

**NORTH BEACH WATER DISTRICT  
PACIFIC COUNTY, WASHINGTON**

**RESOLUTION NO. 07-2014**

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE  
NORTH BEACH WATER DISTRICT, PACIFIC COUNTY,  
WASHINGTON, APPROVING A CONTRACT FOR PROFESSIONAL  
SERVICES WITH FCS GROUP.**

**WHEREAS**, RCW 57.08.081(1) authorizes the Commissioners of North Beach Water District to *"provide for revenues by fixing rates and charges for providing water service so that uniform charges will be made for the same class of customer or service and facility"*, and

**WHEREAS**, the Commissioners of the North Beach Water District desire to establish fair and equitable water rates that will recover its full cost of operation and provide for its long term financial stability by contracting for a comprehensive cost of service and rate study with professional financial services provider with extensive experience in utility rate setting; and

**WHEREAS**, the District's general manager conducted interviews with professional financial services providers with utility rate setting experience; and

**WHEREAS**, FCS Group of Redmond Washington, an industry recognized leader in providing financial consulting services to cities, special districts, and municipalities in Washington State, was determined by the general manager to be the most suited to prepare a comprehensive cost of service and rate study for the District on time, on budget, and on scope; and

**WHEREAS**, FCS Group submitted, in writing, a proposal and scope of work; now, therefore,

**BE IT RESOLVED** by the Board of Commissioners of the North Beach Water District that the Contract for Professional Services with FCS Group attached hereto and incorporated herein as "Exhibit A"

is hereby adopted; and

**BE IT FURTHER RESOLVED** by the Board of Commissioners of the North Beach Water District that the general manager is hereby authorized to execute the contract without delay.

**ADOPTED** by the Board of Commissioners of the North Beach Water District's, Pacific County, Washington, at its regular meeting held on the 17th day of March, 2014.

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Brian Sheldon  
Position #1

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Gwen Brake  
Position #2

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Glenn Ripley  
Position #3

**EXHIBIT "A"**

**PROFESSIONAL SERVICES CONTRACT**

THIS CONTRACT for Consultant services is between North Beach Water District ("District") and FCS Group ("Consultant").

1. Scope of Consultant Services.

Consultant shall perform the services described in the proposal and scope of work attached as Attachment "A".

2. Compensation and Payment.

Contract amount is not to exceed without written approval: **Twenty Eight Thousand Seven Hundred and Two dollars (\$28,702.00) plus Washington State Sales Tax**, to be billed out at the rates as identified in the proposal and scope of work identified in section 1 above.

Consultant shall submit a detailed monthly billing for all services in a format reasonably satisfactory to District, which format shall include, at a minimum, total authorized contract amount, charges and costs to date and current billing amount. District shall pay the invoices within thirty (30) days of receipt, except as to any disputed amounts.

3. Schedule of Work.

Consultant shall commence services upon receipt of notice from District to do so, and shall perform the services in accordance with the schedule found in Attachment A.

4. Subcontractors.

Consultant shall not subcontract or assign any portion of the services covered by this contract without prior written approval of District.

5. Changes.

District may, from time to time, authorize in writing changes or modifications in the scope of services to be performed under this contract. The compensation for the changes or modifications, whether a decrease or increase, shall be on the same terms and conditions as stated previously in this contract, or pursuant to terms and conditions mutually agreed to by the parties. District shall compensate Consultant only for services performed or costs incurred that are within the scope of services authorized by this contract, or any modifications to the contract in accordance with this section.

6. Insurance.

Consultant shall maintain throughout the performance of this contract the following types and amounts of insurance:

- a. Comprehensive vehicle liability covering personal injury and property damage claims arising from the use of motor vehicles with combined single limits of One Million Dollars (\$1,000,000).
- b. Commercial General Liability Insurance written on an occurrence basis with limits no less than Two Million Dollars (\$2,000,000) combined single limit

per occurrence and Three Million Dollars (\$3,000,000) aggregate for personal injury, bodily injury and property damage.

Coverage shall include, but not be limited to: blanket contractual, products/completed operations; broad form property damage; explosion, collapse and underground (XCU) if applicable; and employer's liability; and

- c. Professional liability insurance (Errors and Omissions insurance) with limits no less than Two Million Dollars (\$2,000,000).

The insurance policies shall: (1) state that coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability; (2) be primary to any insurance maintained by District, except as respects losses attributable to the sole negligence of District; and (3) shall state that District will be given thirty (30) days prior written notice of any cancellation or suspension of or material change in coverage.

