

REQUEST FOR PROPOSALS

FOR

**THE PURCHASE OF THE CITY OF MONTEBELLO WATER SYSTEM AND RELATED
ASSETS**

REQUEST FOR PROPOSALS No. 17-4



PROPOSAL ISSUANCE DATE: OCTOBER 21, 2016

PROPOSAL SUBMITTAL DUE DATE: NOVEMBER 14, 2016

City of Montebello

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City of Montebello

1. INTRODUCTION: BACKGROUND

1.1 Introduction

The City of Montebello (“City”) is requesting proposals from municipal corporations, public agencies, and public utility water corporations for the purchase of its Municipal Water System (hereinafter simply the “Water System”). Interested entities (the “Proposer(s)”, and the selected Proposer, the “Purchaser”) are invited to submit a proposal to acquire all or any portion of the Water System, and take over full responsibility for its ownership, day-to-day management, operations and maintenance, repair and capital improvement projects, and implementation of related support functions (such as a computerized Maintenance and Management Water System (“MMS”) and a Supervisory Control and Data Acquisition (“SCADA”) Water System). Detailed breakdowns of the specific tenets of the proposed sale are set forth in Section 4 “Scope of Work,” below.

1.2 Background

The City currently owns the Water System, which is divided into a “Northern Service Area” and “Southern Service Area” and serves a total of 1,647 users. Since 2013, operation and maintenance of the Water System has been provided by San Gabriel Valley Water Company (“SGVWC”) under an Operations Contract, a copy of which is attached as **Exhibit J**. Other water providers serving the City include San Gabriel Valley Water Company (“SGWC”), California Water Service Company (“CWS”), South Montebello Irrigation District (“SMID”), and the Montebello Land and Water Company (“MLWC”).

The Water System is primarily located within the jurisdictional boundaries of the City, with a small portion of the Southern Service Area located in the City of Commerce.

1.3 Water System Overview

1.3.1 Water Supply

The City has Adjudicated Pumping Rights in the Central Basin of 386.50 Acre Feet/Year (“AFY”) of allowed pumping allocation (“APA”). Over the past few years the City has not utilized its full APA, and has transferred or sold the unused portion to third-parties.

The City purchases a portion of its water supply under a contract with the Central Basin Municipal Water District (“CBWD”). This agreement inures to the benefit of the City’s successors and assigns, and the Purchaser would assume the City’s obligations thereunder.

The City’s Water System has one (1) groundwater well located its Southern Service Area, with a pumping capacity of 1,000 gallons per minute (“GPM”). The well has a wellhead chlorination treatment system utilizing liquid sodium hypochlorite. The 2016 Sanitary Survey is attached as **Exhibit L**. The Southern Service Area has a Metropolitan Water District of Southern California (“MWD”) service connection (“CenB 22”) with a capacity of 7 cubic feet per second (“CFS”). The average annual water usage in the Southern Service Area is 345 AFY.

The Northern Service Area receives its water supply through the MWD imported water system at CenB 24 with a capacity of 3.5 CFS. This water supply is treated by MWD and is chloraminated. The average annual water usage in the Northern Service Area is 1,300 AFY.

As the result of the State of California's ("State") mandatory water conservation measures, the amount of water consumed by customers of the Water System has decreased in recent years. Three (3) years consumption records are provided in **Exhibit M**.

The largest customer of the Water System is the Montebello Municipal Golf Course; which is owned by the City. The City is currently in the process of converting to recycled water to irrigate the Golf Course fairways and roughs. The City will contract directly with CBWD for the purchase of recycled water. The Golf Course connection to the Water System will remain to irrigate greens and act as a backup supply in the event that delivery of recycled water is interrupted. The consumption records for the Golf Course for the past five (5) years are included as **Exhibit H**.

1.3.2 Water Storage and Booster Pump Stations

There are three (3) water storage reservoirs within the Water System: Gage in the Southern Service Area (2.0 Million Gallons ("MG")), and Hillside (2.0MG) and Town Center (4.5MG) in the Northern Service Area. The City has two (2) Booster Pump Stations: Gage in the Southern Service Area and Hillside in the northern Service Area. There are no backup power provisions available to serve the Water System. The land occupied by the water storage reservoirs may be subject to easements for wireless communication systems, and the City reserves the right to permit, sell and/or lease such areas for additional wireless communication systems.

1.3.3 Transmission and Distribution Main Water System

The Water System's transmission and distribution pipelines are primarily comprised of asbestos cement pipe ("ACP") and include ductile iron pipe ("DIP"), mortar lined and coated steel pipe ("MLCP"), and polyvinyl chloride ("PVC") pipe. The pipelines on average are in excess of 40 years in age. The total length of transmission and distribution pipelines is approximately 9.6 miles in the Southern Service Area and approximately 19.4 miles in the Northern Service Area. Well pump waste and tank overflow are distributed through the storm drain system.

Records of water main breaks for the last five (5) years and water loss percentage are attached as **Exhibit K**.

1.3.4 Meters and Services

The Water System's meters and services are in need of upgrading. Many are outdated and comprised of galvanized iron, and some are located in backyards of homes; including some pipelines in the Northern System located in backyards that may not be within easements. A meter and service replacement program is needed to provide essential upgrades, which may include implementation of remote automatic meter reading capability.

1.3.5 Miscellaneous Information

The Water System has emergency interties in place with Cal Water Company and San Gabriel Valley Water Company. A supervisory control and data acquisition (“SCADA”) system is operated by the current Operator (SGVWC) from their El Monte Offices.

1.4 Current and Future Challenges

The City has recently completed a Water Rate Study (“Rate Study”) analyzing the water rate structure necessary to provide adequate funding for administration, operation, maintenance, and Capital Improvement programs. Water rates have not been raised since 2013, and the City has deferred necessary maintenance and capital improvements as revenues have been insufficient to cover annual operating and capital improvement needs.

Recent in-house engineering analyses have indicated the need for \$49 million in capital improvements to the Water System over a multi-year period. A Capital Improvement Plan is attached as **Exhibit I**.

The Rate Study, which has been approved by the City Council and is attached as **Exhibit G** to this RFP, indicates that rate increases are necessary for revenues of the Water System to cover annual operating costs, and short and long-term capital improvement needs. Depending on the Purchaser’s scope of operations and number of end-users, the need to need to increase water rates to fund Water System operating and capital improvement costs may be reduced, as such costs could be spread across the Purchaser’s broad customer base.

The City anticipates the Purchaser will develop and implement a comprehensive Water System Capital Improvement Program.

The potential to acquire the Water System provides an opportunity for Proposers to implement innovative and cost-effective solutions to overcome these challenges.

1.5 State Law Provisions Governing Sale

The City’s prospective sale of the Water System is subject to certain requirements and procedures set forth in California’s Public Utilities Code. The City has elected to proceed in accordance with Section 10061 of California’s Public Utilities Code, and this RPF constitutes the City’s specification of the manner of soliciting, filing, and evaluating proposals for the acquisition of the Water System in accordance with subdivision (b) and (c) of Section 10061 of the Public Utilities Code. Prospective Purchasers are advised to familiarize themselves with the statutory process and requirements.

2. PROPOSAL REQUIREMENTS AND SUBMISSION INSTRUCTIONS TO PROPOSERS

2.1 Due Date

Sealed Proposals are due on or before **November 14, 2016, at 5:00 PM**. Proposals shall be submitted to the Office of the City Clerk, located at:

City of Montebello
1600 West Beverly Boulevard
Montebello, CA 90640
Attn: City Clerk

2.2 Cost Proposals

A Cost Proposal shall be provided for one (1) or all of the Purchase Options set forth below. Proposals shall clearly delineate which of the following Options the Cost Proposal pertains.

Option A – Purchase of all Water System facilities for both the Southern and Northern Service Areas, including lands and easements appurtenant thereto.

Under Option A, the Purchaser will have the right to lease the City's Water Rights initially for a term of ten (10) years with the option to renew and extend the lease for up to an additional ten (10) year period. The lease payments shall be determined as the average lease rate of those leases recorded, filed and executed with Central Basin Watermaster Administrative Body, during the prior period commencing July 1 and ending June 30, by the City of Lakewood, City of South Gate and City of Cerritos. The lease payment will be adjusted on December 1, 2016, and annually on December 1 each year thereafter. The City reserves the right to sell its Water Rights at any time **after the initial ten (10) year term**. The Purchaser will have the right of first refusal for any offer for the purchase of Water Rights that the City receives.

Option B – Purchase of all Water System facilities for both the Southern and Northern Service Areas, including lands and easements appurtenant thereto, as well as Water Rights in the Adjudicated Central Basin.

Option C – Purchase of either the Southern Service Area or Northern Service area, or any portion(s) thereof, including lands and easements appurtenant thereto.

Under Option C, the Purchaser will have the right to lease a portion of the City's Water Rights, corresponding to the portion of the Water System acquired, initially for a term of ten (10) years with the option to renew and extend the lease for up to an additional ten (10) year period. The lease payments shall be determined as the average lease rate of those leases recorded, filed and executed with Central Basin Watermaster Administrative Body, during the prior period commencing July 1 and ending June 30, by the City of Lakewood, City of South Gate and City of Cerritos. The lease payment will be adjusted on December 1, 2016, and annually on December 1 each year thereafter. The City reserves the right to sell its Water Rights at any time **after the initial ten (10) year term**. The Purchaser will have the right of first refusal for any offer for the purchase of Water Rights that the City receives.

The City expressly reserves the right to award a single Purchase Contract for **Option A, Option B, or Option C**, or various Purchase Contracts under **Option A or Option C**, at its sole discretion.

Proposers are invited to propose purchase/lease options in addition to those expressly set forth in this RFP. Any such alternative proposal(s) shall be expressly delineated as such, and the City reserves the right to consider, accept or reject any such alternative proposal, in whole or in part. Any such alternative proposal(s) will, if considered by the City, be evaluated based upon the criteria set forth in this RFP.

At the end of this process, the City intends to enter into an agreement for the purchase and sale of the Water System (the "Purchase Agreement") with the selected Proposer. To the extent that the City decides to proceed with a sale, the City and Purchaser shall comply with applicable provisions of State and local law with respect to the transaction.

The bidding process, Purchaser selection, contract negotiations and execution, and subsequent sale will be conducted by the City in accordance with the provisions of this RFP and applicable law. Proposers should carefully review this document and familiarize themselves with applicable law(s) to ensure a clear understanding of the City's objectives in issuing this RFP, and the evaluation and selection process.

2.3 Purchase Agreement

Following the selection of the Purchaser by the City, the parties will negotiate and enter into a Purchase Agreement outlining the terms and conditions relating to the purchase and sale of the Water System.

A copy of a draft Purchase Agreement is attached hereto as **Exhibit A**. Proposers are expected to review the draft Purchase Agreement and indicate any exceptions taken to the terms and conditions therein as part of their Proposal to the City. The draft Purchase Agreement shall in no way be construed as a "final" offer or acceptance of specific terms and/or conditions by the City, and is subject to further amendment by the City prior to selection of a Purchaser, and to negotiations between the City and Proposers prior to and following the City's selection of a Purchaser. Additional information is provided below in Section 5, below.

The City expects that any such Purchase Agreement will include the following material terms and conditions:

A. Scope of Contract: The Purchaser shall acquire from the City, all rights, title and interest in and to the Water System and related "Acquired Assets," as defined below, except as otherwise detailed in this RFP or subsequently agreed by the parties.

B. Risk Allocation: The Purchaser shall assume all risks associated with the Water System, including the integrity of accounts receivable, accounts payable, and cash flows, and Purchaser shall be solely and exclusively responsible for the financing of the Water System, including the payment of all debt service obligations, equity returns, and franchise fees and taxes. In addition, the Purchaser will be responsible for delivering and managing the Water Systems' operational services, any profit or loss from operations, any required maintenance or capital expenses associated with the operation, improvement or maintenance of the Water System in a manner consistent with Federal, State and local laws, rules and regulations governing the ownership, operation and maintenance of a Water System in the State of California.

C. Acquisition Price: The consideration to be paid by the Purchaser to the City for the Water System ("Acquisition Price") shall be the amount agreed to by the parties following the selection process outlined in this RFP and any subsequent negotiations by the parties. The Acquisition Price shall be comprised of a Fixed Fee, upfront cash payment to the City for all of the Water System assets to be paid in a "lump sum" at the Final Closing of the transaction.

D. Acquired Assets:

Under **Option A**, the Purchaser will acquire an option to lease the City's Water Rights, and all of the assets of the City's Water System, other than the Excluded Assets as defined below, including without limitation the following (collectively, the "Acquired Assets"):

- (i) all real and personal property owned or licensed by the City's Water System, the City, its Public Works Department, or any of its other departments or affiliates, that is used, necessary, or important in the operation of the Water System, except as otherwise excluded by mutual agreement of the City and the Purchaser;
- (ii) all contracts and licenses related to the Water System to which the City or any of its departments, affiliates or managers is a party, with the exception of those contracts and that are excluded by mutual agreement of the City and the Purchaser; and
- (iii) any license of intellectual property owned or licensed by the City or any of its departments, affiliates or managers, pertaining to the Water System or any portion thereof, or which is otherwise used in or necessary to the operation of the Water System in at least the same manner as they are currently operated, with the exception of the Excluded Assets, those excluded by mutual agreement of the City and the Purchaser, or assets that by their terms are not assignable.

Under **Option B**, the Purchaser would acquire all of the Acquired Assets described in connection with Option A, plus the acquisition of the City's Water Rights in the Central Basin amounting to 386.5 AF of APA. To the extent any portion of the City Water System is within a right-of-way, the right-of-way will remain the property of the City, and the City will enter into a Franchise Agreement and issue an easement in the City's standard form to the Purchaser for access to such right-of-way.

Under **Option C**, the Purchaser would acquire all of the Acquired Assets described in connection with Option A, but only with respect to the portion of the Water System acquired by the Purchaser.

E. Excluded Assets

The Acquired Assets shall not include the following "Excluded Assets":

- (i) Certain equipment and vehicles as summarized in **Exhibit C**, or as otherwise mutually agreed to by the City and the Purchaser in writing, or the City's right, title and interest in and to intangible property and rights, including goodwill, associated with the Water System and including the names "Montebello" and "the City of Montebello" and in each case, all variations thereof, and all trademarks, trade names and logos incorporating any such names or any variation thereof, and all rights and interests of the City in and to all other trademarks, intellectual property, trade names, service marks and logos used or owned by the City;
- (ii) The City's right to install, and/or sell or lease the rights to install, wireless communication systems on the land occupied by the water storage reservoirs, and the right to collect rents or other payments from leases or easements existing as of the date of the Purchase Agreement pertaining to wireless communication systems on such land; and

- (iii) If, in the course of due diligence, the Purchaser determines that the Water System is carrying on its books real estate or other property that would not likely be used, necessary, or important to the operations of the Water Systems or to achieve the synergies sought by the transaction, the Purchaser and City shall discuss in good faith mutually agreeable arrangements for the use of such real estate or personal property, ownership of the brand name, etc., for the City's economic development purposes.

F. Assumed Liabilities: The Purchaser will assume the liabilities of the City related to the Acquired Assets, including (collectively, the "Assumed Liabilities"):

- (i) Performance obligations under all assumed contracts, except as otherwise agreed to between the City and the Purchaser and included in the Purchase Agreement; and
- (ii) All legal rights, authority, obligations, and responsibilities associated with ownership of the Water System, including but not limited to the responsibilities for all maintenance, repairs, operation, and capital improvement upgrade necessary to the Water System, as required and in order to comply with all health, safety, and other local, state and federal laws and regulations applicable to ownership and operation of a public water system in the State of California.

