineering, University of California, Los Angeles, 1982
M.S., Water Resources Engineering, University of California, Davis, 1990
M.B.A, Public Policy and Management, University of California, Davis, 1990
Licensed Civil Engineer in California (Lic. No. 41064)

Professional Background

East Bay Municipal Utility District, Water Resources Planning, 1983-1988
Ernst & Young, Governmental Consulting Practice, 1990-1992
David M. Griffith & Associates, Utility Consulting Practice, 1992-1996
Hilton Farnkopf & Hobson, Water/ Wastewater Practice, 1996-1998
Reed Consulting Group, Owner, 1998-2000
The Reed Group, Inc., President, 2001-present

LUCY EIDAM

Principal, Lucy & Company

Lucy has more than 20 years of experience as a communications professional skilled in all phases of strategic development and program supervision. As president, Lucy manages the 10-person organization, providing strategic direction for the firm's clients. She provides insight and guidance to ensure that program components meet project goals. In addition to critical thinking, Lucy has a flair for developing creative and innovative campaigns that deliver results.

A trained meeting facilitator, Lucy applies her professional and effective facilitation skills at public meetings and workshops, strategic planning sessions and creative concept meetings. She has particular interest and expertise in process facilitation, bringing together diverse groups and interests to help them work toward consensus-based decisions. She has done this work for varied groups including the Regional Water Authority, the first Regional Cooperative Water Efficiency Plan and the Sacramento Mayors and Board Chair Forum.

Responsible for managing a growing, woman-owned public relations firm specializing in water recycling, wastewater and water public outreach and involvement programs. LUCY'S strategic and creative methods result in many successful, multi-faceted campaigns, which include public opinion research, public meetings, stakeholder outreach and targeted media relations.

Representative Clients

- ◆ Sacrainento Regional County Sanitation District (SRCSD)
- ◆ Yolo County Water Resources Association
- ◆ Sacramento County Water Agency
- 4 City of Sacramento, Elk Grove and West Sacramento
- ◆ San Juan Water District

EDUCATION

- ◆ University of Oregon, Eugene - Bachelor of Science, Rhetoric and Communications, 1987
- ◆ University of California, Davis - Continuing Education in Water Resources Planning, Meeting Facilitation and Public Relations
- ◆ University Associates, San Diego - Advanced Facilitation Training, 2001

AWARDS/COMMUNITY INVOLVEMENT/AFFILIATIONS

- ◆ Public Relations Professional of the Year, 2000, Sacramento Public Relations Association
- ◆ Board of Directors President, California International Marathon
- ◆ WateReuse Association - member
- ◆ Association of California Water Agencies - member
- ◆ Sacramento Area Water Works Association - inember
- ◆ California Water Awareness Campaign - inember
- ◆ Water Education Foundation - inember

KIM FLOYD**Client Services Manager, Lucy & Company**

Kim has nearly 14 years of experience as a communications professional skilled in all aspects of public outreach, strategic communication planning and community relations. With background in both the public and private sectors, Kim understands issues from “both sides of the aisle,” bringing valuable insight to Lucy & Company and its clients.

Kim’s solid technical knowledge is invaluable in directing targeted outreach programs for multi-million dollar infrastructure projects. She leads the firm’s research and stakeholder outreach programs, and expertly guides clients through project development and implementation. As client services manager, Kim is responsible for managing diverse projects ranging from one-time deliverables to comprehensive, multi-year public outreach programs. She helps clients plan effective outreach strategies and choose appropriate tactics to deliver key messages. These tactics include community meetings, stakeholder outreach, newsletters, Web sites, media relations, advertising and special events.

Representative Clients

- ◆ City of Stockton Municipal Utility Department - Delta Water Supply Project
- ◆ City of Stockton Department of Community Development - Process Improvement Project (*completed September 2007*)
- ◆ City of Sacramento Department of Utilities - Customer Satisfaction Research (*completed January 2008*)
- ◆ Sacramento Area Sewer District (formerly CSD-1) - Fats, Oils and Grease
- ◆ West Sacramento Flood Control Agency
- ◆ Three Rivers Levee Improvement Authority
- 4 Department of Water Resources - Floodplain Mapping/Lower Sacramento Basin

Past Experience

Prior to joining Lucy & Company, Kim served as the manager of government and corporate communications for one of the nation’s largest electric utility cooperatives. In that role, she was responsible for developing and managing a public outreach strategy to gain community support for the siting and construction of new energy generation facilities, including a \$250 million clean coal plant and a \$100 million natural gas plant. She was also responsible for monitoring and negotiating planning and land use policies and regulations. In that capacity, she successfully represented the utility’s interests in dealings with local municipalities and government agencies, elected officials, key stakeholders and members of the public.