District shall be named as an additional insured on the Commercial General Liability Insurance policy with regard to work and services performed by or on behalf of Consultant, and a copy of the endorsement naming District as an additional insured shall be attached to the Certificate of Insurance.

Before commencing work and services, Consultant shall provide to District a Certificate of Insurance evidencing the insurance described above. District reserves the right to request and receive a certified copy of all required insurance policies.

The above insurance limits do not constitute a limit on Consultant's liability to District. Any payment of deductible or self-insured retention shall be the sole responsibility of Consultant.

#### 7. Indemnification.

Consultant shall protect, defend, indemnify and save harmless District, its officers, employees and agents from any and all costs, claims, injuries, damages, suits, losses or liabilities of any nature, including attorneys' fees, arising out of or resulting from the negligent acts, errors or omissions of Consultant, its officers, employees and agents in performing this Contract, except for injuries and damages caused by the sole negligence of District.

#### 8. Ownership and Use of Documents.

All records, files, drawings, specifications, data, information, materials, reports, memoranda and other documents produced or prepared by Consultant in connection with the services rendered under this contract ("Documents"), whether finished or not, shall be the property of District. Upon request, Consultant shall forward the Documents to District in hard copy and in digital format that is compatible with District's computer software programs. If District uses the Documents for purposes other than those intended in this contract, without written permission of Consultant, District shall do so at its sole risk.

9. Termination.

This contract may be terminated by either party upon fifteen (15) days written notice if the other party fails to substantially perform in accordance with the contract.

10. Dispute Resolution.

a. Mediation. If any dispute, controversy, or claim arises out of or relates to this contract, the parties agree first to try to settle the dispute by non-binding mediation with the assistance of a recognized professional mediation service. The parties shall bear equally all expenses, exclusive of attorneys' fees, associated with the mediation.

b. Litigation. Thereafter, any dispute, controversy, or claim not resolved by mediation shall be resolved by litigation with venue in Pacific County. The laws of the State of Washington shall govern this contract.

11. Effective Date.

The effective date of this contract shall be the date that the contract is signed by an authorized representative of District.

12. Independent Contractor.

Consultant is and shall be at all times during the term of this contract an independent contractor.

13. Compliance with Laws.

Consultant shall comply with all federal, state and local laws, ordinances, regulations, and rules applicable to the services to be performed under this contract.

**NORTH BEACH WATER DISTRICT**

**FCS GROUP**

By: \_\_\_\_\_

By: \_\_\_\_\_

Typed Name: William "Bill" Neal

Typed Name: \_\_\_\_\_

Its: General Manager

Its: \_\_\_\_\_

Address: 25902 Vernon Ave., Ste. C

Address: \_\_\_\_\_

PO Box 618

\_\_\_\_\_

Ocean Park, WA 98640

\_\_\_\_\_

Telephone: 360.665.4144

Telephone: \_\_\_\_\_

Fax: 360.665.4641

Fax: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## Attachment "A"



**Firm Headquarters**  
Redmond Town Center  
7525 166<sup>th</sup> Ave NE  
Suite D-215  
Redmond, Washington 98052

**Serving the Western U.S.  
and Canada since 1988**  
Washington | 425.867.1802  
Oregon | 503.841.6543  
California | 415.445.8947  
Alaska | 907.242.0659

February 3, 2014

William "Bill" Neal, General Manager  
North Beach Water District  
25902 Vernon Ave.  
PO Box 618  
Ocean Park, WA 98640

### **Subject: Comprehensive Rate Study**

Dear Mr. Neal:

Thank you for the opportunity to provide a proposal to complete a Comprehensive Rate Study for the District. Our proposal includes details concerning our project approach to meeting the District's rate study needs along with our company experience, key personnel and their qualifications.

We understand that a rate study is a costly undertaking for the District. The importance of rate revenue should not be understated - rate revenue makes up 94% of the total revenue for the District. Setting rates at the right level is critical to remaining financially sustainable and to continue to deliver safe, reliable service. In addition, a rate study is a tool by which the District can move its plans and policies into implementation and action. As the proposed managing principal for this engagement, I wanted to highlight some of the benefits and value the District will receive from this effort:

- ◆ A multi-year financial plan that provides the framework for a self-supporting and financially sustainable water system.
- ◆ A capital funding plan that addresses existing system needs and future capital requirements by optimizing internal and external funding sources - develop the District's capital funding philosophy.
- ◆ Improved understanding of fixed and variable costs and revenues of the system.
- ◆ Financial policies that address reserves, debt service coverage and system reinvestment.
- ◆ Clearly defined cost recovery methodology that follows industry standards and the actual demand patterns and "cost to serve" each customer class.
- ◆ Rate structures that meet the District's pricing objectives and recover the revenue identified in the financial plan.
- ◆ Improved understandability of the rate study process by staff, Board and the public through increased education and transparency.