The Assumed Liabilities will not include any liabilities or obligations with respect to any Excluded Assets (collectively, the "Excluded Liabilities").

G. Rates and Charges: Proposers shall include in their proposal a statement of the rates and charges that are anticipated to be applicable to customers of the Water System following the sale.

H. Guaranteed Performance: The Purchaser will include in its proposal performance guarantees and performance standards, including but not limited to a statement that customers of the Water System will be provided service on equal and non-discriminate terms and conditions as Purchaser's existing customers. Final performance guarantees and performance standards will be mutually established by the City and the Purchaser during the negotiation of the Purchase Agreement, and will be memorialized in the Purchase Agreement.

I. Right of First Refusal: If, at any time, the Purchaser desires to accept an offer from any bona fide third-party to purchase the Water System ("Offer"), the Purchaser shall notify the City of such Offer, in writing, which notification ("Notice") shall set forth the material terms and conditions of the Offer. The Notice will include detailed information regarding the identity of the prospective purchaser and its affiliates, prospective purchaser's and its affiliates' financial condition, and prospective purchaser's and its affiliates' experience operating water systems comparable to the City Water System. The City shall have sixty (60) days from the receipt of the Notice in which to elect to purchase the Water System, on the same terms and conditions as those contained in the Offer. Such election shall be made by written notice to the Purchaser ("Election Notice"), and within sixty (60) days thereafter the parties shall enter into a formal contract for the purchase and sale of the Water System containing all terms and conditions of the Offer made to the Purchaser, except as the parties may otherwise mutually agree in writing. In the event that the City fails to give the Election Notice to the Purchaser within sixty (60) days from the receipt of Notice, or if the City fails to enter into a contract for sale as provided herein, then the Purchaser shall have the right to accept the Offer, but shall not accept any Offer at a price that is less than ninety five percent (95%) of the Price contained in the Offer or on terms materially more favorable to the third-party purchaser than that contained in the Offer, without again granting the City the right to

purchase the Water System as described herein. This right of first refusal will not apply to the transfer of the Water System to any Affiliate of the Purchaser, or the sale by the Purchaser or all or substantially all of its assets, or any merger, consolidation or reorganization of the Purchaser into or with another entity.

J. Shadow Current Operators: Within thirty (30) calendar days prior to the closing of the sale (the "Commencement Date"), the Purchaser shall have personnel shadow the current Operations Contract staff (SGVWC) to become familiar with operations of the Water System facilities.

K. The Purchaser Agreement will also include such other provisions, terms and conditions as are typically included in an asset purchase agreement, and to those provisions, terms and conditions agreed to by the parties.

2.4 Number of Copies

Proposers shall provide one (1) original and five (5) hard copies of their proposal, and such proposal must be submitted in a sealed envelope or container. In addition, one (1) electronic PDF version of the proposal must be submitted on CD or flash/thumb drive.

2.5 Sealed Package

Proposals shall be submitted in a sealed package or envelope listing the following information on the outside:

Request for Proposals (RFP No. 17-4) - Purchase of the City of Montebello Water System and Related Assets

2.5 Background Information

The following background information shall be obtained and reviewed by all Proposers. This information is available as electronic PDF files from the City. Acknowledgement of receipt and review of this information is required as part of the Proposal.

1. Southern and Northern Service Area Maps
2. City Water Purveyors Map
3. State Division of Drinking Water System ("DDW") Permit
4. Water System Financial Data

2.6 Mandatory Pre-Proposal Conference and Non-Mandatory Field Review

A **Mandatory Pre-Proposal Conference** to discuss this RFP and its requirements, as well as a Field Review of the Water System Facilities, will be held on November 8, 2016, from 8:00 a.m. to 8:30 a.m. in the City Council Chambers – 1600 West Beverly Boulevard, Montebello, CA, 90640.

A **non-mandatory field review** of the Water System's Facilities will be held immediately following the Pre-Proposal Conference.

2.7 Point of Contact

This RFP is issued by the City, and the Assistant City Manager will be the sole point of contact (“Point of Contact”) during the RFP submission process. Communications initiated by Proposers to this RFP with members of the City Council, or other officers, personnel or employees of the City, other than as coordinated by the Point of Contact, may be grounds for disqualification. Any inquiries or requests during this submission process shall be submitted in writing to the following Point of Contact:

City of Montebello

Attention: Danilo Batson, Assistant City Manager
1600 West Beverly Boulevard
Montebello, CA 90640
(323) 887-1200 ext 462
Email: dbatson@cityofmontebello.com

If the Point of Contact determines a response to any such inquiry is warranted, said response will be issued to all prospective Purchasers.

2.8 Anticipated Schedule of Events

The City anticipates the selection of a Purchaser to be made in accordance with the following schedule. The schedule is provided as a guide, and is subject to change in the sole and absolute discretion of the City:

Date	Event
October 21, 2016	RFP Issuance Date
November 8, 2016 from 1:00 PM to 1:30 PM from 1:30 PM to 4:00 PM	Mandatory Pre-proposal Conference Facility Site Tour (non-mandatory)
November 14, 2016 at 5:00 PM	Submission Deadline
November 15 to 17, 2016	Evaluation / Scoring of Proposals
November 24 to 26, 2016	Negotiations with Highest Scoring Proposers
TBD	Public hearing to consider proposals and selection of Purchaser
TBD	Submit proposed sale to voters

4. WATER SYSTEM MANAGEMENT – POST PURCHASE

The Purchaser shall attest its intent to comply with all provisions of the California Public Utilities Code and the legal requirements of the State of California Department of Water Resource’s governing the Technical, Operational and Financial Management of the Water System.

5. TECHNICAL PROPOSAL

The City will evaluate all of the Proposals on the same basis. All proposals must conform in all respects to the specifications outlined in this RFP, and noncompliance may – in the discretion of the City – be grounds for disqualification. If the policy of the Purchaser prevents the submission of a proposal on the basis of any of the specifications or assumptions set forth in this RFP, the Purchaser may submit a proposal on a basis that is in accordance said policy; provided a statement of reasons for such deviation is included with a listing of all deviations. The City reserves the right to accept or reject any or all Proposals, and following the submission deadline to negotiate with any and all Proposers regarding the final price, terms, and conditions of sale.

The Proposal shall:

- 5.1 Be limited to a maximum length of thirty (30) pages, including any appendices.
- 5.2 Include a signed copy of the RFP Acknowledgement Form included herein
- 5.3 Include a cover letter summarizing why the Proposer is interested in acquiring the Water System. A party authorized to bind the entity submitting the Proposal, as well as the Proposer's Program Manager assigned to the transition of ownership process, must sign the over letter. The cover letter should include the following points:
 - (a) Identity of Proposer including business address, email address, telephone and fax number.
 - (b) A statement that the Proposal is effective for the proposed start date.
 - (c) Statement that the Proposer will comply with all terms and conditions as stated in this RFP, and identify any exceptions taken to any of the requirements, including the draft Purchase Agreement attached hereto as **Exhibit A**.
 - (d) A detailed description of corporate structure, including parent companies, subsidiaries, and partnerships. Identify both the program manager and the corporate contact.
 - (e) A statement of the number of years in the business of managing and operating water utilities.
 - (f) A summary list of any pending, settled, tried, or other litigation the Proposer has been involved in for the past five (5) years and the current status of such matter(s).
 - (g) Date of incorporation in California.
- 5.4 A statement describing the Proposer's organization and outlining its approach to accomplishing the Water System acquisition as described by this solicitation. This statement shall illustrate the Proposer's overall understanding of the intent of the RFP.
- 5.5 Provide the City with a detailed **Transition Work Plan** and methods to be used to maximize the knowledge and understanding of the current Operations Contractor's staff and their experience in operating the Water System's facilities. Explain how the Proposer plans to accomplish the transition process successfully prior to taking over the Water System.

- 5.6 Portions of the City's Water System are located in and serve customers in parts of established water service areas of other water providers in the City. As a result, each Proposal must provide a detailed explanation as to how the Proposer will address and resolve any such encroachment or claims to the satisfaction of the City and affected parties.
- 5.7 Describe Proposer's philosophy and practice in working within the community it services.
- 5.8 Describe Proposer's procedures for communicating with customers to inform them as to the status of an ongoing repair project that has disrupted traffic or service to their homes.
- 5.9 Include Proposer's recent experience accomplishing similar acquisitions to that anticipated herein. This description shall include the following:
 - a) Date of Acquisition;
 - b) Name and address of public or private water system entity acquired;
 - c) Name and telephone number of individual in the entity representative familiar with the project; and
 - d) Short description of the ownership transition process.
- 5.10 Provide a summary list of all incidents of regulatory violations and their resolution / disposition, occurring in the Proposer's operations within the last five (5) years in California. Identify the facility and the regulation violated and its disposition.
- 5.11 Include documentation of any potential conflicts of interest. A conflict of interest may be cause for disqualifying a Proposer from consideration.
- 5.12 Each Proposer must provide a Non-Collusion Affidavit stating that it has not participated in collusion or other anticompetitive practices in connection with this RFP process by executing and returning with its proposal the Non-Collusion Affidavit in **Exhibit F** attached hereto.
- 5.13 Contain a **Cost Proposal** in a separate, sealed envelope or container. The Cost Proposal should include a Fixed Price for Option A, B, and/or C, including all supporting detail on how the Purchaser arrived at such pricing.

6. EVALUATION OF PROPOSALS

Proposals will be evaluated based on the Proposer's ability to satisfy the requirements set forth in this RFP. The City expressly reserves the right to make any such investigations as it deems necessary to determine the ability / capacity of the Proposer to satisfy the requirements of this RFP and the City's goals and objectives. The Proposer shall furnish such information and data for this purpose as the City may request, at no cost to the City.

Interviews and presentations by one, several, or all of the Proposer submitting a proposal may be requested by evaluators if deemed necessary by the City to fully understand and evaluate the Proposer's capabilities and qualifications. The adequacy, depth, and clarity of the Proposal will influence, to a considerable degree, the City's evaluation.

The following is the Evaluation Criteria which the City will utilize in reviewing and ranking the Proposals:

EVALUATION CRITERIA	POINTS POSSIBLE
1. Proposed Approach for fulfillment of the Purchase Agreement and operation of the Water System	30
2. Quality and Innovation of the Proposers' response to specific requirements set forth in the RFP	20
3. Water System Operations Experience and Qualifications	20
4. Corporate experience and resources in ownership and management of Water Systems	20
5. Purchase Price	20
TOTAL	100

Following the submission deadline and initial evaluation / scoring of Proposals, the City reserves the right to enter into negotiations with the highest scoring Proposer(s) concerning their Proposal and Cost Proposal, as well as the final price, terms, and conditions of the proposed purchase and sale of the Water System.

7. PROPOSAL FORMAT

7.1 General Instructions

- 7.1.1 Proposals shall be prepared simply and economically, providing a straightforward, concise description of the Purchaser's ability to meet the requirements of this RFP. Emphasis shall be on the quality, completeness, clarity of content, responsiveness to the requirements, and an understanding of City's objectives.
- 7.1.2 Proposers shall carefully read the information contained in this RFP and submit a complete response to all requirements and questions as directed. Incomplete proposals may be considered non-responsive and may be rejected in the City's discretion.
- 7.1.3 Proposals and any other information submitted by Proposers in response to this RFP shall become the property of the City, and may be public records in accordance with California law.
- 7.1.4 Proposers shall prepare and develop proposals at the sole cost and expense of the Purchaser.
- 7.1.5 Proposals that are qualified with conditional clauses, alterations, items not called for in the RFP documents, or irregularities of any kind are subject to rejection by the City in its discretion.
- 7.1.6 The City makes no representations of any kind that an award of a Purchase Agreement will be made as a result of this RFP, or any subsequent RFP. The City reserves the right to accept or

reject any or all proposals, waive any formalities or minor technical inconsistencies, and/or delete any item/requirements from this RFP when deemed to be in City's best interest.

- 7.1.7 Proposals shall consist of answers to questions or requirements identified in this RFP. It is not necessary to repeat the question in the proposals; however, it is essential to reference the question number with the corresponding answer.
- 7.1.8 Failure to comply with all requirements contained in this RFP may result in the rejection of proposal.
- 7.1.9 Receipt of an addendum of the RFP by a Proposer must be acknowledged by submitting the signed addendum with the Proposal.
- 7.1.10 Proposers shall attend a Mandatory Pre-Proposal Conference and Field Review of City's Water System facilities in order to propose for this RFP.
- 7.1.11 A Proposal may be withdrawn by a Proposer in person at any time before the scheduled submission date, provided a receipt for the withdrawn proposal is signed by the Purchaser's authorized representative. The City reserves the right to request proof of authorization to withdraw a Proposal.

7.2 Page Size, Binding, Dividers and Tabs

- 7.2.1 Proposals shall be printed on letter-size (8-1/2" x 11") paper and assembled with spiral or comb-type bindings. Graphics incorporated into the proposal may exceed the paper-size requirement.
- 7.2.2 Proposals should not exceed the page limit described herein.

7.3 Table of Contents

Proposals shall include a "Table of Contents" and give page numbers for each section of the Proposal.

7.4 Submission of Proposals

- 7.4.1 Time: Proposals not received by the time and date indicated on this RFP **will not be accepted.**
- 7.4.2 Hand Carried: Proposals may be hand carried to the City Clerk's Office located at 1600 West Beverly Boulevard Montebello, CA 90640
- 7.4.3 Mail / FedEx / UPS / etc.: Proposals may be mailed or shipped to the attention of the City of Montebello, 1600 West Beverly Boulevard Montebello, CA 90640. The City shall not be responsible for proposals that are mailed or shipped and not received by the opening date and time specified in this RFP.
- 7.4.4 Receipts: Receipts for hand delivered proposals shall be issued by the City Clerk's Office (upon request) for Proposals that are hand carried.
- 7.4.5 No Other Methods of Proposal Delivery: Neither emailed nor faxed Proposals shall be accepted.

8. MISCELLANEOUS INFORMATION

- 8.1 Public information. All information, documentation, and other materials submitted in response to this solicitation are considered non-confidential and/or non-proprietary and are subject to public disclosure after the solicitation is completed.
- 8.2 City's Reservation of Rights. The City reserves the right to divide the project into multiple parts, to reject any and all proposals and re-solicit for new proposals, or to reject any and all proposals and temporarily or permanently abandon the proposed sale. The City makes no representations, written or oral, that it will enter into any form of agreement with any Proposer to this RFP, and no such representation is intended or should be construed by the issuance of this RFP.
- 8.3 Clarification. The City may, in the evaluation of Proposals, request clarification from Proposers regarding their proposals, obtain additional material or literature, and pursue other avenues of research or investigation as necessary in the discretion of the City to ensure that a thorough evaluation is conducted.
- 8.4 Acceptance of Evaluation Methodology. By submitting a Proposal in response to this RFP, the Proposer accepts the evaluation process and acknowledges and accepts that determination will require subjective judgments by the City.
- 8.5 No Reimbursement for Cost. Proposer acknowledges and accepts that any costs incurred in the participation in this RFP process shall be at the sole risk and responsibility of the Proposer. Proposers submit proposals at their own risk and expense.
- 8.6 Ethical Conduct. The City of Montebello expects the highest level of ethical conduct from Proposers, including adherence to all applicable laws and local ordinances regarding ethical behavior.
- 8.7 Right to Terminate Negotiations / Negotiate Price. If a Purchase Agreement cannot be reached with the highest scoring Purchaser, City reserves the right to terminate negotiations with that party and enter into negotiations with the next highest ranked Proposer. The City further reserves the right to negotiate final price and terms of sale with the highest scoring Proposers, including but not limited to providing the opportunity for high scoring Proposers to submit "last and final" offers to the City during the negotiations following the submission deadline.
- 8.8 Presentations. Finalists in the selection process may be asked to attend an interview once the RFP process is complete.
- 8.9 Modification. Offers may be modified by written notice provided such notice is received prior to the hour and the date specified for receipt of offers.
- 8.10 Acceptance of Proposals. Acceptance of Proposal is contingent upon the Proposer's certification and agreement by submittal of its offer, to comply and act in accordance with all provisions of the City's Municipal Code.
- 8.11 Requests for Explanations by Purchasers. Any explanation desired by the Purchaser regarding the meaning or interpretation any part of this RFP must be requested in writing and received in the City's Office at least seven (7) calendar days prior to due date of proposals. Oral

explanations or instructions given prior to the opening of the offer shall not be binding. The City's Office shall issue any official Addendums in writing or via e-mail to all listed proposers.