Kim also spent six years as a public information specialist in Alaska’s second-largest K-12 public school system, during which time she successfully led three major school bond campaigns and facilitated hundreds of public meetings on issues as diverse as budget cuts, boundary changes and privatization of district operations. In addition, she developed a

partnership program with the community's major residential developers, which resulted in the gifting of land to the district for future school sites. She also spearheaded communication efforts for six consecutive contract bargaining efforts. Kim began her career as an account executive at a large Sacramento-based public relations firm where she worked on water, transportation and special land use projects. Kim grew up in Stockton and is a graduate of Tokay High School and University of the Pacific.

Awards/Community Involvement/Affiliations

Kim is active in many business, community and civic organizations. She is certified in the Incident Command System (ICS) and has served as a PIO on a county emergency response team. Kim recently edited *WORDSMITHING: The Art & Craft of Writing for Public Relations*, a textbook published by Pearson and used in public relations programs in colleges and universities throughout the United States. Other activities include:

- ◆ Sacramento Metro Chamber Cap-to-Cap Flood Protection Committee - member
- ◆ Rotary International - member
- ◆ Public Relations Society of America - member

Education

- 4 University of the Pacific, Stockton - Bachelor of Arts, Cum Laude, Communications and Public Relations, 1994
 - ◆ *Outstanding Communications Senior*
 - ◆ *Outstanding Public Relations Senior*
 - 4 *Mortarboard Honor Society - Member*

RESOLUTION NO. 2008-160

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE CITY MANAGER TO EXECUTE MASTER AGREEMENT AND TASK ORDER NO. 1 OF WATER UTILITY FINANCIAL PLANNING, RATE SETTING, AND METER INSTALLATION PROGRAM AND FURTHER APPROPRIATING FUNDS

WHEREAS, Assembly Bill 2572 mandates that usage-based residential water billing begin by January 1, 2010, for customers with water meters; and

WHEREAS, assistance is required in order to meet the usage-based billing deadline for the 2,472 customers that have purchased water meters since 1992; and

WHEREAS, staff recommends the services of The Reed Company be retained to facilitate introduction of a usage-based water rate.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the City Manager to execute a Master Agreement and Task Order No. 1 of the Water Utility Financial Planning, Rate Setting, and Meter Installation Program in the amount of approximately \$74,670 with The Reed Group, Inc., of Sacramento, California; and

BE IT FURTHER RESOLVED that funds in the amount of \$85,000 be appropriated from Water Capital funds for this project.

Dated: August 6, 2008

I hereby certify that Resolution No. 2008-160 was passed and adopted by the City Council of the City of Lodi in a regular meeting held August 6, 2008, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Katzakian, and Mayor Mounce

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk

Water Utility Financial Model

August 6, 2008

Assembly Bill 2572

- Billing for water based upon usage needs to begin January 1, 2010 (1 year of grace allowed to cities like Lodi – January 1, 2011)
- 2,866 new homes constructed since 1992 are affected by the law
- Installation of these meters complete in 2008
- Have begun installing meters on all new services

Financial Model Uses

- Develop usage-based water rates
- Analyze tiered water rate structure
- Balance expenditures for infrastructure replacement and groundwater cleanup
- Assess impacts of an Accelerated Meter Installation Program
- Capital Improvement/Replacement Program

Policy Direction

- How long a period is acceptable for dual rate schedules – flat rate and usage-base rate
- What should be the reimbursement for City-installed meter facilities
- What is the customer cost share for a new meter assembly and related plumbing
- How long a period should we provide comparative rate information to customers

Costs

1.	The Reed Group - Financials	\$75,000
2.	Lucy Company – Public Outreach	\$40,000
3.	Staff Costs	<u>\$10,000</u>
	Total	\$125,000

Schedule

Kick Off

August

Preliminary Model

September

Policy Direction by Council

September

Preliminary Results

November

Final Direction

December