February 5, 2014  
William "Bill" Neal, General Manager  
Comprehensive Rate Study  
page 2

We look forward to the opportunity to work with the District on this project. Please do not hesitate to contact me at (425) 867-1802 x 230 or [angies@fcsgroup.com](mailto:angies@fcsgroup.com).

Sincerely,  
FCS GROUP



Angie Sanchez Virnoche  
Managing Principal

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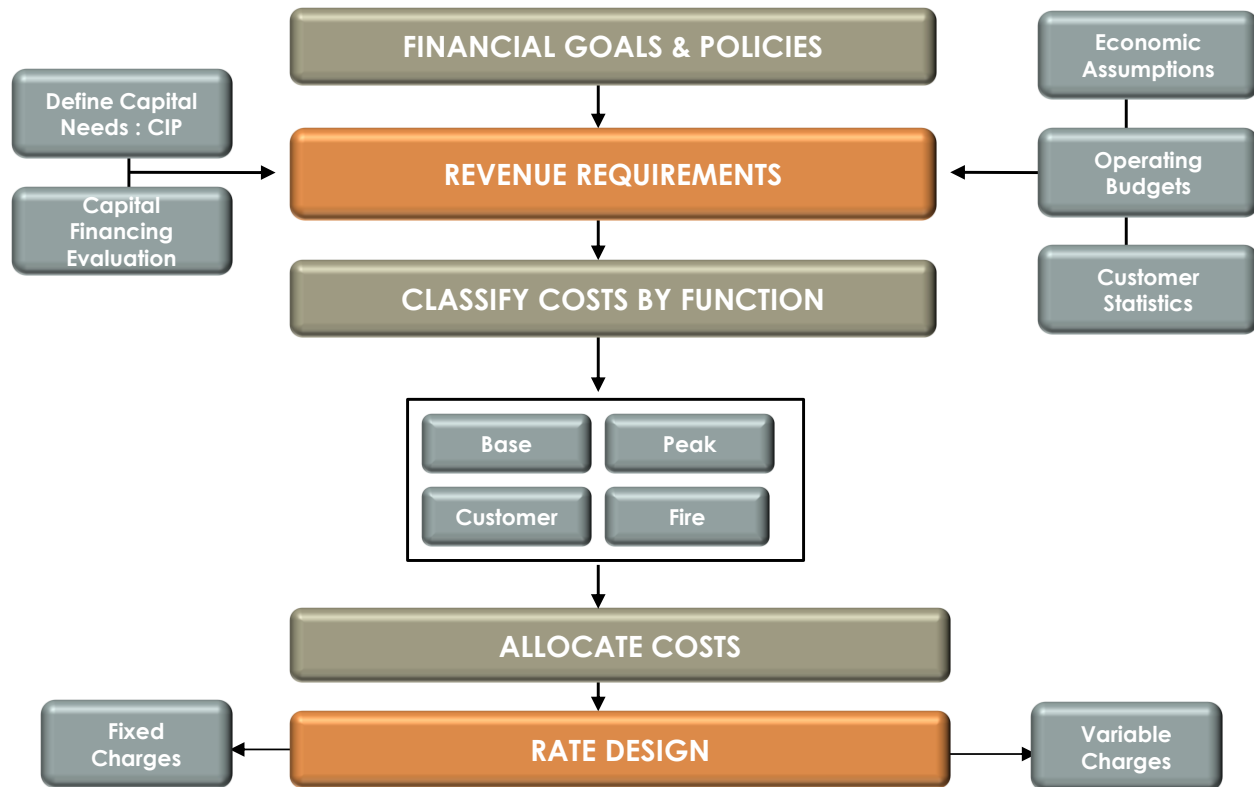
## PROJECT APPROACH

The following approach and scope of work have been developed to meet the needs expressed in the telephone conversation with Mr. Bill Neal. The result of a rate study process is to establish a blueprint for achieving strong financial performance into the future and delivering the highest level of water service to the community at fair and reasonable rates through the careful and effective management of resources.