- 8.12 Voter Approval. Proposers are advised that the transaction contemplated in this RFP is subject to voter approval, and Proposer(s) expressly acknowledge and understand that selection by the City does not guarantee approval of the transaction by Montebello voters. The City makes no representation, written or oral, about whether such voter approval is likely or anticipated.

[END OF RFP]

RFP NO. 17-4
RFP ACKNOWLEDGMENT FORM

Please complete this form and return it to the City of Montebello. Failure to return this form will not exclude a firm from submitting a proposal; however, only those prospective respondents who elect to return this form will receive Addenda, if issued, and/or other information pertaining to this solicitation.

Name: _____

Representative: _____

Title: _____

Phone: _____ Fax: _____

E-Mail: _____

Address: _____

City: _____ State: _____ Zip: _____

When completed, please e-mail this form to the following contact:

City of Montebello
Danilo Batson, Assistant City Manager
1600 West Beverley Boulevard
Montebello, CA 90640

Phone: (323) 887-1200 ext. 462
Email: dbatson@cityofmontebello.com

APPENDICES

- Exhibit A – Sample Purchase Agreement
- Exhibit B – Water System Distribution Map Northern and Southern Service Areas
- Exhibit C – Water System Atlas
- Exhibit D – City Water Purveyors Map
- Exhibit E – Montebello Asset List & Schematic
- Exhibit F – Non-collusion Affidavit
- Exhibit G – Water Rate Study
- Exhibit H – Golf Course Consumption Records
- Exhibit I – Capital Improvement Plan
- Exhibit J – Operations Agreement with SGVWC
- Exhibit K – Records of Water Main Breaks
- Exhibit L – 2016 Sanitary Survey

Exhibit A – Sample Purchase Agreement

**AGREEMENT FOR PURCHASE AND SALE
OF
WATER SYSTEM ASSETS**

By and Between

CITY OF MONTEBELLO, CALIFORNIA,

Seller,

and

Purchaser

DATED: _____, 2016

**AGREEMENT FOR PURCHASE AND SALE OF
WATER ASSETS**

This Agreement for the Purchase and Sale of Water Assets ("**Agreement**") is dated for reference purposes as of the ___ day of ____, 2017, by and between the City of Montebello, a California municipal corporation (hereafter "**Seller**"), and _____, a California public utility water company ("**Purchaser**"). Seller and Purchaser are at times referred to herein individually as a "**Party**," and jointly as the "**Parties**."

WHEREAS, Seller currently owns a potable water supply, treatment, storage, transmission and distribution system ("**Water System**"), located in Los Angeles County, California, as further described in this Agreement and which is comprised of the "**Purchased Assets**" defined herein and provides water service to those service areas set forth in Exhibit "B-2" ("**Service Areas**");

WHEREAS, Purchaser desires to acquire the Water System from Seller, and Seller desires to sell the Water System to Purchaser, for the consideration and subject to the terms and conditions set forth in this Agreement;

WHEREAS, all preconditions to entering in this Agreement have been duly performed in accordance with applicable law, including but limited to Purchaser's solicitation of proposals and selection of the Purchaser to purchase the Water System, as such process is set forth in Public Resources Code Section 10061;

WHEREAS, completing the sale of the Water System contemplated herein is subject to certain preconditions set forth in this Agreement and applicable law; and

WHEREAS, Seller is the owner of adjudicated pumping rights in the Central Basin Municipal Water District, and Seller desires to lease such rights to Purchaser, and Purchaser desires to lease such rights from Seller, on the terms and conditions set forth in the lease agreement referenced herein and attached hereto.

NOW, THEREFORE, in consideration of the foregoing recitals and benefits to be derived from the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. RECITALS.

The foregoing recitals are true and correct and are incorporated herein.

2. COVENANT TO PURCHASE AND SELL; DESCRIPTION OF PURCHASED ASSETS.

A. Purchaser shall buy from Seller, and Seller shall sell to Purchaser, the Purchased Assets (as defined below) upon the terms and subject to the conditions precedent set forth in this Agreement.

B. "**Purchased Assets**" shall include all assets, properties, and rights, both tangible and intangible, that Seller owns regarding the ownership, construction, operation or maintenance of the Water System, as such assets, properties, and rights are described as follows (cumulatively the "**Purchased Assets**"): Exhibit "A" – Real Property; Exhibit "B-1" – Easements and Licenses; Exhibit "C" – System Maps; Exhibit "D" – Certificates and Permits;

Exhibit "E" – Contracts and Leases; Exhibit "F" – Asset Inventory; and Exhibit "G" – Equipment. The Purchased Assets shall not include the "**Water Rights**" (as defined below).

C. Purchaser is purchasing the Purchased Assets in an "As-Is" and/or "Where-Is" condition, and without any warranty(ies), with the exception of the express representations and warranties made by Seller herein this Agreement.

3. LIABILITIES.

A. Assumed Liabilities. On the Closing Date (as defined below), the Purchaser shall assume and agree to discharge the following liabilities (the "**Assumed Liabilities**"):

- 1) All liabilities to the customers of the Water System incurred after the Closing Date, where the operative act giving rise to the liability occurred after the Closing Date;
- 2) Any liability of Purchaser under this Agreement, or any other document executed in connection with this Agreement;
- 3) Any liability of Purchaser based upon Purchaser's acts or omissions occurring after the Closing Date; and
- 4) Any liability arising from or related to the ownership, construction, and maintenance of the Water System after the Closing Date.

B. Excluded Liabilities. Notwithstanding paragraph (b) of this Section, the following shall not constitute Assumed Liabilities, and shall be the sole and absolute obligation of Seller:

- 1) Any debts, liabilities, obligations, or other financial or service obligations of Seller with respect to the Water System incurred prior to the Closing Date, except as otherwise is expressly assumed by Purchaser in this Agreement;
- 2) Any expense, assessment, exposure, fine, penalty, liability, act or omission of any kind whatsoever, imposed on or required by any third-party of Seller, whether known or unknown, contingent, liquidated or not liquidated, arising or accruing under contract, law, tort, ordinance, regulation or otherwise, where the operative act or omission was that of or attributable to Seller for actions or omissions prior to the Closing Date; and
- 3) Seller shall remain liable for, and shall pay, perform or discharge, all such liabilities and obligations described in this paragraph (b); provided that nothing in this Agreement limits Seller's right to contest in good faith any such liabilities or obligations.

4. **PURCHASE PRICE.** The total consideration to be paid by Purchaser to Seller for the Purchased Assets shall be the Purchase Price, plus adjustments as set forth below in this Section.

A. Purchaser shall pay to Seller, subject to the additions and adjustments referenced in Paragraph (C) of this Section, a cash payment in the amount of _____ Dollars (\$_____) (the "**Purchase Price**"). Within fifteen (15) days after the Opening of Escrow, Purchaser shall deposit the sum of _____ Dollars (\$_____) into Escrow as a

good faith deposit ("**Purchaser Deposit**"). The remaining balance of the Purchase Price shall be paid to Escrow no later than two (2) days prior to the Close of Escrow.

B. In addition to the Purchase Price, Seller shall receive _____ prepaid single family water (and reclaimed water if applicable) connections ("**Prepaid Capital Charges**"). The Prepaid Capital Charges shall be available for a period of seven (7) years from Closing, after which any unused Prepaid Capital Charges shall expire. The Prepaid Capital Charges shall not be subject to the assessment of any additional capital or capacity charge(s), but will be subject, as applicable, to the payment of any meter charge(s), line tap charge(s), installation charge(s), and other physical connection costs prior to service, and base facility charges, guaranteed revenues, and other charges at such time as a meter is installed and service becomes available to the building or dwelling unit to which the connections are dedicated. The Prepaid Capital Charges may be assigned by Seller to a third-party without the consent of Purchaser, at which time the lot or property receiving the benefit of the Prepaid Connection must be identified.

C. The Purchase Price shall include the reimbursement to Seller for any and all costs incurred in the preparation of new surveys, tile insurance, Environmental Site Assessments, and Seller's appraisal for loan purposes, as such may be required in this Agreement and/or requested by Purchaser. Seller shall deposit invoices into Escrow memorializing such costs for reimbursement as described in this subsection.

D. As a material inducement to Seller to execute this Agreement and perform its obligations hereunder, Purchaser covenants to Seller, and its successors and assigns, as follows:

- 1) Purchaser shall provide water service to the Service Areas and the customers thereof in the ordinary course of business, and shall extend service in a manner consistent with any applicable Developer Agreements, licenses, contracts, and/or leases assigned to Purchaser in this Agreement, and on terms and conditions which are just and reasonable and which do not unreasonably discriminate against the customers of the Water System, as required by applicable law.
- 2) Purchaser shall provide future service of reclaimed water pursuant to any future Reclaimed Water Service Agreement(s) entered into by customers of the Water System.
- 3) That rates charged for water service within the Service Area shall be computed on a stand-alone basis in compliance with all California law requirements, and as may be overseen by the California Public Utilities Commission.

5. LEASE OF SELLER'S WATER RIGHTS.

A. **Water Rights.** Seller warrants and represents that it is the owner of adjudicated pumping rights in the Central Basin Municipal Water District, in the "Allowed Pumping Allocation" amount of Three Hundred Eighty Six point Five Zero (386.50) acre feet per year (the "**Water Rights**"), under and pursuant to that certain judgement dated October 11, 1965, entered in Los Angeles Superior Court Case No. 786,685 entitled *Central and West Basin Replenishment District v. Charles E. Adams, et al.*

B. **Lease of Water Rights.** As a material inducement to the Parties' approval of this Agreement, Seller desires to lease to Purchaser, and Purchaser desires to lease from Seller,

the Water Rights on the terms and conditions set forth in the Lease of Adjudicated Pumping Rights By and Between the City of Montebello and _____, dated even herewith, and as set forth in **Exhibit "K"** to this Agreement (the "**Water Lease**").

C. As set forth in Section 2(C)(4) of the Water Lease, Purchaser shall pay to Escrow the sum of _____ Dollars (\$_____) no later than two (2) days prior to the Close of Escrow in consideration for the first year of Lease Payments due Seller under the Water Lease. Such Lease Payment shall be remitted to Seller at the Close of Escrow, in addition to the balance of the Purchase Price as set forth in Section 4(A) of this Agreement.

6. REPRESENTATIONS AND WARRANTIES OF SELLER. As a material inducement to Purchaser to execute this Agreement and perform its obligations hereunder, Seller represents and warrants to Purchaser, to the best of Seller's knowledge, the following:

A. Seller is a California Municipal Corporation, and its status is active under the laws of the State of California. Seller has all requisite power and authority, and has taken all requisite action necessary, subject to the conditions set for below, to: (i) enter into this Agreement, and (ii) perform all of the terms and conditions of this Agreement.

B. The City Council of the City of Montebello has approved this Agreement in accordance with the laws of the State of California.

C. The Seller is the owner of the Water Rights described in Section 5(A) of this Agreement.

D. This Agreement constitutes, and all other agreements to be executed by Seller with respect to this Agreement will constitute, when executed and delivered, valid and binding obligations of Seller, enforceable in accordance with their terms.

E. The execution, delivery and performance of this Agreement will not violate any provision of law, order of any court or agency of government applicable to Seller, the Articles of Incorporation or Seller's Municipal Code, nor any Certificate, indenture, agreement, or other instrument to which Seller is a party, or by which it is bound.

F. Seller has good and marketable title to the Real Property described in Exhibit A hereto (the "**Real Property**"). The Real Property is subject to no mortgage, pledge, lien, charge, security interest, encumbrance, or restriction except Permitted Encumbrances, as defined this Agreement, other than those that will be satisfied or released at the Closing. At Closing, Seller shall deliver title to such Real Property free and clear of all debts, liens, pledges, charges or encumbrances whatsoever, other than Permitted Encumbrances. Other than as set forth in this Agreement, Seller makes no representation as to the condition of the Real Property.

G. Seller has exclusive possession, control and ownership to all Real Property and that all such real property has been identified in **Exhibit "A"** hereto. All parts of the Water System are located within the Real Property identified in **Exhibit "A"** and the property interests identified in **Exhibit "B"**.

H. Seller has good and marketable title to all Purchased Assets. At Closing the Purchased Assets shall be subject to no mortgage, pledge, lien, charge, security interest, encumbrance, or restriction, except Permitted Encumbrances related to Real Property only.

I. Environmental Law Compliance.

- 1) For purposes of this Agreement the following terms have the meanings indicated
- a) **“Environmental Law”** means all applicable present and future statutes regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all governmental agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, including, without limitation:
 - i. The California Water Code; the California Environmental Quality Act (CEQA); the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”)(42 U.S.C. § 9601 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean Water Act (33 U.S.C. §1251 et seq.); the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.); and the Safe Drinking Water Act (42 U.S.C. § 300f et seq.); as each of the foregoing have been amended or supplemented as of the Closing Date, the regulations promulgated pursuant thereto and in effect as of the Closing Date, and any conditions and requirements contained in any permits possessed by Seller from any federal, state or local agencies necessary to operate the Water System.
 - ii. All requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation, and remediation of emissions, discharges, releases, or threatened releases of Hazardous Materials, chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials or wastes whether solid, liquid, or gaseous in nature, into the air, surface water, groundwater, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials or wastes, whether solid, liquid, or gaseous in nature; and
 - iii. All requirements pertaining to the protection of the health and safety of employees or the public.
 - b) **“Hazardous Material”** means petroleum or any substance, material, or waste which is regulated under any Environmental Law in the jurisdictions in which Seller conducts its business including, without limitation, any material or substance that is defined as or considered to be a “hazardous waste,” “hazardous material,” “hazardous substance,” “extremely hazardous waste,” “restricted hazardous waste,” “pollutant,” “toxic waste,” or “toxic substance” under any provision of state and federal Environmental Law.
 - c) **“Release”** means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, or dispersal into the environment, at or from the Real Property or related to Hazardous Materials generated by the party owning the Real Property.
 - d) **“Remedial Action”** means all actions required to: (i) clean up, remove, or treat any Hazardous Material; (ii) prevent the Release or threat of

Release, or minimize the further Release of any Hazardous Material so it does not endanger or threaten to endanger public health or welfare or the environment; or (iii) perform pre-remedial studies and investigations or post-remedial monitoring and care directly related to or in connection with any such remedial action.

