

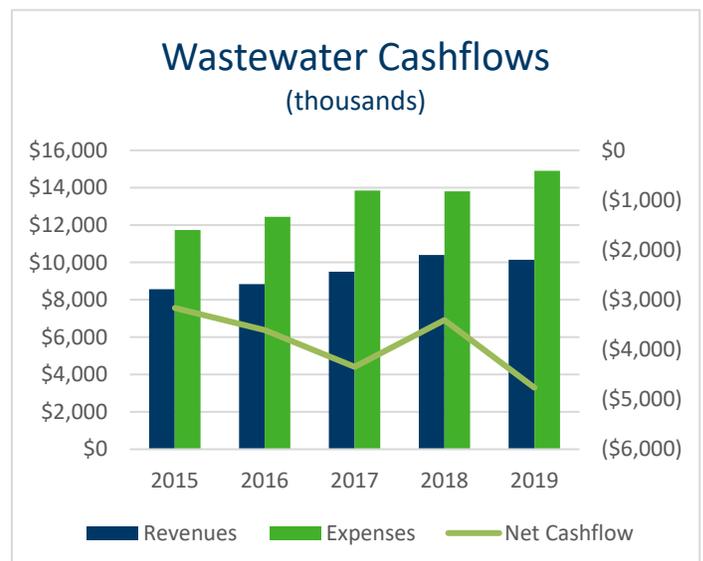
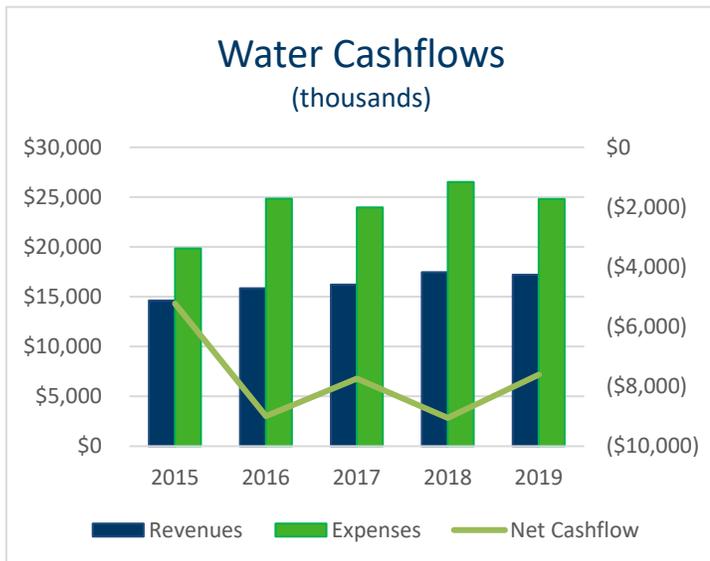
Scope of Work

Project Understanding

The City and County of Broomfield (“CCOB”) provides water and wastewater service to a population of approximately 70,400, which is projected to exceed 100,000 at buildout. The table below outlines the specifics of each utility system.

Utility System	# of Customers	Distribution / Collection Mainlines	Additional Information
Water	19,943 customers	Over 425 miles of water distribution and transmission mains	<ul style="list-style-type: none"> Water treatment plant operated by the City Treated water purchased from Denver Water Raw water purchased from the Colorado-Big Thompson & Windy Gap Projects Five-year CIP Includes \$125 million in water system capital projects 2020 annual operating costs totaled \$20.7 million
Wastewater	18,792 customers	Over 310 miles of sewer collection mainlines	<ul style="list-style-type: none"> Wastewater treatment plant (12 MGD capacity) and non-potable irrigation system, using treated reclaimed wastewater effluent, operated by the City Five-year CIP Includes \$74 million in sewer system capital projects 2020 annual operating costs totaled \$8.2 million

A review of the water and wastewater financials for 2015 through 2019 (the last year audited statements are available) show net operating losses for both utilities for each of the five years as summarized in the graphs that follow. We have noted that water customers are assessed a uniform volume rate structure, while wastewater customers are assessed under an average winter consumption methodology. In order to achieve the goal of water conservation a tiered rate structure could be explored for some customer classes.