At FCS GROUP, we view rate and fee setting as much more than just an analytical exercise or financial planning to support capital project funding requirements. It is about discovering what is important and unique to each and every client, and then working collaboratively with each client to provide the solution that is right for them. Our proposal has outlined an approach that will provide for a comprehensive rate study evaluation. The approach from this effort will result in management tools that will address the following topics:

- ◆ Fiscal/rate policies and practices;
- ◆ Capital funding strategies to address system infrastructure needs;
- ◆ Multi-year forecasted financial plan and revenue requirements to create a strong financial foundation from which to proactively address “total” system needs and obligations;
- ◆ Equity evaluation (cost of service) which fairly and equitably allocates costs from customers in accordance with the demands they place on the system and the benefit they uniquely receive;
- ◆ Rate structures that meet the District’s pricing objectives and recover the revenue identified in the long-term financial plan and the cost of service evaluation;
- ◆ Open and involved communication with District Staff, management, and the Board of Commissioners.

A rate study has far-reaching impacts on nearly every aspect of a District’s utility management and operations. Our open and involved approach to rate studies allows for constant input and review of findings to ensure the recommendations can be implemented and match the community values and priorities. An overview of the rate study process proposed to be conducted is provided in Exhibit 1.

**Exhibit 1: Rate Study Process Overview**

The following scope of work has been developed to complete a comprehensive rate study for the District. As illustrated in the Task Plan, we follow a structured method to arrive at rate conclusions, which will enable us to perform the work in an orderly, efficient, and results-oriented manner. Each aspect of this methodology will be tailored to match today's policies, practices, and unique attributes of the District, resulting in defensible and sustainable rates.

## TASK ONE: DATA COLLECTION/VALIDATION

FCS GROUP will establish a foundation for the rate study by conducting a structured data collection and analysis process. Tasks are as follows:

- 1a. Prepare a written request for data/information needed for the study;
- 1b. Review, analyze, and validate the data. Prepare any necessary written requests for follow-up information. Coordinate via telephone and email with District staff on data acquired in this initial process;
- 1c. Work with District staff to complete the initial data collection activity. We will strive to uncover any data limitations, issues or concerns that will need to be addressed early on in the process to ensure successful study completion.
- 1d. Complete a customer statistics compilation/validation to independently calculate and validate projected revenue with billed units. This task has proven beneficial in uncovering anomalies in

customer statistics and or incorrect billing units that can impact forecast revenue.

- Compile the total water consumption, by class, and by rate tier (if applicable);
- Identify customers meter counts by size;
- Develop key customer statistics by class, such as average annual water consumption, average winter water consumption, average peak consumption, and average off-peak consumption;
- Validate data set by reconciling customer statistics to recorded revenues; and
- Adjust reconciled historical data to reflect current conditions and serve as a basis for calculating projected revenue and updated rates.

The compilation of this data offers consistency throughout the rate study process by using the same units to calculate rate revenue in the revenue requirement, to allocate costs as part of the cost of service and to design rate structures that generate necessary revenue levels in rate design.

## TASK TWO: REVENUE REQUIREMENTS (REVENUE NEEDS)

We will establish overall rate-setting strategies that fully fund the comprehensive needs of the system by analyzing the following:

- ◆ Long-term capital investment funding (improvements, expansion, and replacement);
- ◆ Expenses incurred to operate, maintain, and manage the system;
- ◆ Debt repayment;
- ◆ Cash flow needs; and
- ◆ Fiscal policy achievement.

The revenue requirements will form a complete portrayal of the system's financial obligations and link directly with the operational/capital investment drivers of the system. The analysis will be designed to mirror the District's own funds and flows, and be flexible and stable enough to analyze multiple scenarios. Tasks are as follows:

- 2a. **Operating Forecast** to identify future annual non-capital costs associated with the operation, maintenance, and administration of the system on a stand-alone basis – to include an analysis of rate impacts of additional staffing needs and other operating costs associated with maintaining the system along with initiating new or enhanced program activities. A six-year time horizon is generally developed. We will review capital schedules to determine if a longer forecast may be necessary.
- 2b. **A Capital Funding Analysis** to define strategies for funding the Capital Improvement Program. Capital funding needs will include growth related expansion, existing system improvements/upgrades, and system replacement/reinvestment. This task will develop an order-of-magnitude surrogate for the District's replacement liability to be funded in the annual revenue requirement. This surrogate will be developed from documented financial information, including fixed asset inventories and/or depreciation schedules showing major classes of assets and dates-in-service.

After identifying total capital needs, FCS GROUP will develop a capital funding strategy based on an optimal mix of available funding resources including; alternative levels of annual cash contributions from rates, use of cash reserves, system development charges (if applicable), debt financing, developer contributions, etc. The funding plan is intended to ensure the on-going financial health of the systems and smooth future rate impacts driven by capital funding needs. The capital funding plan will use the capital identified in the 2014 Water System Plan Update.