2) Representations. To Seller's knowledge:

- a) Seller is in material compliance with all applicable Environmental Laws and has no material liability thereunder, and there is no reasonable basis for Seller to believe that any such liability exists, except as disclosed in **Exhibit "I."**
- b) Seller has obtained all permits required, or has submitted application renewals for such permits in a timely manner, under applicable Environmental Laws, necessary for the operation of the Water System as conducted as of the date of this Agreement.
- c) Seller has received oral or written notice within the last three (3) years of the violations or alleged violations of applicable federal, state or local statutes, laws and regulations (including, without limitation, any applicable environmental, building, zoning, or other law, ordinance or regulation) relating to the Water System as identified in **Exhibit "I"** hereto, and no other.
- d) There is no Hazardous Material in violation of any Environmental Law located on the Real Property, no Real Property is listed or formally proposed for listing under CERCLA, the Comprehensive Environmental Response, Compensation Liability Information System ("CERCLIS"), or on any similar state list that is the subject of federal, state, or local enforcement actions or other investigations that may lead to claims against Seller for clean-up costs, remedial work, damages to natural resources, or for personal injury claims, including, but not limited to, claims under CERCLA; and there is no reasonable basis for Seller to be named in such claims or any similar action to be brought against Seller.
- e) No written or verbal notification of a Release of a Hazardous Material has been filed by or on behalf of Seller or any third party with respect to the Water System. No Water System property is listed or proposed for listing on the National Priority List promulgated pursuant to CERCLA, or CERCLIS, or any similar state list of sites requiring investigation or clean up.
- f) No Hazardous Material been released in violation of Environmental Law at, on, or under the Real Property.
- g) Except as provided in **Exhibit "J"** hereto, there are no current actions, suits or proceedings at law or in equity pending or, to Seller's knowledge, threatened against the Seller before any federal, state, municipal or other court, administrative or governmental agency or instrumentality, domestic or foreign, which affect the Water System or any of the Purchased Assets or the Seller's right and ability to make and perform this Agreement; nor is the Seller aware of any facts which to its knowledge are likely to

result in any such action, suit or proceeding. Seller is not in default with respect to any Certificate, permit, order or decree of any court or of any administrative or governmental agency or instrumentality affecting the Water System or any of the Purchased Assets. Seller agrees and warrants that it shall have a continuing duty to disclose up to and including the Closing Date the existence and nature of all pending judicial or administrative suits, actions, proceedings and orders which in any way relate to the Water System.

- h) No representation or warranty made by the Seller in this Agreement contains any untrue statement of material facts or omits to state any material fact required to make the statements herein contained not misleading.
- i) After due consultation with Seller's engineer, contract operator, and consultants working on the Purchased Assets, Seller has no actual knowledge that Seller's use of Real Property is in violation of any applicable state or local laws, rules or ordinances, including wellhead protection, zoning or other applicable requirements, nor are there any encroachments of any kind related to the Real Property, except as are identified in **Exhibit "H"** hereto. For the purposes of construing this section, "actual knowledge" facts directly and personally known to Seller, or facts which Seller is presumed to have received directly or personally because evidence within Seller's possession or knowledge is sufficient to engage in a reasonable inquiry into the existence of such facts.
- j) Following Closing, neither Seller nor any affiliate of Seller shall provide water within the Service Area or any property adjacent to the Service Area in competition with the Purchaser.
- k) All necessary public hearings and referenda required to authorize Purchaser's purchase of the Water System and Purchaser entering into this Agreement will have been held in a manner and at the times duly required by law.
- l) Each of the foregoing representations and warranties shall be deemed to be an on-going representation and warranty. Seller shall advise Purchaser in writing if there is any change pertaining to any matters set forth or referenced in this Section.

7. REPRESENTATIONS AND WARRANTIES OF PURCHASER. As a material inducement to Seller to execute this Agreement and to perform its obligations hereunder, Purchaser represents and warrants to Seller, to the best of Purchaser's knowledge, as follows:

A. Purchaser has been duly organized, and is a validly existing entity formed under the laws of the State of California. Purchaser has all requisite power and authority, subject to the conditions set for below, to (i) enter into this Agreement, and (ii) carry out and perform the terms and conditions of this Agreement.

B. This Agreement constitutes, and all other agreements to be executed by Purchaser with respect to this Agreement, will constitute, when executed and delivered, valid and binding obligations of Purchaser, enforceable in accordance with their terms.

C. The execution, delivery and performance of this Agreement will not violate any provision of law, order of any court or agency of government applicable to Purchaser, nor any indenture, agreement, or other instrument to which Purchaser is a party, or by which it is bound.

D. Purchaser is not relying upon any representations or warranties by Seller other than those expressly set forth in this Agreement.

E. Purchaser represents and warrants to Seller that there is not suit, legal action, administrative arbitration, or other proceeding or governmental investigation process which has been served upon Purchaser or, which to Purchaser's best knowledge, is otherwise pending or threatened against Purchaser which in any party is making a claim or defense that, if sustained, would materially and adversely affect the performance of Purchaser of this Agreement or materially and adversely interfere with the ability of Purchaser to consummate the transactions contemplated herein.

F. Purchaser possesses adequate financial resources, and has the skill and experience, to consummate the transaction contemplated herein and operate the Water System.

G. Purchaser recognizes the importance of operating the Water System to the general welfare of the residents of the City of Montebello and the customers of the Water System, and the fact that the qualifications and identity of Purchaser are of particular concern to Seller and that it is because of such qualifications and identity that Seller is entering into this Agreement with Purchaser.

H. Following the Closing of Escrow, Purchaser shall render water service to the customers of the Water System on terms and conditions which are just and reasonable and which do not discriminate against the customers of the Water System.

I. Each of the foregoing representations and warranties shall be deemed to be an on-going representation and warranty. Purchaser shall advise Seller in writing if there is any change pertaining to any matters set forth or referenced in this Section.

8. Environmental Indemnity

A. Environmental Release

- 1) Purchaser, for itself and its successors and assigns, unconditionally releases Seller from and against any and all liability to Purchaser, both known and unknown, present and future, for Environmental Damages to Purchaser arising out of any violation of Environmental Laws or the presence of Hazardous Material on, under or about the Real Property (the "Environmental Release"), except to the extent of a breach by Seller of its representations and warranties set forth in this Agreement.
- 2) With respect to the Environmental Release, Purchaser, after consultation with legal counsel and with full knowledge of the consequences of its actions, waives the provisions of California Civil Code Section 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT

THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT BY THE DEBTOR.

Purchaser's Initials_____

B. Environmental Indemnity

- 1) Except for a breach of Seller's representation or warranties in this Agreement, Purchaser shall indemnify, defend, and hold Seller harmless from and against all Environmental Damages arising from the presence of any Hazardous Material at, in, on, or under the Real Property, or migrating off the Real Property (including groundwater), if such Hazardous Material was first introduced to the Real Property at any time, including without limitation:
 - a) All claims, lawsuits, demands, obligations, investigations, damages, penalties, fines or actions by any federal, state, or local governmental agency (collectively, "**Government Claims**") based upon Purchaser's or Seller's failure to remediate the Real Property;
 - b) All claims, lawsuits, demands, obligations, investigations, damages (including but not limited to diminution in value of property and related stigma damages, lost profits and consequential damages), penalties, fines or actions by owners and operators of adjacent and nearby properties or any other persons (collectively, "**Third-Party Claims**");
 - c) All claims, lawsuits, demands, liabilities, damages, losses or judgments for personal injury or for injury to real or personal property; and
 - d) All claims, lawsuits, demands, obligations, investigations, damages, penalties, fines or actions by subsequent owners and operators of the Property or any lenders providing financing with respect to the Property arising from any underlying Government Claims, Third-Party Claims; and/or any other claims under this Section.
- 2) Purchaser's obligations under this Section are collectively referred to in this Agreement as "**Purchaser's Indemnity Obligations**".

C. Defense of Claims. Provided that Purchaser accepts any tender of any reasonable expense or reasonable claim by Seller without any reservation, Purchaser shall have the right, in consultation with Seller, to control on behalf of Seller any and all negotiations, settlement discussions, investigations, testing, defenses, trials, actions, proceedings, hearings, additional remediation obligations, and other resolutions with all Agencies and third parties arising out of, incidental to, or in connection with Purchaser's performance of Purchaser's Indemnity Obligations. If Purchaser does not accept a tender of any reasonable expense or reasonable claim by Seller without reservation, (except for a breach of Seller's representation or warranties under this Agreement), Seller shall be entitled to engage in all such matters described in the preceding sentence on its own account, and shall be entitled to recover from Purchaser the costs of engaging in such matters (including consultants' fees and reasonable attorneys' fees), provided Purchaser's denial of liability is adjudicated to be in violation of the terms hereof. Without limiting Purchaser's rights as described above, Purchaser shall undertake reasonable consultation with Seller with respect to matters materially involving the Real Property or Seller.

D. For purposes of this Section, "**Environmental Damages**" means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs, and expenses of investigation and defense of any claim, whether or not such claim is ultimately defeated, and of any good faith settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time as a result of the existence of Hazardous Material, prior to the Closing, upon, about, beneath the Property or migrating or threatening to migrate to or from the Real Property, or the existence of a violation of Environmental Laws pertaining to the Real Property, regardless of whether the existence of such Hazardous Material or the violation of Environmental Laws arose prior to the present ownership or operation of the Property, and including without limitation:

- 1) Damages for personal injury, or injury to property or natural resources occurring upon or off the Property, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties;
- 2) Fees incurred for the services of attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of such Hazardous Materials or violation of Environmental Laws including, but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remediation, removal, response, abatement, containment, closure, restoration or monitoring work required by any federal, state or local government agency or economic use of the Property or any other property in a manner consistent with its current use or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs and expenses incurred in enforcing this agreement or collecting any sums due hereunder;
- 3) Liability to any third person or governmental agency to indemnify such person or agency for costs expended in connection with the items referenced in subparagraph (ii) herein; and
- 4) Diminution in the value of the Property, and damages for the loss of business and restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Property.

9. TITLE INSURANCE AND PERMITTED ENCUMBRANCES.

A. At least sixty (60) days prior to the Closing, Seller shall obtain and provide to Escrow and Purchaser a current title insurance commitment in favor of Purchaser issued by a title company licensed to do business in the State of California, covering the Real Property, and all or a portion of the Exhibit B-1 easements as may be designated by the Purchaser, and encompassing legal and physical access from a dedicated public road, street, or highway, which access is insurable under the title policy, which shall be in an amount equal to _____ (\$_____). The cost of the title insurance commitment and title insurance policy shall be borne by Seller, but shall be reimbursed to Seller pursuant to Section 4(C). The title insurance commitment shall commit the insurer to issue loan policy and an owner's title insurance policy to Purchaser covering the Real Property (and all or a portion of the Exhibit B-1 easements as may be designated by the Purchaser), substantially in accordance with the ALTA Standard Owner's Form B, reflecting title to the Real Property to be marketable and insurable, except for the Permitted Encumbrances, the printed exceptions usually contained in

an owner's title insurance policy, and standard exclusions from coverage; provided, however, that the title company shall delete the standard exceptions customarily deleted for such items as the standard survey exception (based on a current survey for all or portions of the Real Property), and materialman's liens and mechanics liens, if there are no such liens at the time of Closing. Seller shall execute at, or prior to Closing, in favor of Purchaser and the title insurance company, all forms or affidavits required by the title insurance company including, but not limited to, the appropriate mechanic's lien affidavit and "Gap" affidavit, sufficient to allow the title insurance company to delete all standard exceptions addressed by such affidavits.

B. Purchaser shall notify Seller in writing no more than thirty (30) days after receipt of the title insurance commitment of any alleged defect in Seller's title to the Real Property, other than the Permitted Encumbrances (such written notice to include all exceptions, encumbrances, liens, easements, covenants, restrictions or other defects in Seller's title to the Real Property other than the Permitted Encumbrances), which render or may render Seller's title to the Real Property (i) unmarketable in accordance with standards adopted by the California Bar, or (ii) uninsurable. Any objections to title to the extent not shown on the notice furnished by Purchaser in accordance with the provisions of this paragraph shall be deemed to have been waived by Purchaser and Purchaser shall not be entitled to any damages or other remedies. Seller shall have thirty (30) days after receipt of Purchaser's notice to eliminate the objections to title set forth in Purchaser's notice. However, in no event shall Seller be required to bring suit or expend any sum in excess of \$50,000 in the aggregate to cure title defects (exclusive of mortgages against the Real Property, which are in a liquidated amount) that Seller has an obligation to discharge by the Closing pursuant to the terms of this Agreement. If Seller fails to deliver title as herein provided, then Purchaser may:

- 1) Accept whatever title Seller is able to convey with no abatement of the Purchase Price; or
- 2) Reject title and terminate this Agreement with no further liability of either party to the other.

C. Purchaser may not object to title by reason of the existence of any mortgage, lien, encumbrance, covenant, restriction or other matter that: (i) may be satisfied with a payment of money and Seller advises Purchaser that Seller elects to do so by paying same at or prior to the Closing Date; (ii) any mechanic's lien or other encumbrance that can be released of record, bonded or transferred of record to substitute security so as to relieve the Real Property from the burden thereof and Seller advises Purchaser that Seller elects to do so at or prior to Closing; or (iii) the title insurance company issuing the title insurance commitments affirmatively insures-over.

D. Seller shall provide a copy of any detailed survey of the Real Property (as well as any parcel upon which a well is located), that Seller has procured in the twenty four (24) months prior to this Agreement which shall identify all structures located on such parcels and any encroachments thereon or therefrom. Purchaser shall have the right, but not the obligation, to require Seller to update any survey, or request a new survey on the Real Property or well site. Costs incurred by Seller to update a survey or procure a new survey shall be reimbursed by Purchaser at Closing.

E. As used herein, "**Permitted Encumbrances**" include the following:

- 1) All present and future building restrictions, zoning regulations, laws, ordinances, resolutions, regulations and orders of any governmental authority having jurisdiction over the Real Property and the use thereof.
- 2) Easements and restrictions of record which do not impair or restrict the use of the Real Property or the operation of the Water System.
- 3) Any drainage canal, mineral, road, or other reservation of record in favor of the State of California or any of its agencies or governmental or quasi-governmental entities, or as may be set forth in any "Murphy Deeds", none of which, however, shall impair or restrict the use of the Real Property or the operation of the Water System.
- 4) Any lien, or right to lien, for services, labor or material, mortgage or other similar obligation that will be satisfied or discharged at or prior to Closing.

10. CONDITIONS PRECEDENT TO CLOSING. The obligations of each Party to close the transaction contemplated by this Agreement are subject to satisfaction of each of the following conditions at or before the Closing Date:

A. Conditions Precedent for Purchaser and Seller:

- 1) Neither Party is prohibited by decree or law from consummating the transaction.
- 2) There is not pending on the Closing Date any legal action or proceeding that would: (i) prohibit the acquisition or sale of the Purchased Assets; (ii) prohibit Purchaser or Seller from closing the transaction or Purchaser from paying the Purchase Price; or (iii) inhibit or restrict in any manner Purchaser's use, title, or enjoyment of the Purchased Assets.
- 3) Each of the other parties hereto has performed all of the undertakings required to be performed by them under the terms of this Agreement.
- 4) There has been no material adverse change in the physical condition of the Purchased Assets. For purposes of this Agreement, a "material adverse change" shall mean a loss or damage to the Purchased Assets that materially reduces: (1) their value in the aggregate; or (2) the ability to operate the Water System as operated by Seller prior to the Closing Date.
- 5) All warranties and representations of the other party are true in all material respects as of the Closing Date, except to the extent they specifically refer to another date.
- 6) All of the legal prerequisites to Seller's sale of the Water System to purchaser have been satisfied, including but not limited to those set forth in California's Public Utilities Code.
- 7) The sale of the Water System by Seller to Purchaser is approved by a majority of qualified voters voting on the matter at the _____, 2017, City of Montebello Special Municipal Election.