Project Approach

As described herein, and detailed in our work plan, our approach to the following comprehensive rate and fee cost of services study and analysis is ***built around a primary objective; working collaboratively with the CCOB to develop a comprehensive financial plan and model for the water and wastewater utilities, using the model to develop and evaluate various rate, financial and capital funding scenarios, to arrive at final plans and sets of recommended rates and fees that have a clear rationale and basis.***

Our consultants understand the importance of an approach that integrates elements of utility planning, engineering, and finance.

Willdan’s interactive approach will result in a tailored analysis of the current utility rates, revenues, funds, capital and operational expenditures, debt commitments, miscellaneous charges, and other financial data. The baseline financial assessment is the first step in the development of a forward-looking plan geared toward the development of updated rates and fees that ensure stable, sufficient funding for

utility operations, and target CCOB policy and practical considerations.

The culmination of our analysis will be a comprehensive financial management plan that develops projected system operating results for the next ten years.

We will employ our proven interactive approach, supported with advanced financial modeling techniques and graphical interfaces, to develop a sophisticated and flexible financial model to guide the CCOB through operating and financial scenarios, while evaluating the impact of policy assumptions and reserve and capital financing alternatives, and performing sensitivity analysis on utility rate strategies.

As part of this analysis, Willdan will develop a comprehensive financial analysis — incorporating revenue requirements such as operating expenses, transfers, reserve requirements, minor capital expenses, cash-funded major capital expenditures and annual debt service expenses – and we will also provide a functional cost breakdown consistent with industry standards.

The culmination of the revenue requirements analysis, which will include capital project financing plans, and the cost of service allocations will be alternative rate plans. The alternatives will provide sufficient revenue to meet the ongoing funding needs of the system while recovering costs from customers in a manner that is fair, equitable and within reasonable customer impact parameters, given the magnitude of revenue required to fund system costs.

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

The model is used in meetings, in order to efficiently cycle through rate scenarios and establish the most viable rate plans for the CCOB. During these interactive meetings, ***we invite CCOB staff to participate in scenario planning / “what-if” sessions*** where we use the dashboard to demonstrate and evaluate the financial/rate impact of alternative data (CIP, operating costs, etc.) and assumptions (interest rates, customer growth, cost escalation, etc.) in real-time to focus on the most critical drivers of the analysis. This ensures the resulting rate plan alternatives are viable from a financial, operational, managerial, and political perspective, by demonstrating the future financial impacts of current management decisions to the rate study team, so that only viable rate plan alternatives are considered.