- 2c. **Debt Service Requirements** will include an evaluation of cash flow needs to meet annual debt service requirements and debt coverage requirements.
- 2d. **An Operating Fund Analysis** to evaluate existing operating fund balances. The analysis will review existing targets and develop and explore alternatives, as necessary. The reserve analysis will cover the following: cash working capital, capital improvement and/or rate stabilization/contingency.
- 2e. **A Test of Sufficiency** to evaluate the adequacy of current revenues in meeting all system obligations. After identifying the full array of financial requirements, we will compare those needs against available rate and miscellaneous operating revenues, identifying any projected shortfalls over the forecast period. Rate revenue sufficiency will be tested from two perspectives: the ability to meet all cash obligations, and, if debt financing is forecasted, the attainment of any coverage requirements.
- 2f. **A Rate Transition Strategy** that meets financial obligations over a six year planning horizon and provides smooth, impacts to ratepayers.
- 2g. **Up to two (2) Sensitivity Analyses** to evaluate operating forecast impacts as a result of changes to funding sources, growth rates, project timing, etc.
- 2h. **Review and Recommendations** – We will prepare for and facilitate review meetings with the District study team to review findings, conclusions, and recommendations. Following this review, FCS GROUP will revise the analyses, as appropriate, and finalize recommendations.

## TASK THREE: COST OF SERVICE

The cost of service analysis (COSA) evaluation will provide the District with a defensible basis for assigning “cost shares” and establishing “equity” for customers of the systems with the development of a series of allocations based on customer data, engineering/planning criteria, and industry standards. The primary objective of the COSA is to assign utility cost recovery to customers in proportion to their actual demand history. Tasks are as follows:

- 3a. **Customer Class Analysis** to perfect the customer groupings to be evaluated. This effort could result in recommendations for expanding or combining customer classes/groups. (Residential, multi-family, commercial, etc.)
- 3b. **Revenue Requirement Allocation** for the selected test year to functional cost pools or major function of utility services.
  - Base capacity (average demand)
  - Peak Capacity (peak demand)
  - Customer (accounts and meter & services)
  - Fire (fire protection)

- 3c. **Allocate Costs to Customers** – Allocate functional cost pools to classes of customers based on their unique demands for each service, as defined by system planning documents and recorded user history. Customer allocation factors determine the amount of revenue to be recovered from each class of customer, linked to a proportionate share of costs required to serve their demand. This exercise will establish the projected amount of annual revenue to be recovered from the rates for each class. The results will identify any warranted shifts in cost burden that could improve equity between customers from the existing rate structure being evaluated.

## TASK FOUR: RATE DESIGN

This task generates alternative rate design structures and a comparison of sample “typical” bills showing potential customer impacts under each structure. The rate design options will be developed to be consistent with the District’s current and/or recommended fiscal policies, generate sufficient revenue to meet the revenue requirement forecast, and begin to address any inequities identified in the cost of service findings. Key task outcomes include the following:

- 4a. Identify pricing objectives through discussions with the District project team.
- 4b. Evaluate rate designs to determine the percent of overall revenue collected from fixed and variable charges.
- 4c. Develop alternative rate structures to achieve total system cost recovery. Specific consideration will be given to the following:
- Review base equivalency factors, by meter size;
  - Identify if conservation-based rate designs are needed that provide sufficient incentives to conserve water – yet maintain a stable revenue base. Conservation rate designs developed must address the concepts addressed in House Bill 1338 Water Use Efficiency Rule;
  - Need for or refinement/creation of irrigation rates; and
  - Others specified by the District.
- 4d. An option for the rate design analysis is to maintain existing rate structures and apply any needed rate increase equally across each rate component (fixed and variable). This is a least cost option for the District to consider.
- 4e. Bill Comparisons will be generated describing the number of and degree to which different customers are impacted by changes in the current rate structures. We will prepare a comparison of the impact of each rate structure (including the existing rate structure) on typical bills of representative customers from each customer class.

## TASK FIVE: WATER SYSTEM PLAN FINANCIAL VIABILITY TASKS

As part of the Water System Plan (WSP), a financial viability analysis and chapter is required. The rate study will meet the majority of tasks identified as part of the financial viability analysis. There are a few tasks that are unique to the WSP requirements and are included as part of this task.

- 5a. Historical review of the past financial status of the utility. The historical review must be completed for the past 6-years. Noteworthy financial trends will be summarized.
- 5b. Affordability analysis. Perform an affordability test as an indication of a residential customer’s

ability to pay the existing and forecasted rates. This includes a median household income index analysis and comparison of the water system's existing and forecasted average residential bills to 1.5% of the median household income. This test will be conducted for the six-year study period.