B. Conditions Precedent for Seller's obligation to close include Purchaser's satisfaction of each of following conditions at or before the Closing, or at or before such other time as provided by law:

- 1) Purchaser has satisfied or caused to be satisfied all of the legal prerequisites to Purchaser's purchase of the Water System from Seller, including but not limited to those set forth in California's Public Utilities Code.
- 2) Purchaser, by resolution adopted by a majority of its legislative body or board of directors, has concurred in the sale and in the terms and conditions thereof as set forth in this Agreement.
- 3) Not less than thirty (30) days before the election for formal approval of the transaction contemplated herein (or no later than Sunday, May 8, 2016) Purchaser discloses to the customers of the Water System a written statement that includes following matters: (i) a summary of the price and terms of this transaction; (ii) a comparison of the applicable water charges before and after the closing of this transaction; and (iii) the estimated savings to be achieved or additional costs expected to result, or both, from this transaction.
- 4) Purchaser has made the requisite Deposits into Escrow, as set forth below in this Agreement.

C. The conditions precedent to Purchaser's obligation to close include Seller's satisfaction of each of following conditions at or before the Closing:

- 1) Purchaser shall have received authorization from the California Public Utilities Commission for acquisition of the Water System and rate amendment and prior to Closing.
- 2) Seller shall have provided to Purchaser an appraisal of the fair market value of the Water System in such form and content as may be required to satisfy California Public Utilities Commission rules; which shall evidence a market value sufficient to acquire the Water System.
- 3) The Governing Board of Seller has certified the results of the June 7, 2016, City of Montebello Special Municipal Election.
- 4) The Governing Board of the Seller has adopted a resolution approving the final form and content of this Agreement.

11. PRE-CLOSING CONDUCT; COVENANTS. Prior to the Closing Date, the parties covenant to each other, and shall conduct themselves, as follows:

A. During the period between execution of this Agreement and the Closing Date, Seller shall:

- 1) Operate and maintain the Water System and Purchased Assets in a normal and ordinary manner to ensure that the condition of the Water System and the Purchased Assets remain in all material respects unchanged, normal wear and tear and usage excepted, and the inventory on hand shall not be diminished or depleted, other than in the ordinary course of business; provided that the Parties expressly recognize and agree that Purchaser shall be obligated to

continue to perform its obligations and responsibilities under the Operations Agreement;

- 2) Promptly notify Purchaser of any notification received by Seller from any person, business, or agency of any existing or potential Environmental Law violation;
- 3) Provide Purchaser, or its designated agent(s), with unrestricted access to the business premises, Water System, Purchased Assets, Seller's customer and operations books and records, employees, agents, or representatives, on reasonable advance notice (one business day) and during business hours; and
- 4) Promptly notify Purchaser of any event, activity or occurrence that has, or may have, a material adverse effect upon the Purchased Assets or this transaction;

B. During the period between execution hereof and Closing, Seller shall not:

- 1) Enter into any contract, oral or written, relating to the Water System or Purchased Assets without the prior written consent of Purchaser which consent shall not be unreasonably withheld, conditioned or delayed;
- 2) Without the prior written consent of Purchaser, which shall not be unreasonably withheld, enter into any new Developer Agreements or modify any existing developer agreements, leases, licenses, or contracts that may impact the Service Area and/or the number of service connections. Copies of any new or modified developer agreements, leases, licenses, or contracts shall be promptly delivered to Purchaser and shall not be signed by Seller without prior written consent from Purchaser.

C. Seller shall maintain its existing levels of insurance on the Purchased Assets and Water System and the risk of any loss shall remain with Seller through the Closing Date.

D. Within thirty (30) days of signing this Agreement, if Purchaser requests, Seller shall obtain Phase I Environmental Site Assessments ("ESA") (and a subsequent Phase II ESA if Purchaser determines that one is necessary based on the Phase I survey results) of each parcel comprising the Real Property, each water well site. Seller shall provide a report from the party undertaking the ESA to Purchaser when available. Seller shall pay for ESAs, which expense shall be reimbursed by at Closing pursuant to Section 4(c). If such ESA discloses the presence of any Hazardous Material, Seller shall notify Seller within ten (10) business days of receipt of such ESA, and Seller shall have the right to perform such cleanup and remediation as is necessary hereunder. Upon Seller's failure to perform such cleanup and remediation, prior to the Closing Date, Purchaser may elect to either: (i) terminate this Agreement, in which event neither party shall have any liability to the other; or (ii) proceed to Closing without abatement of the Purchase Price.

E. Purchaser is relying upon its own due diligence investigation in entering into this Agreement. The Purchaser shall have until sixty (60) days after Seller has provided all of the documents requested by Purchaser to complete, at Purchaser's expense, financial, legal, engineering and operational due diligence investigations of the Purchased Assets. Based upon the results of such due diligence investigations Purchaser shall have the right to

terminate this Agreement for any defects or problems revealed by such due diligence. Purchaser shall provide Seller with written notice of termination within ten (10) days of completion of such due diligence. During this period, Seller shall provide Purchaser and its representative's access to all Purchased Assets as set forth in this Agreement.

12. Escrow

A. Opening of Escrow

- 1) The Seller and Purchaser agree to open an escrow (the "**Escrow**") for this transaction with _____, California ("**Escrow Agent**") within fifteen (15) business days after the full execution of this Agreement, and/or the Parties adoption of the Resolutions described in Section 10(B)(2) and Section 10(C)(4), whichever, whichever last occurs.
- 2) If the Escrow is not opened within such fifteen (15) business days, this Agreement shall automatically terminate, unless the time is extended in writing by mutual agreement of Seller and Purchaser.
- 3) This Agreement shall constitute the joint escrow instructions between the Seller and Purchaser, and a duplicate original of this Agreement shall be delivered to the Escrow Agent upon the opening of the escrow (the "**Opening of Escrow**"). The Seller and Purchaser shall provide such additional escrow instructions as shall be necessary and consistent with this Agreement. The Escrow Agent is hereby empowered to act under this Agreement and, upon indicating its acceptance of the provisions of this Section in writing delivered to Seller and to Purchaser within five (5) business days after the Opening of the Escrow, shall carry out its duties as Escrow Agent hereunder. In the event of any inconsistency between any escrow instructions and this Agreement, this Agreement shall control, notwithstanding that either party may have intentionally or inadvertently executed such inconsistent instructions.

B. Close of Escrow. The "**Close of Escrow**" or the "**Closing**" shall be not later than ninety (90) days after the proposed sale of the Water System to Purchaser is approved by the voters and such election results have been certified by the Montebello City Council. The Escrow may be extended for any periods of time with the mutual written agreement of the Seller and Purchaser, delivered to Escrow. The Seller and Purchaser agree to deliver all documents necessary for the conveyance of title in conformity with this Agreement.

C. Purchaser's Deposits in Escrow. Purchaser shall pay/deliver into escrow, to the Escrow Agent, the following fees, charges and costs and documents at the time they are required to place the Escrow in a condition to close:

- 1) One half (½) of the escrow fee;
- 2) One half (½) of the recording fees;
- 3) One half (½) of the notary fees;
- 4) The Purchaser's Escrow Deposit.
- 5) The balance of the Purchase Price as contemplated in Section 4;

- 6) 90 % of the value of Seller's accounts receivable for monthly water and wastewater services, net any credit balances as of Closing; and
- 7) Certificates described in Section 12(B);
- 8) The Lease Payment described in Section 5(C);
- 9) A resolution adopted by a majority of Purchaser's legislative body or board of directors concurring in the sale and in the terms and conditions thereof as set forth in this Agreement; and
- 10) Proof of Purchaser's provision of the written disclosures to customers of the Water System described in Section 10(B)(3) of this Agreement

D. Seller's Deposits in Escrow. The Seller shall pay/deliver into escrow, to the Escrow Agent, the following fees, charges and costs and documents at the time they are required to place the Escrow in a condition to close:

- 1) One half ($\frac{1}{2}$) of the escrow fee;
- 2) One half ($\frac{1}{2}$) of the recording fees;
- 3) One half ($\frac{1}{2}$) of the notary fees;
- 4) Ad Valorem taxes, if any, upon the Real Property;
- 5) The premium for the Title Insurance Policy on the Real Property. Purchaser may obtain extended coverage title insurance, coverage, or surveys at the cost of Purchaser;
- 6) Costs necessary to place the title to the Real Property in condition for conveyance required by the provisions of this Agreement;
- 7) Grant Deed for the Real Property and the costs of drawing the deeds;
- 8) Grant Deeds or Assignments for the property interests described in Exhibit B;
- 9) Listing of accounts by customer and individual amounts for bills rendered in the ordinance course of business as of the Closing;
- 10) Certificates described in Section 12(b);
- 11) Bill of sale for Purchased Assets;
- 12) Invoices for the recovery of reimbursable costs as described in Section 4(C);
- 13) Resolution of the City Council of the City of Montebello certifying the Results of the June 7, 2016, Special Municipal Election;
- 14) Resolution of the City of Montebello approving the final form and content of this Agreement.

15) Any state, county, or city documentary stamps or transfer tax.

E. Escrow Instructions

- 1) The Escrow Agent is authorized to:
 - a) Pay and charge Purchaser and Seller for any fees, charges and costs payable under this Agreement. Before such payments are made, the Escrow Agent shall notify Seller and Purchaser of such fees, charges and costs. Seller and Purchaser will close escrow in accordance this Section unless a sooner or later date or termination of this Agreement is mutually agreed upon in writing by each of the Parties to this Agreement.
 - b) Disburse funds and record and deliver the deeds, and other documents to the Parties entitled thereto, when the conditions of the escrow have been fulfilled by Seller and Purchaser. The Purchase Price shall not be disbursed by the Escrow Agent unless and until it has recorded the applicable deeds and assignments and has delivered to the appropriate party a title insurance policy insuring title, acceptable to Purchaser, and conforming to the requirements of this Agreement.
 - c) Record the grant deed(s) and/or assignments for the Real Property and property interests described in Exhibit "B", and each of them, and any instrument delivered through this escrow, if necessary or proper to vest title of the Purchased Assets in Purchaser, in accordance with the terms and provisions of this Agreement.
- 2) All funds received into escrow shall be deposited in an interest bearing account by the Escrow Agent with other escrow funds of the Escrow Agent in a general escrow account or accounts with any state or national bank doing business in the State of California. Such funds may be transferred to any other such general escrow account or accounts. All disbursements shall be made on the basis of a 30-day month.
- 3) The Escrow Agent shall not be obligated to return any such money, papers or documents except upon the written instructions of both Seller and Purchaser, or until the party entitled thereto has been determined by a final decision of a court of competent jurisdiction.
- 4) Any amendment of these escrow instructions shall be in writing and signed by both Seller and Purchaser. At the time of any amendment, the Escrow Agent shall agree to carry out its duties as Escrow Agent under such amendment.
- 5) All communication from the Escrow Agent to the Seller or Purchaser shall be directed to the addressees in the manner established in this Agreement.

13. TERMINATION OF AGREEMENT.

A. This Agreement may be terminated: (i) by mutual written consent of the parties, (ii) by either party if the transactions contemplated hereby have not closed by _____, 2017, unless extended by the mutual consent of the parties, or (iii) as provided in paragraphs (B), (C) and (D) below.

B. If the transaction contemplated herein is not approved by a majority of voters at the _____, 2017, City of Montebello Special Municipal Election, this Agreement shall automatically terminate and shall be of no further force of effect, and neither Party shall have any right to recovery against the other.

C. Purchaser may terminate this Agreement, in its sole discretion, upon the occurrence of any of the following:

- 1) The failure, in any material respect prior to Closing, of any conditions precedent to Closing, any pre-closing conduct, or any covenant of Seller set forth in this Agreement.
- 2) Any material breach of this Agreement by Seller, including, but not limited to, a material breach of any representation or warranty, if Seller has not cured such breach within thirty (30) days after notice from Purchaser; provided, however, such breach must in any event be cured by the Closing Date unless the date for cure has been extended by Purchaser.

D. Seller may terminate this Agreement, in its sole discretion, upon the occurrence of any of the following:

- 1) The failure, in any material respect prior to Closing, of any conditions precedent to Closing, any pre-closing conduct, or any covenant of Purchaser set forth in this Agreement..
- 2) Any material breach of this Agreement by Purchaser, including, but not limited to, a material breach of any representation or warranty, if Purchaser has not cured such breach within thirty (30) days after notice from Seller, provided, however, such breach must in any event be cured prior to the Closing Date unless the date for cure has been extended by Seller.

E. Upon the occurrence of any of the bases for termination of this Agreement, the party seeking to terminate this Agreement shall provide written notice of its termination of this Agreement to the other by delivering the same as provided in Section 13(c).

F. Upon the termination of this Agreement, the following shall occur:

- 1) To the extent permitted by California law, Escrow Agent shall return to each party their respective deposits into Escrow, including all documents, including copies, in its possession, custody, or control. Each party, its agents and consultants, shall treat any information previously received as confidential, and shall not disclose or use such information, unless required by law.
- 2) Except as otherwise set forth in this Agreement, each party shall be responsible for payment of its own attorney and other professional fees and other costs of any nature whatsoever incurred prior to the termination of this Agreement.
- 3) In the event the termination occurs as set forth in Section 10(A)(i), 10(B), 10(C)(1), or 10(D)(1), this Agreement shall forthwith become void and there shall be no liability on the part of Purchaser or Seller, or their respective Council members, members, managers, officers or directors.

14. CLOSING DATE AND CLOSING.

A. This transaction shall close on or before _____, 2017, at a location mutually acceptable to both parties. This deadline may be extended at the option of either party for a period of ninety (90) days to accommodate any required regulatory approvals or to secure financing. As used in this Agreement, the term "**Closing Date**" shall mean 12:00 a.m. the date that this transaction is closed.

B. At Closing:

- 1) Purchaser shall pay the Purchase Price, subject to any adjustment as provided for in this Agreement, and the Lease Payment, two (2) days prior to the Close of Escrow.
- 2) Title to the Real Property shall be conveyed to Purchaser by Grant Deed free of all claims, liens, or encumbrances whatsoever, other than Permitted Encumbrances. Title to the remaining Purchased Assets shall be conveyed to Purchaser by Bill of Sale free of all claims, liens, or encumbrances, whatsoever. Seller shall further provide to Purchaser such other instruments of conveyance as shall be, in the reasonable opinion of Purchaser and its counsel, necessary to transfer the Water System and Purchased Assets in accordance with this Agreement and, when necessary or desirable, in recordable form.
- 3) Seller shall assign to Purchaser its right, title and interest in those easements, licenses, etc. identified in Exhibit "B."
- 4) Seller and Purchaser shall enter into separate Assignment and Assumption Agreements with respect to agreements which Purchaser agrees to assume from the Contracts and Leases identified in Exhibit "E".
- 5) Real property and personal property taxes on the Purchased Assets and Water System, and any other applicable taxes, shall be prorated as of the Closing Date and Seller shall be required to pay its pro rata share at Closing, if any. All other taxes, assessments and regulatory assessment fees accrued or owed by Seller as of the date of Closing with respect to the Water System and Purchased Assets shall remain the obligation of Seller. All other taxes and assessments imposed or attempted to be imposed from and after the date of Closing with respect to the Water System and Purchased Assets, if any, shall be the obligation of Purchaser.
- 6) Documentary stamps, recording fees, if any, to record the deeds and any other fees, assessments or charges and related instruments necessary to deliver title to the Purchaser shall be paid for by the Seller, but shall be reimbursed to seller pursuant to Section 4(c).
- 7) Connection Charges (defined as plant capacity, transmission line capacity, or other unit connection fees paid for the availability of Water capacity) received by Seller prior to Closing shall be retained by Seller if a structure has been built, a physical connection to the Water System has been made, and Water service initiated (although it may be temporarily disconnected) prior to closing. Connection Charges paid to Seller prior to Closing for which no connection has been made shall be paid over to Purchaser at Closing. Connection Charges paid after Closing shall be retained by Purchaser.