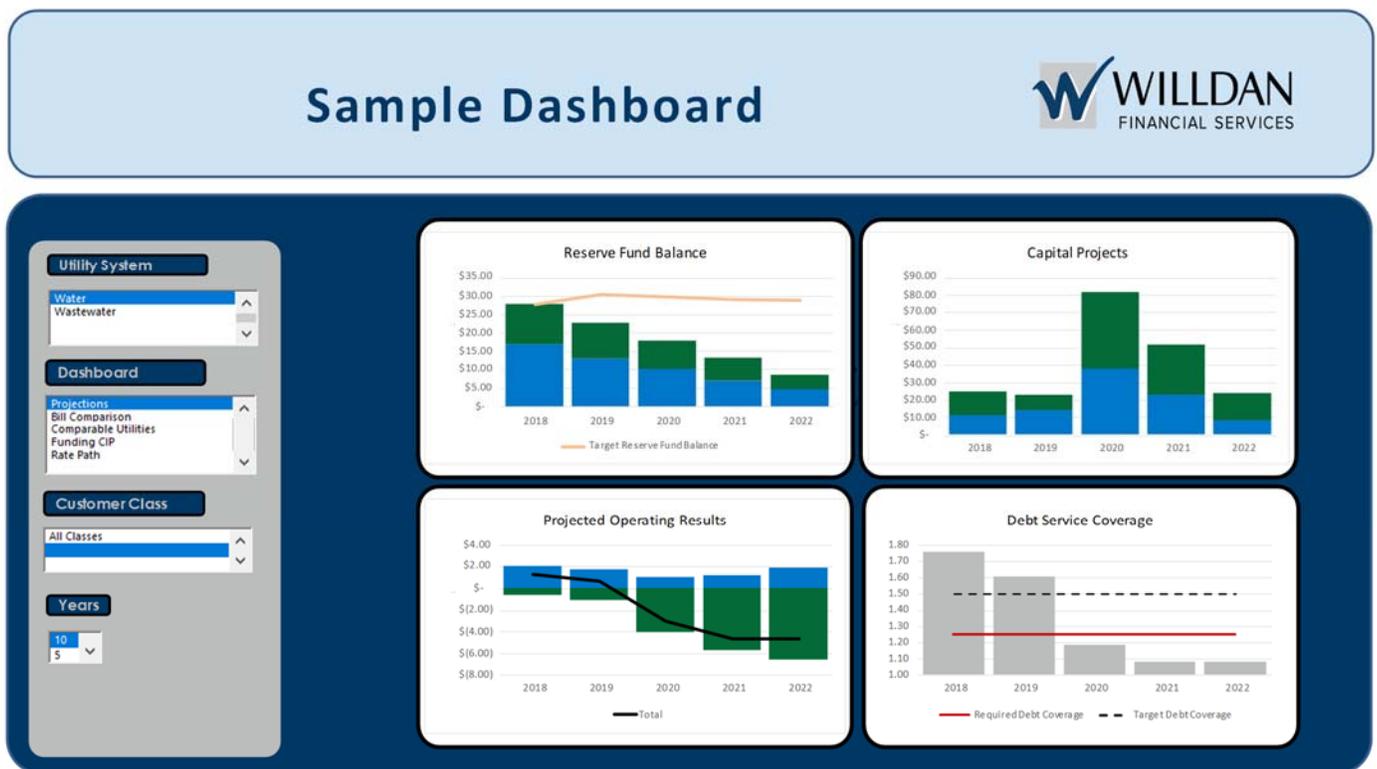
Interactive, “What-If” Model Capability

Our Excel-based rate model has the elements necessary to conduct a full financial planning analysis and rate study. The comprehensive analysis model allows us to develop various scenarios regarding such things as:

- Capital financing alternatives;
- Debt service coverage tests; and
- Liquidity tests (cash reserves) and modeling of rate structure alternatives to test “what-if” scenarios, to address such questions that may arise during project team meetings with staff or elected officials. This process helps gain consensus regarding the rate and financial plan which best addresses your needs.

Features of the analysis model include the ability to incorporate line-item data and assumptions that are then summarized in a graphic dashboard to show key financial indicators for the utility system. The sample dashboard, shown below, illustrates how we can summarize data, assumptions, and calculations into an easy-to-understand graphical interface that updates with each alternative scenario evaluated.

This project will use our Microsoft Excel-based model, populated with the CCOB’s data.



To summarize, rate model development is an integral part of the Willdan consulting process, and one in which staff and other stakeholders play a collaborative roll.

At the completion of the analysis, the models will be customized to generate the financial metrics and targets desired by the CCOB, and ***an Excel version of the models will be provided to the CCOB for use by staff.*** The ultimate goal is to develop an effective, efficient, and interactive working relationship that will carry forward into future rate-setting processes.

Work Plan

Within this subsection are the general tasks necessary to facilitate the CCOB's water and wastewater rate and fee study. The following activities are based on Willdan's current understanding of the services requested and are subject to revision based on further discussions with the CCOB. ***The CCOB's input on how we proceed through these tasks is paramount.***

Task 1 – Data Evaluation and Validation

Based on our experience, it is most effective to obtain and review documentary information prior to the first meeting. Willdan's consultants are experienced professionals who can quickly interpret and evaluate the utility documents, operating reports, financial reports, and statistics. Typically, questions can be resolved via telephone or e-mail. This approach respects your staff's time and ensures that Willdan is completely prepared for a productive first meeting.

Activities:

- Prepare and transmit data and information request;
- Follow-up via telephone and/or e-mail to resolve questions;
- Document the nature, form and quality of the data and information received; and
- Based on documentary information, initialize Willdan's financial planning model and prepare a baseline scenario.

Deliverables:

- Documenting of the data and information received, with comments regarding quality and a list of outstanding issues and questions; and
- Pro-forma results, with graphics, of the baseline financial planning scenario and a financial forecast model prepared for initial review with staff.