- 5c. Craft the draft Financial Chapter for Gray and Osborne and City staff review. An electronic copy of the draft Financial Chapter and Excel-based tables will be provided to Gray and Osborne to incorporate into the WSP document. Incorporate requested changes, as appropriate, and submit the final version of the Financial Chapter.

## TASK SIX: MEETINGS/WORK STUDY/PRESENTATIONS

Meet with project team, public, Board to discuss study results and findings.

- 6a. Meet with District staff in up to three (3) meetings to review study results at key milestones. To minimize costs, FCS GROUP has planned for one (1) on-site project review meeting. We anticipate 2 meetings via the interactive computer program "Go-To-Meeting" over a conference call. Go-To-Meeting allows all parties to view documents via an Internet connection and see edits and changes made to a shared document in real time. Go-To-Meeting has been used recently with our clients with very positive results.
- 6b. Meet with District Board, in one (1) workshop setting, to present findings and recommendations. We find that workshop settings offer the appropriate forum to maximize education and question/answer time.
  - Incorporate input, direction and feedback from workshop into a final analysis.
- 6c. Additional meetings requested beyond those included in the budget will be billed at time and materials.

## SCHEDULE AND BUDGET

The District has stated that the rate study completion date is October 2014. We believe this is sufficient time for project completion. Key to meeting any project schedule is for both parties to work together to ensure a timely response to data requests, data is of sufficient quality to use in the analysis, ability to schedule meetings in a timely manner, and the ability of the District to provide policy direction for the study to move forward at key study milestones. FCS GROUP is prepared to commence work on this project given approval from the District.

We have developed proposed budget to accommodate the comprehensive nature of the District's request. This includes all three analytical areas of a rate study (revenue requirement, cost of service, and rate design) and includes completion of tasks necessary to meet the financial viability requirement of the Water System Plan. We have also detailed each task to offer the District flexibility to meet any budget limitations. We would be more than happy to negotiate the appropriate level of effort for this project if we have scaled our approach out of line with the District's expectations.

Task	Project Principal	Project Manager	Project Analyst	Admin. Support	Total Estimated Hours	Labor Budget
<i>Hourly Billing Rates:</i>	\$220	\$165	\$125	\$75		
Task 1 - Data Collection/Validation of Customer Billing Statistics	-	-	32	2	34	\$4,150
Task 2 - Revenue Requirement (Revenue Needs)	4	8	20	-	32	4,700
Task 3 - Cost of Service	4	10	20	-	34	5,030
Task 4 - Rate Design	4	4	16	-	24	3,540
<b>TOTAL RATE STUDY</b>	12	22	88	2	124	\$17,420
Task 5 - Water System Plan Financial Viability Tasks						
- Historical Review (6-year review)	1	-	8	-	9	\$1,220
- Affordability Analysis	1	-	2	-	3	470
- Chapter documentation	2	-	8	2	12	1,590
<b>TOTAL WSP TASKS</b>	4	-	18	2	24	\$3,280
Task 6 - Meetings/Workshops/Presentations						
- 3 Internal Review Meetings (1 on-site, 2 goto meetings)	10	10	-	-	20	\$3,850
- 1 Council Presentation (material preparation included)	10	4	-	-	14	2,860
<b>TOTAL LABOR BUDGET</b>	<b>36</b>	<b>36</b>	<b>106</b>	<b>4</b>	<b>182</b>	<b>\$27,410</b>
<b>Technology Charge (\$5/labor Hour)</b>						<b>\$910</b>
<b>Mileage (2 on-site meetings)</b>						<b>\$382</b>
<b>TOTAL ALL LABOR AND EXPENSES</b>	<b>36</b>	<b>36</b>	<b>106</b>	<b>4</b>	<b>182</b>	<b>\$28,702</b>

## EXPERIENCE

FCS GROUP, established in 1988, provides utility rate, financial, economic, and management consulting services to public sector clients inclusive of city and county governments, municipal corporations and ports, special purpose districts, and state agencies. Since the firm's inception, FCS GROUP has delivered high-quality, cost-effective consulting services in over 2,300 engagements and served more than 525 clients. Our staff serves clients throughout the western United States and Canada from locations in Redmond, Washington, Portland, Oregon, and Anchorage, Alaska.

Our mission is to facilitate sound decision-making and management by public officials and stakeholders. We do this by providing a solutions-oriented, analytical approach to public sector financial and management issues and programs. At FCS GROUP, we understand that every municipal agency faces its own unique challenges. Our success and reputation comes from the ability to listen to clients and produce customized study results that can be easily implemented and understood by everyone.