- 8) In addition to payment of the Purchase Price, Seller shall receive payment for ninety percent (90%) of its accounts receivable (less than sixty (60) days old) for monthly water and wastewater service, net of any credit balances as of the Closing Date. Seller shall furnish to Purchaser, ten (10) days prior to Closing, a listing of its accounts by customer and individual amounts due receivable for bills rendered in the ordinary course of business. Additionally, an estimate of the gross revenue for water services rendered but not yet billed as of the Closing Date shall be rendered to Purchaser three (3) days prior to Closing. Upon approval and acceptance by Purchaser, ninety percent (90%) of such unbilled revenue shall be a credit (payment) to Seller on the Closing Statement. Purchaser shall be entitled to all revenues collected and derived from the operation of the Water System after Closing.
- 9) All transfers required or necessary to carry out the intent and purpose of this Agreement shall take place, unless waived or extended by mutual consent.
- 10) Each of the parties shall pay the fees of its own attorneys, bankers, engineers, accountants, and other professional advisers or consultants in connection with the negotiation, preparation and execution of this Agreement, and any documents associated with the Closing.
- 11) All bills of any kind for services, materials and supplies of any kind rendered in connection with the construction, operation and maintenance of the Water System prior to Closing, including but not limited to electricity, phone service, and payroll for a period up to and including the Closing Date, shall be paid by Seller. Purchaser shall be responsible for all such costs and expenses incurred subsequent to Closing.
- 12) Purchaser shall assume the liability for customer deposits, and Seller shall, by electronic transfer, transfer to Purchaser all customer deposits and accrued interest thereon, together with the list of customers for whom such deposits have been collected and corresponding amounts of such deposits through Closing.
- 13) Each party shall deliver to Escrow a certificate stating that:
 - a) The party is not prohibited by decree or law from consummating the transaction contemplated hereby.
 - b) There is not pending on the Closing Date any legal action or proceeding that hinders the ability of either party to close the transaction.
 - c) All warranties and representations of such party contained in this Agreement are true and correct in all material respects as of the Closing Date.
- 14) Seller shall deliver to Escrow, in a form reasonably acceptable to Purchaser, an opinion of Seller's counsel substantially to the effect that:
 - a) Seller is validly organized, existing and its status is active under the laws of the State of California.

- b) This Agreement has been duly and validly executed and approved by Seller and is a valid and binding agreement upon Seller.
 - c) The execution, delivery and performance of this Agreement will not violate any agreement of or binding on, or any law applicable to, Seller.
- 15) Purchaser shall deliver to Escrow in a form acceptable to Seller, an opinion of Purchaser's Counsel substantially to the effect that:
- a) Purchaser is validly organized and existing as a Corporation under the laws of the State of California.
 - b) This Agreement has been duly and validly executed and approved by Purchaser and is a valid and binding agreement upon Purchaser.
 - c) The execution, delivery and performance of this Agreement will not violate any agreement of, or binding on, or any law applicable to, Purchaser.

15. POST CLOSING COOPERATION.

A. Seller and Purchaser shall, after the Closing Date, upon reasonable request of the other party and at no cost to the other party, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such further documents, acts, deeds, easements, assignments, transfers, powers of attorney and assurances may be required in order to implement and perform any of the obligations, covenants and agreements of the parties arising from this Agreement, and to permit Purchaser to operate and maintain the Water System in the manner operated by Seller at the time of Closing.

B. Each of the parties hereto shall provide the other with such assistance as reasonably may be requested in connection with the preparation of any tax return, audit or other examination by any taxing authority or any judicial or proceeding relating to liability for taxes relating to the transactions contemplated by this Agreement, including reasonable access during regular business hours to any and all necessary documentation and/or records. Subject to the provisions of paragraph (e) below, each party shall retain and provide the other with any records or information that may be relevant to such return, audit or examination, proceedings or determination. The party requesting assistance hereunder shall reimburse the other for reasonable expenses incurred in providing such assistance.

C. Seller agrees to provide reasonable assistance to the Purchaser to transition the administration (including customer services and accounting functions) and operation of the Water System and Purchased Assets for a period of one hundred twenty (120) days after the Closing Date. Purchaser shall reimburse Seller for reasonable costs or expenses, without markup, incurred for any services provided under this subparagraph.

D. The respective representations and warranties of the parties contained in this Agreement or any document delivered pursuant to this Agreement shall survive the consummation of the transactions contemplated hereby and continue for a period of one year from the Closing Date, and thereafter shall terminate.

E. At Closing, Seller shall forever waive any claim or right to compensation or damages of any kind against Purchaser which relates to any encroachment, damage or encumbrance of any nature, type or kind that existed on the Closing Date and effecting property of Seller

located contiguous to the Real Property as may result at any time in the future from the operation of the Water System by Purchaser.

16. COOPERATIVE DEFENSE AND DAMAGES WAIVER

In the event any third-party files a legal challenge to this Agreement, the process by which Purchaser was selected by Seller to purchase the Water System, or matters relating to the Special Municipal Election or the results thereof, the Parties agree to work cooperatively and in good faith towards resolution or defense of such legal challenge, and – to the extent a Party elects to participate in the legal proceeding – each Party shall bear their own costs and attorneys incurred in such participation. In no event shall either Party have any right, claim, or cause of action against the other Party related to or arising from a third-party legal challenge pertaining to the matters covered in this Section, regardless of whether or not such legal challenge is successful; further, even if such legal challenge is successful, neither Party shall be entitled to recover damages, costs, expenses, or any other legal or equitable relief related to or arising from the success of such legal challenge. The Parties hereby expressly acknowledge and agree that this Agreement, the process by which Purchaser was selected by Seller to purchase the Water System, and all matters relating to the Special Election or the results thereof, have been duly performed in accordance with applicable law(s), and neither Party shall have any right, claim, cause of action, or be entitled to any legal or equitable relief whatsoever against the other Party in the event a court of competent jurisdiction finds, holds, or resolves otherwise, or if formal resolution of any legal challenge to such matters results in the invalidation of any such matter(s).

17. CITY AND OTHER GOVERNMENTAL PERMITS

A. Except for Seller's responsibilities under this Agreement, before commencement of the operation of the Water System, including but not limited to maintenance and/or capital improvements thereto, the Purchaser shall, at its own expense, secure or cause to be secured any normal permits which may be required by the City or any other governmental agency affected by such operations or work. City shall provide appropriate assistance to Purchaser in securing these permits.

B. The Purchaser shall carry out the operation of the Water System, including but not limited to maintenance and/or capital improvements thereto in conformity with all applicable laws, including all applicable federal, state or local laws, rules or standards; provided, however, Purchaser and its contractors, successors, assigns and transferees, and lessees are not waiving their rights to contest any such laws, rules or standards. Purchaser agrees to indemnify, hold harmless and defend the Seller, its officers, employees, contractors and agents against any claim, action, proceeding, liability, damages, expenses, attorney fees, expert fees or other costs arising out of Purchaser's obligations under this Section, provided the foregoing indemnity shall not apply to any of the foregoing matters to the extent caused by any willful or negligent conduct of the Seller or its agents, servants, employees or contractors.

18. MISCELLANEOUS PROVISIONS.

A. Incorporation.

- (1) The entire agreement between the Parties relating to the transaction contemplated herein shall consist of this Agreement, and the following materials (cumulatively the "**Agreement Documents**") each of which are expressly incorporated fully herein: the attached Exhibits; Purchaser's Proposal to Purchase City of Montebello, dated _____, 2016;; and City of Montebello

Request For Proposals No. 16-XX, each of which are hereby expressly incorporated into this Agreement in their entirety. In the event of an actual conflict between the terms of this Agreement and the terms of the Agreement Documents, the terms of this Agreement shall control, with precedence given to the terms of the Agreement Documents in the following order: the attached Exhibits; Purchaser's Proposal to Purchase City of Montebello, dated _____, 2016; and City of Montebello Request For Proposals No. 16-XX.

- (2) This Agreement, the Agreement Documents, collectively embody the entire agreement and understandings between the Parties and there are no other agreements or understandings, oral or written, with reference to this Agreement that are not merged into and superseded by this Agreement. This Agreement may be executed in one or more counterparts, each of which shall be considered an original.

B. CPUC Notice. Within fifteen (15) days after the Closing, Seller shall prepare and the Purchaser and Seller will jointly submit a notice of transfer of the system to the California Public Utilities Commission. Seller shall file reports, if any, required to satisfy its outstanding gross receipts tax, regulatory assessment fees, and other obligations and governmental assessments through the date of Closing. All of Purchaser's costs and expense relative to the initiation of Purchaser's relationship with the California Public Utilities Commission, including regulatory assessment fees, shall be borne by Purchaser. Copies of the Order(s) of the California Public Utilities Commission acknowledging sale of the system to Purchaser shall be promptly provided to Seller upon Purchaser's receipt thereof.

C. Notice

- 1) Any notice or other document required or allowed to be given pursuant to this Agreement by either party to the other shall be in writing and shall be delivered personally, or by recognized overnight courier, or by electronic correspondence or facsimile transmission with written confirmation.

If to Seller, such notice shall be delivered at:

CITY OF MONTEBELLO
ATTN: Francesca Schulyer, City Manager
1600 Beverly Boulevard
Montebello, CA
FSchulyer@cityofmontebello.com

WITH A COPY TO:

ALVAREZ-GLASMAN & COLVIN
ATTN: Arnold M. Alvarez-Glasman
13181 Crossroads Pkwy North – Suite 400
City of Industry, CA 91746

If to Purchaser, such notice shall be delivered at:

WITH A COPY TO

- 2) Notices shall be effective upon receipt or failure to accept delivery, electronic correspondence or facsimile transmission shall be deemed received on the date sent if received by 4:00 p.m. Pacific Daylight Time on a business day. If received after 4:00 p.m. PDT, such transmission shall be deemed received on the next business day.

D. Headings. The headings used are for convenience only, and they shall be disregarded in the construction of this Agreement.

E. Conflict of Interest. No member, official or employee of the Seller shall have any personal interest, direct or indirect, in this Agreement, nor shall any member, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested. No member, official or employee of the Seller shall be personally liable to Purchaser, or any successor in interest, in the event of any default or breach by the Seller, or for any amount which may become due to the Purchaser or successor or on any obligations under the terms of this Agreement. The Purchaser warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement.

F. Non Discrimination. There shall be no discrimination against or segregation of any person, a group of persons, on account of race, color, religion, marital status, disability, age, national origin or ancestry in the construction, sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall the Purchaser itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site.

G. Non Discrimination Covenants.

- 1) The Purchaser covenants by and for itself and any successor in interest that there shall be no discrimination against, or segregation of, any persons, or groups or persons, on account of sex, race, color, creed, marital status, religion, handicap, national origin or ancestry in the enjoyment of the Site, nor shall the Purchaser itself, or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site or any portion thereof. The foregoing covenants shall run with the land and shall remain in effect in perpetuity.
- 2) The Purchaser shall refrain from restricting the rental, sale or lease of the Site on the basis of race, color, creed, religion, sex, marital status, ancestry or national origin of any person. All such deeds, leases or contracts shall be subject to and shall contain substantially the following nondiscrimination or non-segregation clauses:

a) In deeds:

"The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

b) In leases:

"The lessee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him, and this lease is made and accepted upon and subject to the following conditions:

There shall be no discrimination against or segregation of, any person, or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee himself, or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased."

c) In contracts:

"There shall be no discrimination against or segregation of any person, or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin, in the sale, lease, transfer, use, occupancy, tenure or enjoyment of land, nor shall the transferee himself or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of premises."

H. Remedies Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

I. Drafting Presumptions. The drafting of this Agreement was a joint effort of the parties, and in the interpretation hereof, it shall be assumed that no party had any more input or influence than any other.

J. Third-Party Beneficiaries. This Agreement is solely for the benefit of the parties hereto, and except as provided in this Agreement, no other causes of action shall accrue upon or by reason hereof to or for the benefit of any third party (other than successors and assigns), who or which is not a formal party hereto.

K. Severability. In the event any term or provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted, as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.

L. Amendment. This Agreement may be amended or modified only if executed in writing and with the same formality as the original.

M. Governing Law / Venue. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California. Any action brought to interpret or enforce the terms of this Agreement shall be brought in the Superior Court for the County of Los Angeles.

N. Construction. All words, terms, and conditions herein contained are to be read in concert, each with the other, and a provision contained under one heading may be considered to be equally applicable under another heading in the interpretation of this Agreement.

O. Assignment. Except as provided for herein, this Agreement may not be assigned without the prior written consent of the non-assigning party. If properly assigned, this Agreement shall be binding upon and inure to the benefit of the parties' successors and assigns.

P. Knowledge Defined. For purposes of this Agreement, an individual is deemed to have "knowledge" of a particular fact or other matter if such individual has actual awareness of such fact or matter, or a prudent individual could be expected to discover or otherwise become aware thereof in the ordinary course of conducting their business.

Q. Attorney's Fees. In any action between the Parties to interpret, enforce, reform, modify, rescind, or otherwise dispute any of the terms or provisions of this Agreement, the prevailing party in the action shall be entitled, in addition to damages, injunctive relief, or any other relief to which it might be entitled, reasonable costs and expenses including, without limitation, litigation costs, expert fees and reasonable attorneys' fees.

R. No Personal Liability. Notwithstanding anything to the contrary contained herein or in any other instrument or document executed by or on behalf of the Purchaser or Seller in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement, or obligation of any present or future member, officer, employee, contractor or agent of the Purchaser or Seller, or of any incorporator, member, director, trustee, officer, employee or agent of any successor to the Purchaser or Seller, in any such Person's individual capacity, and no such Person, in an individual capacity, shall be liable personally for any breach or non-observance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of the Purchase Price or for any claim based hereon or on any such stipulation, covenant, agreement, or obligation, against any such Person, in an individual capacity, either directly or through the Purchaser or Seller or any successor to the Purchaser

or Seller, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such Person, in an individual capacity, is hereby expressly waived and released. All references to the Purchaser in this paragraph shall be deemed to include the Purchaser, City Council members, officers, employees, attorneys, contractors and agents. The provisions of this Section shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Parties hereto, for themselves, their heirs, executors, administrators, successors and assigns, have caused this Agreement to be executed by their duly authorized representative hereinbelow.

CITY OF MONTEBELLO
("Seller")

("Purchaser")

Art Barajas, Mayor

[NAME], [TITLE]

Date: _____

Date: _____

ATTEST:

Irma Barajas, City Clerk

APPROVED AS TO FORM:

Arnold M. Alvarez-Glasman, City Attorney

Exhibit "A" - Real Property

INSERT REAL PROPERTY RECORDS

Exhibit "B-1" - Easements, Licenses
INSERT COPIES OF EASEMENT, & LICENSE RECORDS

Exhibit "B-2" - Service Territory
INSERT SERVICE AREA MAPS

Exhibit "C"- System Maps

INSERT SYSTEM MAPS

Exhibit "D" - Certificates, Permits
INSERT CERTIFICATES & PERMITS

Exhibit "E" - Contracts & Leases

INSERT CONTRACTS & LEASES

Exhibit "F" - Inventory
INSERT ASSET INVENTORY

Exhibit "G" – Equipment
INSERT EQUIPMENT LIST

Exhibit "H" - Real Property Encroachments

INSERT ANY REAL PROPERTY ENCROACHMENTS

Exhibit "I" - Environmental Law Compliance

INSERT ENVIRONMENTAL DOCUMENTS

Exhibit "J" - Pending Legal Action
INSERT ANY LEGAL ACTION INFORMATION

Exhibit "K" – Water Lease

AGREEMENT NO. ____

**LEASE OF ADJUDICATED PUMPING RIGHTS
BY AND BETWEEN THE CITY OF MONTEBELLO AND**

This Lease of Adjudicated Pumping Rights ("**Lease**") is dated for reference purposes as of this __ day of _____, 2017, by and between the City of Montebello, a California municipal corporation (hereafter "**Lessor**"), and _____, a California public utility water company ("**Lessee**"). Lessor and Lessee are at times referred to herein individually as a "**Party**," and jointly as the "**Parties**."