Task 2 – Initial Staff Planning Workshop

After Willdan has developed a sound understanding of the information provided, we will schedule an initial staff workshop, which will have three purposes:

1. Review and resolve (or develop a plan for resolving) remaining data issues and questions;
2. Conduct a financial policies and planning workshop to develop assumptions for refining the financial forecast and identifying rate and fee design options; and
3. Conduct a detailed review of the data used in the baseline financial forecast.

Activities:

- Prepare presentation and resource materials for the workshop;
- Conduct the workshop; and
- Deliver a master project schedule.

Deliverables:

- Presentation and resource materials; and
- Documentation of the results of the workshop:
 - Resolution of data issues;
 - Assumptions and policies, including a range of rate design options, which will serve as a basis for the study;
 - Results of the first interactive session with the financial forecast model and action items for further refinement and corrections; and
 - A refined master project plan for proceeding with the project, based on collaboration between staff and the Willdan Team.

Task 3 – Development of Optimized Financial Management Plans

Willdan will refine the customized financial planning models as tools for the CCOB to analyze each utility’s current and projected flow of funds and financial position under various scenarios. The models will include the following:

- Revenue analysis;
- Customer growth and demand projections;
- Operating expense projections;
- Other revenue requirements. Non-operating revenue requirements will be identified and projected over the forecast period. A major component of these non-operating revenue requirements is principal and interest payments associated with outstanding and anticipated debt. We will also incorporate pertinent CCOB fiscal policies, such as reserve requirements; and
- Bond compliance analysis.

It is important that a credible financial planning foundation be established.

One of the first things stakeholders want to know is “have we done everything we can to make all this work without a rate increase?”

It is essential to put a financial management plan on the table that assures top management, elected officials, and the public that the CCOB has prepared an optimal plan, balancing creativity, and responsibility.

Once the 10-year revenue sufficiency models have been developed and calibrated, we will facilitate a decision support workshop with CCOB representatives. During this meeting, we will review the baseline modeling results and interactively test various “what-if” scenarios to ensure that the models reflect the CCOB’s future financial positions under the most realistic assumptions.

At the workshop, we will review the underlying data and assumptions in the models and begin testing various alternative assumptions. This will be accomplished using a “dashboard” of the models projected on screen, with the entire group observing and participating. This real-time feedback, with the use of clear graphical displays, allows the entire team to quickly understand the implications of alternative assumptions and either pursue the idea further or discard it and move on to another idea.

The process allows full participation by stakeholders in simulation exercises that quickly and effectively demonstrate the effect of alternative financial plans on each utility’s financial condition. Changes in various parameters such as operating and capital expenditures, reserve requirements, or customer growth rates can be evaluated in terms of resulting rate increases. Alternatively, certain levels of rate increases can be evaluated in terms of the resulting effect on the CCOB to meet budgeted and projected costs, maintain reserves, comply with debt service coverage requirements, and maintain a generally sound financial condition.

In the context of a bond issue, if requested, we will work with bond counsel, disclosure counsel, underwriters, and the CCOB’s financial advisor to ensure that the financial feasibility of the issue is fully supported.

Activities:

- Develop a preliminary set of 10-year financial planning scenarios in the customized financial models;
- Prepare presentation and resource materials for the workshop; and
- Conduct the decision support workshop. The workshop meeting may require a full day, with morning and afternoon sessions.

Deliverables:

- Presentation and resource materials;
- Documentation of the results of the workshop:
 - Results and discussion of experimental scenarios;
 - Evaluation of scenarios; and
 - Identification of a relevant set of scenarios for presentation to top management, elected officials and other stakeholders.

- Calibrated customized financial models for use by staff to begin the process of developing and refining financial planning skills using the models as a tool.

Task 4 – Cost of Service Analysis

Willdan will perform a cost of service analysis for test year 2022 to ensure that the costs associated with utility operations are allocated equitably to each customer class, to support the development of cost-based rates, and to aid in the development of financial plans for the future. The cost of service activities will be coupled with the revenue sufficiency and rate modeling tasks, so that the impact of changes in capital expenditures, O&M expenditures, growth projections, and other parameters on the cost of service can be determined.