Our **Utility Rates, Charges and Advisory** practice serves water, wastewater/sewer, storm and surface water, reclaimed/recycled water, solid waste, electric, and transportation clients. We have performed more than 1,700 utility finance and business advisory projects ranging from defining revenue requirements and developing full cost of service rates to forming utilities and negotiating complicated wholesale agreements.

Our **Economic Services** group provides a unique combination of skills and knowledge about public sector infrastructure in order to support municipal goals of attracting business, creating jobs, enhancing public space, and forming economically vital, sustainable communities.

Our **Management Consulting and Public Finance** practice specializes in helping local and state governments, regional agencies, and public safety entities address and solve issues involving policy objectives, public finance and cost recovery, and organizational performance.





## WATER DISTRICT EXPERIENCE

While we provide a wide variety of financial and management consulting, the historical core of our practice has been rate studies for water and sewer utilities, including work for over 50 water and sewer districts in Washington State alone. Exhibit 2 below features a variety of economic and financial services provided to district clients.

**Exhibit 2: District Experience Summary**

Select District Clients	Rate Analysis and Development	General Facility Charges	Policy Analysis	Capital Funding Planning	Stakeholder Involvement	Number of Projects
Alderwood Water & Sewer District	✓	✓	✓	✓		2
Birch Bay Water & Sewer District	✓	✓		✓	✓	13
Clark Regional Wastewater District	✓	✓	✓	✓	✓	14
Covington Water District	✓	✓	✓	✓		21
East Gig Harbor Water District		✓			✓	5
Evergreen Water & Sewer District #19	✓	✓		✓	✓	4
Highland Water District	✓		✓		✓	5
King County Water District #111	✓	✓	✓	✓	✓	21
Lake Whatcom Water & Sewer District	✓		✓	✓	✓	5
Lakehaven Utility District	✓		✓	✓	✓	9
Lakewood Water District	✓		✓	✓		20
Lewis County Sewer District	✓	✓			✓	4
Liberty Lake Sewer & Water District	✓	✓		✓	✓	12
Mukilteo Water & Wastewater District	✓	✓	✓	✓	✓	13
Northshore Utility District	✓	✓			✓	5
Sammamish Plateau Water & Sewer District	✓	✓	✓	✓		14
Olympic View Water & Sewer District	✓	✓	✓		✓	4
Shoreline Water District	✓	✓	✓	✓	✓	17
Silver Lake Water and Sewer District	✓	✓	✓	✓	✓	5
Woodinville Water District	✓	✓		✓		13

## KEY PERSONNEL

Ms. Angie Sanchez Virnoche, a seasoned industry expert with FCS GROUP, brings to the District the capability to address diverse water rate and financial challenges. She brings over 20 years of experience specializing in utility financial planning, cost of service, and rate setting. She is a recognized leader in the industry for utility rate-setting and financial planning and is often asked to speak at local, state, and regional conferences. Angie recently presented at the Evergreen Rural Water of Washington Annual Conference and the Annual Washington Operator Workshop on Comprehensive Financial Master Planning, System Development Charges, Setting Water Rates to Promote Conservation and Implementing the Supreme Court Ruling on Hydrants. Other recent speaking engagements include Utility Rate Setting, Fiscal Health During Hard Economic Times, and Strategic Infrastructure Planning and Financing.

FCS GROUP retains a diverse skills set and have available in-house the needed expertise to fulfill the District's entire scope of work. We take an attentive and creative approach to projects, emphasizing active roles for our principals and senior managers to ensure the value of their experience, expertise, and insight is delivered on every assignment.

### Angie Sanchez Virnoche– Principal/ Project Manager

B.S., Business Administration/Finance, Oregon State University

Angie Sanchez is a firm principal and shareholder with over 20 years of experience providing financial services in a variety of capacities for water, wastewater, stormwater, solid waste, and electric utilities. Her project work includes multi-year financial planning, cost of service studies, rate design restructuring, capital/infrastructure planning, funding alternatives, cost benefit analyses, reserve analysis, and community education and involvement.

Ms. Sanchez has provided financial services to clients throughout the United States, thereby giving her the ability to offer alternative methodologies to clients suited to their unique needs. Her utility rate expertise is focused on offering the following services: developing self-supporting financial forecasts that meet the long-term operating and capital needs of utility systems; working in collaboration with bond advisors to develop creative funding plans in response to the economic downturn; evaluating rate impact pros and cons of pursuing different types of bonds, terms of bonds, and payment structures; evaluating revenue volatility and the importance of establishing appropriate reserves for the utility to weather unanticipated events without a significant crisis, and equitable distributing utility costs among various customers based on their usage characteristics and facility requirements. With the requirements of HB 1338 Water Efficiency Rule, Ms. Sanchez Virnoche has helped many Washington utilities evaluate alternative conservation based rate structures suited to their communities. Rate structure options include elimination of the allowance included in the base charges to implementation of tiered rate structures based on unique customer usage characteristics. She is always sensitive to the affordability of rates and completes an affordability analysis as part of each rate study process. This analysis has been used successfully to communicate funding needs to the Department of Ecology.

In addition to her project management and technical skills, Ms. Sanchez is successful at speaking in many forums. Whether it is addressing a District Council or a Citizens Advisory Committee, she is effective in engaging and educating participants in the benefits, costs, and decision-making process that will bring consensus and move participants towards the fulfillment of objectives.

An active member of the American Water Works Association, Angie currently serves on the National Rates and Charges committees and is co-author of the M54 Manual Developing Rates for Small Businesses. She belongs to the Washington Finance Officers Association and the Partnership for Water Conservation. A sample of her related experience includes:

- ◆ Alderwood Water District – Water and Sewer Cost of Service Rate Study and General Facility Charge Study
- ◆ Highline Water District – Water Rate Study and General Facility Charge/Local Facility Charge Study
- ◆ Lakewood Water District – Wholesale Rate Review, Financial Planning and Rate Design
- ◆ Covington Water District – Water Cost of Service Study, Capital Facility Charge Update
- ◆ Public Utility District #1 of Skagit County – Financial Viability Chapter for WSP, Water Rate and Cost of Service Study
- ◆ City of Astoria, OR – Water and Wastewater Rate forecast (including CSO)
- ◆ City of Camas – Water, Sewer, Storm, and Solid Waste Utility Rate Study
- ◆ City of Lynnwood – Water, Sewer, and Storm Water Utility Rate Study, Conservation Based Rates
- ◆ City of Port Angeles, Water, Wastewater, Solid Waste and Electric Utility Rate Study, Conservation Rate Structures
- ◆ City of Port Townsend – Water and Sewer Rate and SDC Study
- ◆ City of Snohomish – Water, Sewer, and Stormwater Utility Rate Study
- ◆ City of Sultan – Water and Wastewater Rate Study, Conservation Rate Structures, General Facility Charge Study
- ◆ City of Yelm – Water Rate Study, SDC Study, Conservation Based Water Rates

## Sergey Tarasov – Project Consultant

B.S., Economics, University of Washington

Sergey Tarasov is a project consultant with FCS GROUP specializing in utility financial (rate) consulting for electric, water, wastewater, and stormwater utilities. Mr. Tarasov will be the lead technical analyst for the project. His areas of expertise are in customer statistics analysis creating customer specific profiles to aid in detailed demand forecasting, revenue requirement analysis, cost of service allocation, rate design analysis, and unit cost determination. He has extensive modeling experience which allows for tailoring each model to meet individual client needs and facilitates the generation of sensitivity analysis to make sure the optimum rate strategy is selected. The analysis he develops from customer statistics has allowed clients to develop customized conservation rate structures unique to their system characteristics. His experience includes developing presentation for Council/Board meetings, and presenting finding to staff internally and at public hearings. He is a

member of the Partnership for Water Conservation (PWC) and has presented at conferences on topics of conservation-based rates. A sample of his related experience includes:

- ◆ Highline Water District – Water Rate Study and General Facility Charge/Local Facility Charge Study
- ◆ Lakewood Water District –Financial Planning and Rate Design
- ◆ Covington Water District – Water Cost of Service Study, Capital Facility Charge Update
- ◆ Coal Creek Water District – Multi-year financial plan
- ◆ City of Astoria, OR – Water and Wastewater Rate forecast (including CSO)
- ◆ Town of Friday Harbor – Water, Sewer, and Stormwater Rates and Right to Connect Charges
- ◆ City of Lynnwood – Water, Sewer, and Stormwater Rate Study
- ◆ City of Mc Cleary – Water Utility Financial Plan and Connection Charge Study
- ◆ City of Port Angeles – Utility Rate Studies for Water, Wastewater and Solid Waste Utilities
- ◆ City of Snohomish – Water, Sewer, and Stormwater Utility Rate Study; Wastewater Rate Update
- ◆ City of Sultan – Water Utility Rate Study, Conservation Rate Design
- ◆ City of Yelm – Water Rate Study and Connection Charges

## REFERENCES

We are providing the District with three references that can speak to the quality and level of expertise that our project team brings to their projects. If additional references are needed, we can supply them upon request.

### Covington Water District

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### Lakewood Water District

David Logan

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### City of Yelm

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