This analysis will include gathering cost information associated with water and wastewater rates and each existing customer class. We will also review the number and type of existing customer classes and make recommendations to add or consolidate customer classes, if necessary.

The allocation of water and wastewater rates to customer classes will be conducted to estimate the cost of serving each customer class and to enable rate restructuring, as necessary, based on the service requirements. Costs will be allocated in accordance with industry standards.

Activities:

- Enter cost data into Willdan’s cost of service worksheets;
- Adjust and calibrate allocation factors consistent with the City’s system characteristics;
- Prepare and review cost of service allocations; and
- Prepare technical memorandum.

Deliverables:

- Cost of service allocation tables and summaries; and
- Draft Report under development at this time, documenting the results of the cost of service study.

Task 5 – Rate Design Analysis

This task will involve modeling an update to the current rate structure to meet the cost of service analysis results and two alternative rate structures, including a conservation oriented water rate structure. The Willdan Team will utilize the City’s financial data and billing statistics to demonstrate the resulting customer impacts and to identify key issues associated with the new rates and charges.

Basic standards for rate design accepted by the industry are:

- **Revenue sufficiency** – rate revenue should provide sufficient income so that, when combined with other sources of funds, total system costs are covered.
- **Equity** – based on cost responsibility as reflected in cost of service allocations, in accordance with industry standards.
- **Administrative simplicity** – so that rates are understandable to customers and efficiently administered by staff.
- **Customer acceptance** – customers understand the rates, view them as fair, and consider them to be reasonable compared to other costs and other utilities.

Objectives such as equity and cost recovery are a given in this type of analyses, but additional items such as customer acceptance and simplicity are often key concerns for stakeholders. While there are many common objectives, some objectives vary by utility, due to different operating conditions, such as previous responses to rate increases, customer class demographics, resource availability, growth pressures and socioeconomic conditions. Our analyses will help the CCOB align rates in support of overall goals.

Activities:

- Obtain and test billing system data;
- Incorporate billing system data into rate design model;
- Calibrate and validate the model by replicating current revenue at current rates; and
- Develop initial set of rate design scenarios based on project initiation workshop with the CCOB.

Deliverables:

- Presentation and resource materials for the rate design workshop;
 - Results and discussion of experimental scenarios;
 - Evaluation of scenarios; and
 - Identification of a relevant set of scenarios for presentation to top management, elected officials and other stakeholders.

Task 6 – License (Connection) Fee Analysis

Once the data has been collected in Task 1, Willdan will evaluate industry accepted methodologies to determine the best and most defensible approach for the City’s license fees (on a meter size basis). The four steps followed in a license fee analysis include:

- **Estimate existing development and future growth:** Identify a base year for existing development and a growth forecast that reflects increased demand for water and wastewater facilities;
- **Identify facility standards:** Determine the facility standards used to plan for new and expanded facilities;
- **Determine facilities required to serve new development and their costs:** Estimate the total amount and cost of planned facilities, and identify the share required to accommodate new development; and
- **Calculate fee schedule:** Allocate facilities costs per unit of new development to calculate the license fee (per meter size basis) schedule.

Activities:

- Incorporate data into license fee model;
- Evaluate different methodologies to determine the best approach;
- Evaluate and recommend appropriate license fee adjustments for multi-family residences, age restricted senior resident projects, and hospitality and service oriented businesses, such as hotels and restaurants; and
- Develop an updated set of fees to review with the CCOB.

Deliverables:

- A summary of the recommended approach and license fee schedule to review with CCOB staff.

Task 7 – Reports, Presentations, and Public Information and Educational Assistance

Taking a proactive role in communicating with stakeholders increases trust in the utility provider, improves stakeholders’ understanding of the utility’s operations and services, and establishes a foundation for future positive relations within the community. Willdan envisions an outreach program that utilizes an effective combination of communication tools, reaching numerous people with a message that accurately reflects the CCOB’s goals.

The extent of our program will be determined by the CCOB’s decision about stakeholder involvement, but may include development of a bill calculator for the CCOB’s website, bill inserts, and public outreach/stakeholder meetings/open houses.

During this task, we will develop presentation formats specifically tailored to the needs of the audience.

We stress clear, concise presentation of findings, using easily understandable terminology and clear, colorful graphics. Assigned staff is trained, skilled and experienced in managing difficult presentation environments at all organizational levels in a manner that results in the satisfaction of the audience's need for information.

We recognize that the presentation of recommendations for rate and/or fee increases and significant changes in the structure can be difficult and must be managed with tact, confidence, and honesty.

Our scope includes meeting with the CCOB staff and Council on two separate occasions to present preliminary and final findings. Attendance at additional meetings will be billed at our hourly rates, with prior approval from CCOB.

Activities:

- Prepare reports, public information communications, and presentations that will be reviewed with staff and revised;
- Present comparisons of monthly bill impacts to five comparable communities;
- Make presentations to top management, elected officials, and other stakeholders; and
- Review and approve rate ordinances/resolutions for consistency with adopted rate recommendations.

Deliverables:

- PowerPoint presentation for public meetings, with summary information in pamphlet form;
- Executive summary report for top management, staff, City, and the public; and
- Complete technical report, including a description of the methodology utilized, justification for the underlying forecast assumptions, and documentation of the decision-making process, to act as documentation of the work performed.

CCOB Staff Responsibilities

Willdan recommends that the CCOB assign a key individual as project manager. As our analyses is developed, it is expected that the CCOB's appointed project manager will:

- 1) Coordinate responses to informational requests;
- 2) Coordinate review of work products; and
- 3) Identify appropriate staff members for participation in meetings and facilitate scheduling.

We will ask for responses to initial information, follow-up requests, and comments on reports within five business days or otherwise agreed upon timetable. If there are delays, the project manager will follow up with the parties involved to establish an estimated date for the delivery of information and/or feedback. To ensure continued progression, the project manager will reconvene with the rest of the Willdan Team to identify tasks that can be started while waiting for requested data.

Willdan will rely on the validity and accuracy of the CCOB's data and documentation to complete our analysis. Willdan will rely on the data as being accurate without performing an independent verification of accuracy, and that we will not be responsible for any errors that result from inaccurate data provided by the client or a third party.

Municipal Advisor Project Disclaimer

The City and County of Broomfield further represents, acknowledges, and agrees that:

- (i) The CCOB uses the services of one or more municipal advisors registered with the U.S. Securities and Exchange Commission ("SEC") to advise it in connection with municipal financial products and the issuance of municipal securities;

- (ii) The CCOB is not looking to Willdan to provide, and CCOB shall not otherwise request or require Willdan to provide, any advice or recommendations with respect to municipal financial products or the issuance of municipal securities (including any advice or recommendations with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues);
- (iii) The provisions of this proposal and the services to be provided hereunder as outlined in the scope of services are not intended (and shall not be construed) to constitute or include any municipal advisory services within the meaning of Section 15B of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations adopted thereunder;
- (iv) For the avoidance of doubt and without limiting the foregoing, in connection with any revenue projections, cash-flow analyses, feasibility studies and/or other analyses Willdan may provide the CCOB with respect to financial, economic or other matters relating to a prospective, new or existing issuance of municipal securities of the CCOB, (A) any such projections, studies and analyses shall be based upon assumptions, opinions or views (including, without limitation, any assumptions related to revenue growth) established by the CCOB, in conjunction with such of its municipal, financial, legal and other advisers as it deems appropriate; and (B) under no circumstances shall Willdan be asked to provide, nor shall it provide, any advice or recommendations or subjective assumptions, opinions or views with respect to the actual or proposed structure, terms, timing, pricing or other similar matters with respect to any municipal financial products or municipal securities issuances, including any revisions or amendments thereto; and
- (v) Notwithstanding all of the foregoing, the CCOB recognizes that interpretive guidance regarding municipal advisory activities is currently quite limited and is likely to evolve and develop during the term of the potential engagement and, to that end, the CCOB will work with Willdan throughout the term of the potential Agreement to ensure that the Agreement and the services to be provided by Willdan hereunder, is interpreted by the parties, and if necessary amended, in a manner intended to ensure that the CCOB is not asking Willdan to provide, and Willdan is not in fact providing or required to provide, any municipal advisory services.