WHEREAS, Lessor and Lessee have entered into that certain Agreement for the Purchase and Sale of Water Assets ("**Agreement**"), dated even herewith, pursuant to which Lessor has agreed to sell to Lessee, and Lessee has agreed to purchase from Lessor, a potable water supply, treatment, storage, transmission, and distribution system located as further described in the Agreement (hereinafter the "**Water System**");

WHEREAS, Lessor is the owner of adjudicated pumping rights in the Central Basin Municipal Water District, as such rights are further described below in Section 2(A) (the "**Water Rights**");

WHEREAS, as a material inducement to the Parties' approval of the Agreement, Lessor desires to lease to Lessee, and Lessee desires to lease from Lessor, the Water Rights on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and benefits to be derived from the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Section 1. Recitals

The Parties agree and acknowledge that the foregoing recitals are true and correct, and hereby incorporated as a material part of this Lease.

Section 2. General Provisions

A. Water Rights.

Lessor warrants and represents that it is the owner adjudicated pumping rights in the Central Basin Municipal Water District, in the "Allowed Pumping Allocation" amount of Three Hundred Eighty Six point Five Zero (386.50) acre feet per year (the "**Water Rights**"), under and pursuant to that certain judgment dated October 11, 1965, entered in Los Angeles Superior Court Case No. 786,656 entitled *Central and West Basin Water Replenishment District v. Charles E. Adams, et al.* (the "**Judgment**").

B. Lease.

(1) Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Water Rights defined in Paragraph (A) of this Section on the terms and conditions set forth in this Lease.

(2) During the Term of this Lease, Lessor shall exercise the Water Rights and extract the same on behalf of Lessor, and put the same to beneficial use and in accordance with all applicable laws, regulations, and ordinances, and Lessor shall not, by the exercise hereunder of said right, acquire any right to extract water independent of the rights of Lessor.

(3) Lessee shall liable for and shall pay any and all assessments, taxes, penalties, or fees levied on the pumping of said Water Rights by the Water Replenishment District of Southern California (the "**District**") or any other agency with authority or jurisdiction to levy such assessments, taxes, penalties, or fees; provided that nothing herein shall prevent Lessee from objecting, challenging, or disputing the same.

(4) Lessee shall notify the District and the Watermaster for the Central Basin Municipal Water District ("**Watermaster**") that any pumping of the Water Rights by Lessee was done pursuant to this Lease, and Lessee shall provide a copy of this Lease to the Watermaster and any other person, agency, corporation, or entity that requests and/or requires a copy pursuant to applicable law.

(5) Lessee shall note, in any recording of water production for the term of this Lease, that said pumping was done pursuant to this Lease.

(6) Lessee's Allowed Pumping Allocation shall be increased by the amount hereby leased when computing carryover or allowable overextraction as provided in Part III, Subpart A and B of the Judgment.

C. Term of Lease.

(1) Initial Term. The initial term of this Lease shall commence on the Closing Date, as set forth and defined in the Agreement, and continue for a ten (10) year term to expire at 11:59 p.m. on the tenth (10) anniversary of the Closing Date (the "**Initial Term**"). Immediately following the Closing Date, the Parties shall memorialize the Closing Date in a writing that references this Lease for purposes of determining the effective date of this Lease, and such date shall heretofore be referred to as the "**Effective Date**".

(2) Renewal Term. Lessee shall have the option, but not the obligation, to extend the Initial Term of the Lease, on the same terms and conditions set forth herein, or such different or additional terms agreed to by the Parties in writing, for an additional ten (10) year term ("**Renewal Term**"); provided that Lessee provides Lessor written notice of its election to extend the Initial Term at least sixty (60) days in advance of the expiration of the Initial Term. Nothing in this Agreement shall preclude the Parties from further extending the Term of the Lease for such additional period(s) of time as mutually agreed in writing by the Parties.

D. Lease Payments.

(1) Amount of Payment. In consideration for this Lease, Lessee shall pay Lessor annual lease payments (the "**Lease Payment**") in an amount _____.

(2) Adjustments to Lease Payment. The Lease Payment referenced in Paragraph (C)(1) of this Section shall be adjusted on each anniversary of the Effective Date during the Term of this Lease, and in accordance with the criteria set forth in said Paragraph (C)(1). Not less than sixty (60) calendar days prior to each anniversary of the Effective Date during the Term of this Lease, Lessee shall provide written notice of the Lease Payment to be paid during the ensuing year. Lessor shall have thirty (30) calendar days from receipt of Lessee's written notice to object in writing to Lessee's calculation of the Lease Payment, and such writing shall state the basis for Lessor's objection. If Lessor does not object to Lessee's notice, Lessor shall be deemed to have waived any objection thereto for the ensuing year.

(3) Lease Payment Remittance. Lessee shall make the Lease Payment to Lessor not less than ten (10) calendar days prior to each anniversary of the Effective Date during the Term of this Agreement, such that Lessor shall "prepay" the total Lease Payment due for the ensuing year in a lump sum to Lessor in advance of the applicable year.

(4) First Year Lease Payment. Notwithstanding any contrary provisions of this Section, Lessee shall pay to Escrow the amount of _____ Dollars (\$_____) no later than two (2) days prior to the Close of Escrow, as such "Escrow" and "Close of Escrow" are described and defined in the Agreement, in satisfaction of the Lease Payment due for the first year of this Lease.

E. Purchase Option.

(1) Following the expiration or termination of the Initial Term of this Lease, Lessor may sell the Water Rights to Lessee or any other third-party, upon the terms and conditions approved by Lessor in its sole and absolute discretion; provided, however, that if such sale occurs during the Renewal Term or any subsequent term of this Lease, any third-party purchaser of the Water Rights shall assume Lessor's rights and responsibilities under this Lease as set forth fully herein, except as otherwise may be approved by Lessee in its sole and absolute discretion. During the Initial Term of this Lease, Lessor may only sell the Water Rights to Lessee upon the terms and conditions mutually agreed to by the Parties.

(2) In the event Lessor elects to sell the Water Rights as contemplated in Paragraph (E)(1) of this Section, Lessee shall have the "first right of refusal," or option, but not the obligation, to purchase the Water Rights on the same terms and conditions presented to and accepted by the Lessor from any third-party. Lessor shall provide Lessee at least thirty (30) calendar days advance written notice of any such accepted offer to purchase the Water Rights, during which period Lessee shall notify Lessor in writing whether it has elected to exercise its purchase rights under this paragraph. The failure of Lessee to respond during said thirty (30) day period shall result in a waiver of Lessee's "first right of refusal" and purchase rights under this paragraph.

Section 3. Indemnification

Lessee shall defend, indemnify, and hold harmless Lessor, its elected and appointed officials, boards and commissions, officers, agents, and employees (collectively the "Indemnified Parties") from and against any or all injuries, damages, losses, claims, suits, liabilities, judgments, attorneys' fees, costs, and expenses, arising out of or relating from the acts or omissions of Lessee or its officers, agents, employees, subcontractors, or consultants attributable to its performance of, or exercise of the rights granted under, this Lease.

Section 4. Insurance

[TO BE NEGOTIATED]

Section 5. Termination

A. Termination for Cause.

(1) Notice of Default.

(a) Material Breach. In the event that either Party hereto fails or refuses to perform any of the provisions of the Lease at the time and in the manner required, the non-defaulting party shall give the defaulting party written notice of the default, the nature of the default, and the steps necessary to cure the default.

(b) Non-Material Breach. For any breach deemed by the non-defaulting Party to constitute a material breach, the defaulting Party shall be required to cure the breach within five (5) calendar days upon receipt of written notice of the material breach. For any breach deemed by the non-defaulting Party to be a non-material breach, the defaulting Party is obligated to cure such breach within ten (10) calendar days upon receipt of written notice of said non-material breach. However, if the nature of the non-material breach requires more than ten (10) days to cure, the defaulting Party shall have thirty (30) days to diligently pursue and complete a cure.

(c) Remedies. In addition to any other available legal or equitable rights or remedies, if the default is not cured within the time periods described above, the non-defaulting Party may terminate this Lease by giving written notice thereof to the defaulting Party, setting forth the effective date thereof, not less than thirty (30) calendar days from the date of the notice.

B. Termination for Convenience.

(1) Notice of Termination. In addition to the termination rights set forth in Paragraph (A) of this Section pertaining to termination for cause, following the expiration of the Initial Term Lessee shall have the option, at its sole discretion and without cause, to terminate this Lease in whole, or in part, by giving one hundred twenty (120) business days' written notice to Lessor. Lessee shall have no right to terminate this Lease during the Initial Term except for cause as set forth in Paragraph (A) of this Section.

(2) Payment Upon Termination. Upon the termination of this Lease as provided in this Paragraph (B) of this Section, Lessee shall have no right to recovery or offset of the Lease Payment made to Lessor in advance of the then applicable year of the Lease Term, and the Parties expressly agree and recognize that the Lease Payment shall be retained in full by Lessor as just and fair compensation to Lessor in the event Lessee elects to terminate the Lease without cause.

Section 6. Miscellaneous Provisions

A. Attorneys' Fees and Court Costs.

If any legal action or other proceeding is brought by either Party for the enforcement or the interpretation of any provision of this Lease, the successful or prevailing Party in such action or proceeding shall be entitled to recover from the opposing Party all costs and expenses,

including reasonable attorneys' fees and expert expenses, incurred in that action or proceeding, in addition to any other relief to which the prevailing party may be entitled.

B. Governing Law and Venue.

This Lease shall be construed in accordance with and governed by the laws of the State of California. Any lawsuit brought to enforce or interpret this Lease shall be brought in the appropriate court situated in Los Angeles County, State of California.

C. Assignment.

No assignment of this Lease or any part, right, or obligation hereunder may be made, either in whole or in part, by Lessor without prior written consent of Lessor.

D. Binding on Assigns.

Each and all of the covenants and conditions of this Lease shall be binding on and shall inure to the benefit of the successors and assigns of the respective Parties.

E. Severability.

For purposes of this Lease, if any provision hereof is deemed to be invalid or illegal by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect without being impaired or invalidated in any way.

F. Counterparts.

This Lease may be signed in counterparts, each of which shall constitute an original and which collectively shall constitute an instrument.

G. Captions.

The captions and titles of the various Sections and Paragraphs of this Lease are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Lease or any part or parts hereof.

H. Construction.

In all cases, the language in all parts of this Lease shall be construed simply, according to its fair meaning and not strictly for or against any Party, it being agreed by the Parties or their agents having all participated in the preparation of this Lease.

I. Cooperation / Further Acts.

The Parties shall fully cooperate with one another in attaining the purposes of this Lease and, in connection therewith, shall take any such additional further acts and steps and sign such additional documents as may be necessary, appropriate, and convenient as related to effectuating the purpose(s) hereof.

J. Waiver.

Waiver by either Party of any breach or default of any term, covenant, or condition contained herein shall not be deemed a waiver of any subsequent breach or default of the same

or any other term, covenant, or condition, whether of the same or a different character. No waiver, breach, privilege, or service voluntarily given or performed by one Party shall give the other any contractual right by custom, estoppel, or otherwise.

K. Notices and Designated Representatives.

(1) Any and all notices, demands, invoices, and written communications between the Parties hereto shall be addressed as follows:

Lessor: City of Montebello
Attention: Public Works Director
1600 West Beverly Boulevard
Montebello, California 90640
(323) 887-1460

Lessee: _____

(2) Formal notices, demands, and communications between the Parties shall be deemed sufficiently given if personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by overnight courier, to the addresses set forth above. Such written notices, demands, and communications may be sent in the same manner to such other addresses as either Party may from time to time designate by written notice. Notice shall be deemed on the day of personal delivery, or on the second day following mailed notice.

L. Entire Agreement / Modification.

This Lease contains the entire agreement between Lessor and Lessee with respect to the subject matter hereof, and supersedes any prior or written statements or agreement made between the Parties. This Lease represents the full and complete understanding of every kind or nature whatsoever between the Parties hereto with respect to the subject matter hereof, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions hereof. No attempted waiver of any of the provisions herein, nor any change, amendment, or modification of this Lease shall be effective unless in writing and signed by the Party against whom the same is sought to be enforced.

K. Authority.

Each person executing this Lease represents that he/she has full power and authority to do so and that the respective governing body of each party has approved this Lease and authorized its execution. The Parties each represent that they have the power and authority to enter into this Lease, and that, to the best of their respective knowledge, entering into this Lease does not violate any agreement to which either is a party.

IN WITNESS WHEREOF, the Parties hereto, for themselves, their heirs, executors, administrators, successors and assigns, have caused this Lease to be executed by their duly authorized representative hereinbelow.

CITY OF MONTEBELLO
("Lessor")

("Lessee")

Art Barajas, Mayor

Date: _____

[NAME], [TITLE]

Date: _____

ATTEST:

Irma Barajas, City Clerk

APPROVED AS TO FORM:

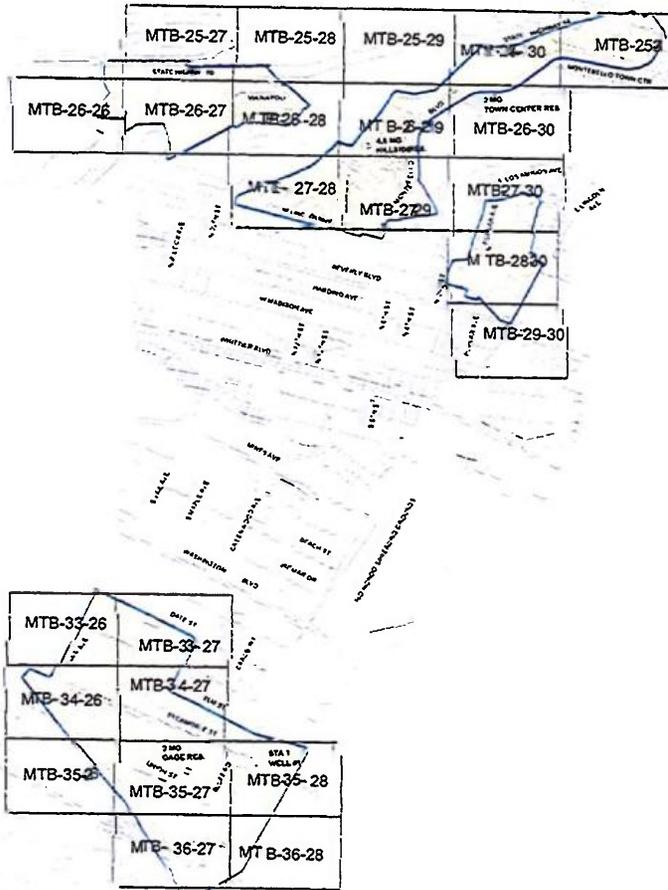
Arnold M. Alvarez-Glasman, City Attorney

Exhibit B - Water System Distribution Map Northern and Southern Service Areas

Exhibit C – Water System Atlas



City of Montebello
WATER SYSTEM ATLAS



Legend

- Stations
- Service Boundary



Issued : March 2012
Updated : January 2013

Legend

Points:

- | | | | |
|---|-----------------------|---|--------------------|
|  | AirRelease |  | StationTermination |
|  | Blowoff |  | SimpleCheck |
|  | Butterfly Valve |  | Tapping Sleeve |
|  | Cap |  | Tee |
|  | Cross |  | Critical Customer |
|  | EII | | |
|  | Gate Valve (NC) | | |
|  | Gate Valve | | |
|  | Hydrant | | |
|  | Hydrant (Other) | | |
|  | Interconnect | | |
|  | Lateral Point | | |
|  | Manhole | | |
|  | Meter | | |
|  | Offset | | |
|  | Pipe Change | | |
|  | Plug | | |
|  | PressureReducingValve | | |
|  | PressureReliefValve | | |
|  | Reducer | | |
|  | SamplingStation | | |

Pipelines:

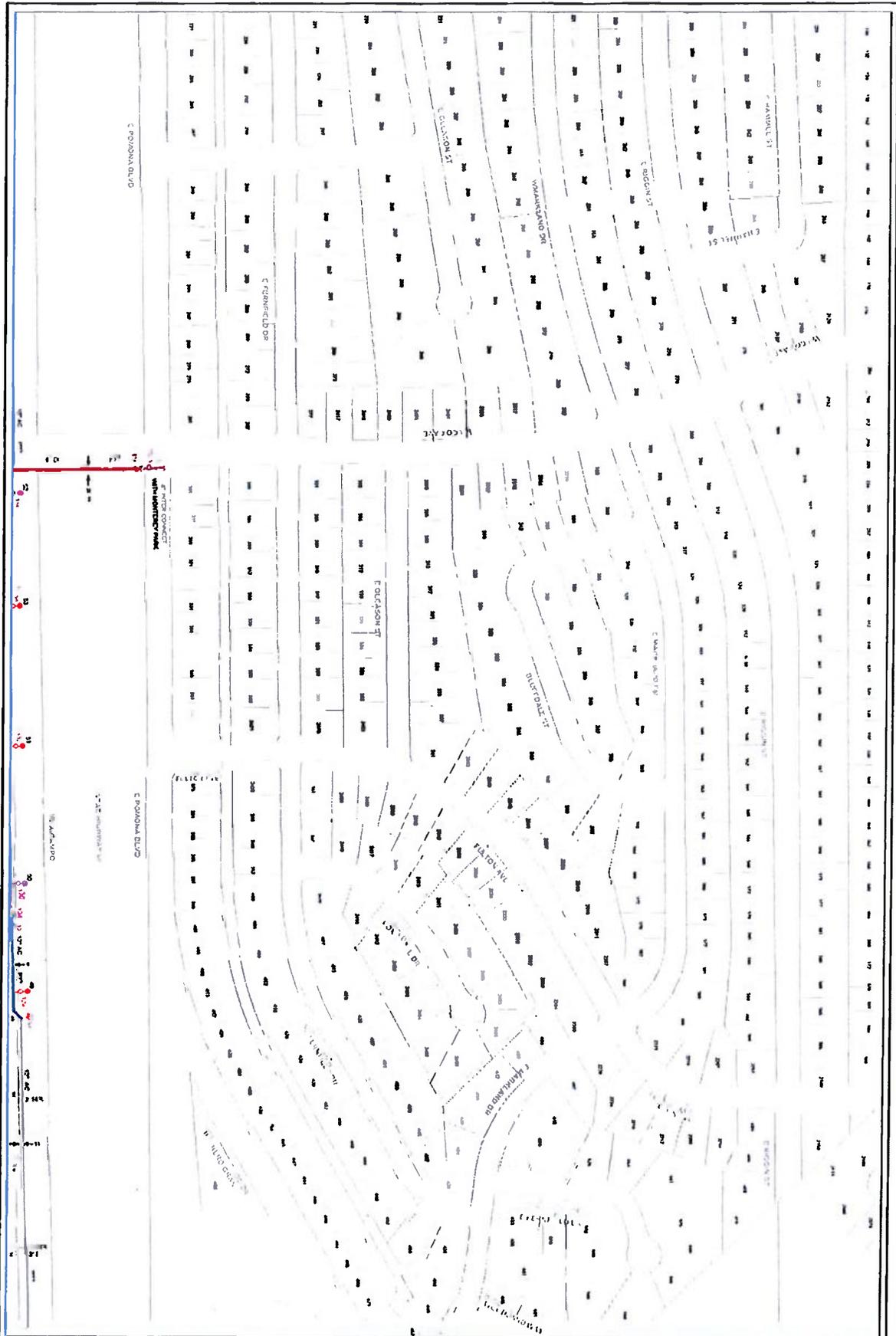
- | | |
|--|---------------------------------|
|  | Pressurized Mains 5" and Below |
|  | Pressurized Mains 6" |
|  | Pressurized Mains 8" |
|  | Pressurized Mains 10" and 12" |
|  | Pressurized Mains 14" and Above |
|  | Gravity Mains 5" and Below |
|  | Gravity Mains 6" |
|  | Gravity Mains 8" |
|  | Gravity Mains 10" and 12" |
|  | Gravity Mains 14" and Above |
|  | Conduit |

Polygons:

- | | |
|---|------------------|
|  | CWS |
|  | Station |
|  | Easement |
|  | Casing |
|  | Tentative Parcel |

City Of Montebello - Street Name Index

STREET	GRID	STREET	GRID	STREET	GRID	STREET	GRID	STREET	GRID	STREET	GRID	STREET	GRID
14TH ST S	MTB-33-27	CONDOR AVE	MTB-33-26		MTB-29-30	RAYWOOD AVE N	MTB-27-30		MTB-26-26				
15TH ST N	MTB-26-28		MTB-33-27	KUHL DR	MTB-28-27		MTB-28-30		MTB-26-27				
	MTB-27-28	CORAL CIR S	MTB-25-28			RAYWOOD PL	MTB-27-30		VIA NAPOLI	MTB-26-28			
19TH ST N	MTB-27-28	CUESTA WAY	MTB-27-28	LADYWOOD PL	MTB-26-28	REVERE AVE N	MTB-26-29		VIA PALERMO	MTB-26-26			
1ST ST N	MTB-26-30	CULP DR	MTB-29-30	LAS FLORES AVE N	MTB-27-30	RIO BLANCO ST	MTB-26-29		VIA PASO	MTB-26-27			
	MTB-29-30			LEXINGTON AVE	MTB-27-28		MTB-26-29		VIA ROMA	MTB-26-28			
2ND ST N	MTB-27-30	GAORE PL	MTB-27-29	LIBERTY AVE W	MTB-26-28	ROCKY HILL AVE W	MTB-27-29		VIA SAN CLEMENTE	MTB-26-28			
	MTB-26-30	DARCY DR	MTB-26-28	LINCOLN AVE E	MTB-26-30				VICTORIA AVE E	MTB-26-30			
3RD ST N	MTB-27-29		MTB-33-28	LINCOLN AVE N	MTB-29-30	SALEKNO	MTB-26-28		VICTORIA AVE N	MTB-26-30			
	MTB-27-30	DATE ST	MTB-33-27	LINCOLN AVE W	MTB-26-27		MTB-27-30		VIEW CREST DR E	MTB-27-30			
4TH ST N	MTB-33-29	DE PALMA WAY	MTB-27-29		MTB-27-28	SANCHEZ STN	MTB-26-30		VIEW CREST DR N	MTB-27-30			
4TH ST S	MTB-35-26	DEWEY CIR	MTB-26-30	LOMA RD	MTB-27-28		MTB-27-28		VIEWCREST DR	MTB-27-30			
		DOCHAN CIR	MTB-26-30	LOS AMIGOS AVE E	MTB-27-28	SANDY HOOK ST	MTB-27-29		VILLA ST N	MTB-25-29			
			MTB-26-30	LOS AMIGOS AVE W	MTB-27-29		MTB-27-29		VOLMER AVE	MTB-35-27			
A.T. & S.F.R.R.		DURANGO ST N	MTB-27-29		MTB-27-29	SANTA ANA (S FWY)	MTB-26-26			MTB-35-27			
			MTB-35-27		MTB-26-29		MTB-26-27						
		EL CAMINO DR	MTB-27-28	MADERO ST N	MTB-27-29	SATURIN ST	MTB-26-28		WELLMAN ST	MTB-35-26			
ADAMS AVE W	MTB-27-29	ELLINGSBROOK DR	MTB-25-30	MADISON AVE E	MTB-29-30	SAVANNAH ST W	MTB-26-29			MTB-26-27			
ADELITA ST	MTB-27-29	ELM ST W	MTB-34-27	MADISON AVE W	MTB-26-30	SLAUSSON AVE E	MTB-35-26		WEMAR WAY N	MTB-27-30			
ADOBEE AVE N	MTB-27-30	ELM ST	MTB-33-26	MALONE DR	MTB-26-27		MTB-36-27		WESTMORELAND DR	MTB-26-27			
ALDEA DR	MTB-27-28	ESPANOL AVE	MTB-33-27	MAPLE AVE N	MTB-26-28	SLAUSSON AVE	MTB-36-27			MTB-26-28			
ALFREDO PL W	MTB-27-29	ESPELETTE PL	MTB-28-30	MAPLE AVE S	MTB-26-28	SOLANO AVE	MTB-36-27		WILBER PL	MTB-26-30			
ANDRUSS PL	MTB-26-30	EULA DR E	MTB-28-30	MAPLE DR N	MTB-26-28	SOLANO CIR	MTB-27-28			MTB-29-30			
APPAN WAY	MTB-26-29			MAPLE DR N	MTB-26-28	SONORA ST N	MTB-27-29		WILCOX AVE	MTB-25-27			
ARROYO DR E	MTB-35-29	HENRY HILL DR E	MTB-25-27	MARCOONI ST	MTB-26-28	SPRUCE ST S	MTB-34-27			MTB-26-27			
ASHBY RD W	MTB-35-29	HINDLAY AVE	MTB-34-26	MARK DR	MTB-26-28		MTB-25-27		WOODLAND WAY	MTB-25-27			
ATLAS ST	MTB-25-28	HIR ST	MTB-29-30	MARKLAND DR E	MTB-25-27	STATE HIGHWAY 80	MTB-25-29			MTB-27-29			
AVENIDA DE LA MERCED E	MTB-27-30	FORBES AVE N	MTB-28-30	MARKLAND DR W	MTB-25-27		MTB-25-30						
AVENIDA DE LA MERCED W	MTB-27-29	FOXGLOVE DR	MTB-33-17	MAYNARD RD	MTB-35-28	SUFFOLK AVE W	MTB-29-29		YORKTOWN AVE W	MTB-26-29			
AZALEA DR E	MTB-27-30	FRANK PL	MTB-33-17	MERLE DR	MTB-27-28		MTB-25-30						
AZALEA DR N	MTB-27-30	FRANKEL AVE	MTB-33-27	MESSINA	MTB-28-28		MTB-25-31		ZINDELL AVE	MTB-36-27			
		FREMONT SQ E	MTB-25-27	MICHAEL COLLINS CIR	MTB-27-29	SUPPLY AVE	MTB-33-27						
BALANDA DR E	MTB-27-30	FULTON AVE	MTB-25-27	MILANO	MTB-36-28	SYCAMORE CONNECTOR HD	MTB-34-28						
BALDWIN PL	MTB-26-28			MILANO	MTB-36-28		MTB-34-27						
BANDINI BLVD	MTB-34-26	GAGE AVE	MTB-36-27	MONTEBELLO BLVD N	MTB-35-27		MTB-34-28						
	MTB-35-26	GAGE RD	MTB-36-27	MONTEBELLO BLVD S	MTB-35-27		MTB-34-27						
BARR AVE	MTB-26-28	GARDNER DR	MTB-28-28		MTB-26-28	SYCAMORE ST	MTB-33-27						
BEVERLY BLVD E	MTB-26-30		MTB-27-28		MTB-27-28		MTB-33-28						
BEVERLY BLVD	MTB-26-30	GARFIELD AVEN	MTB-26-28		MTB-33-27								
BEVERLY RD	MTB-29-30	GARY AVE W	MTB-33-27		MTB-34-27	TAMPCO WAY	MTB-27-29						
BEVERLY TER E	MTB-29-30	GERMAIN DR	MTB-27-28	MONTEBELLO TOWN CTR	MTB-25-31	TANAGER AVE	MTB-33-26						
BEVERLY PARK PL	MTB-29-30	CLEASON ST E	MTB-25-27				MTB-34-26						
BIRCH ST	MTB-35-29	GOODEN PL	MTB-26-28	NEIL ARMSTRONG ST	MTB-25-30	TAYLOR AVE N	MTB-27-28						
	MTB-35-28	GREENWOOD AVE S	MTB-33-27			TAYLOR AVE S	MTB-33-27						
BLUFF RD S	MTB-36-27			OAK ST	MTB-29-30		MTB-34-26						
	MTB-36-28	GREENWOOD AVE	MTB-35-27	OAKMONT DR E	MTB-27-30	TELEGRAPH RD	MTB-35-28						
BLUFFDALE ST	MTB-25-27		MTB-26-28	OAKMONT DR W	MTB-27-29		MTB-35-27						
BOLKER WAY	MTB-26-28		MTB-35-28		MTB-33-27		MTB-36-27						
BOSTON AVE W	MTB-35-29	KNEYSCASTLE AVE N	MTB-25-30	OAKWOOD ST W	MTB-33-27	TEXCOCO ST	MTB-27-28						
BRADLEY AVE	MTB-29-30				MTB-34-27	TODD AVE	MTB-36-27						
BRIGHTON WAY	MTB-26-28	HAMMEL ST E	MTB-25-27	ORCUTT DR N	MTB-27-30	TODD PL	MTB-26-28						
BUNKER HILL AVE W	MTB-26-29	HANGING ROCK AVE	MTB-25-30		MTB-26-30	TOBINO ST	MTB-26-28						
BURKE DR E	MTB-27-30	HARDING AVE E	MTB-29-30	OXFORD WAY	MTB-35-28	TRINIDAD AVE	MTB-25-30						
BURKE DR W	MTB-27-30	HIBISCUS ST	MTB-27-30		MTB-26-30	TRIANGLE DR	MTB-35-26						
BURKE DR	MTB-27-30	HOLGER DR	MTB-29-30	PARAMOUNT BLVD	MTB-25-30		MTB-35-26						
		HOWARD AVE W	MTB-27-28	PEACOCK LN	MTB-27-29								
CABOT PL	MTB-27-28			PEERLESS WAY	MTB-34-27	UNION ST	MTB-35-27						
CAROB WAY	MTB-34-27			PERRY ST	MTB-26-28								
CASA GRANDE AVE	MTB-27-30	IGUALA ST N	MTB-28-29	PINE ST	MTB-29-30	VAIL AVE N	MTB-25-28						
CEDAR ST	MTB-34-27	INTERSTATE S	MTB-36-27	POMONA BLVD E	MTB-25-27		MTB-26-28						
	MTB-35-28	IRONSTONE AVE N	MTB-25-30		MTB-27-28		MTB-27-28						
CHAPIN RD	MTB-35-28			POPLAR AVE N	MTB-26-30	VAIL AVE	MTB-33-26						
	MTB-25-27	JEF-HENSON BLVD W	MTB-27-29		MTB-29-30		MTB-34-26						
CHURCH RD	MTB-34-26	JERSEYDALE AVE N	MTB-25-30	POTRERO GRANDE DR	MTB-25-27	VALERA DR	MTB-26-30						
	MTB-26-27				MTB-25-28	VERA CRUZ ST N	MTB-26-29						
COFFMAN DR	MTB-28-28	JUAREZ ST N	MTB-27-29		MTB-25-27	VIA CAMPO	MTB-25-27						
	MTB-27-28			RANCHO DR	MTB-26-30		MTB-25-28						
CONCORD AVE W	MTB-27-29	KATHERINE DR	MTB-28-30										



MIB 25 28



 Date of Issue: March 2017

 Scale: 1" = 200'

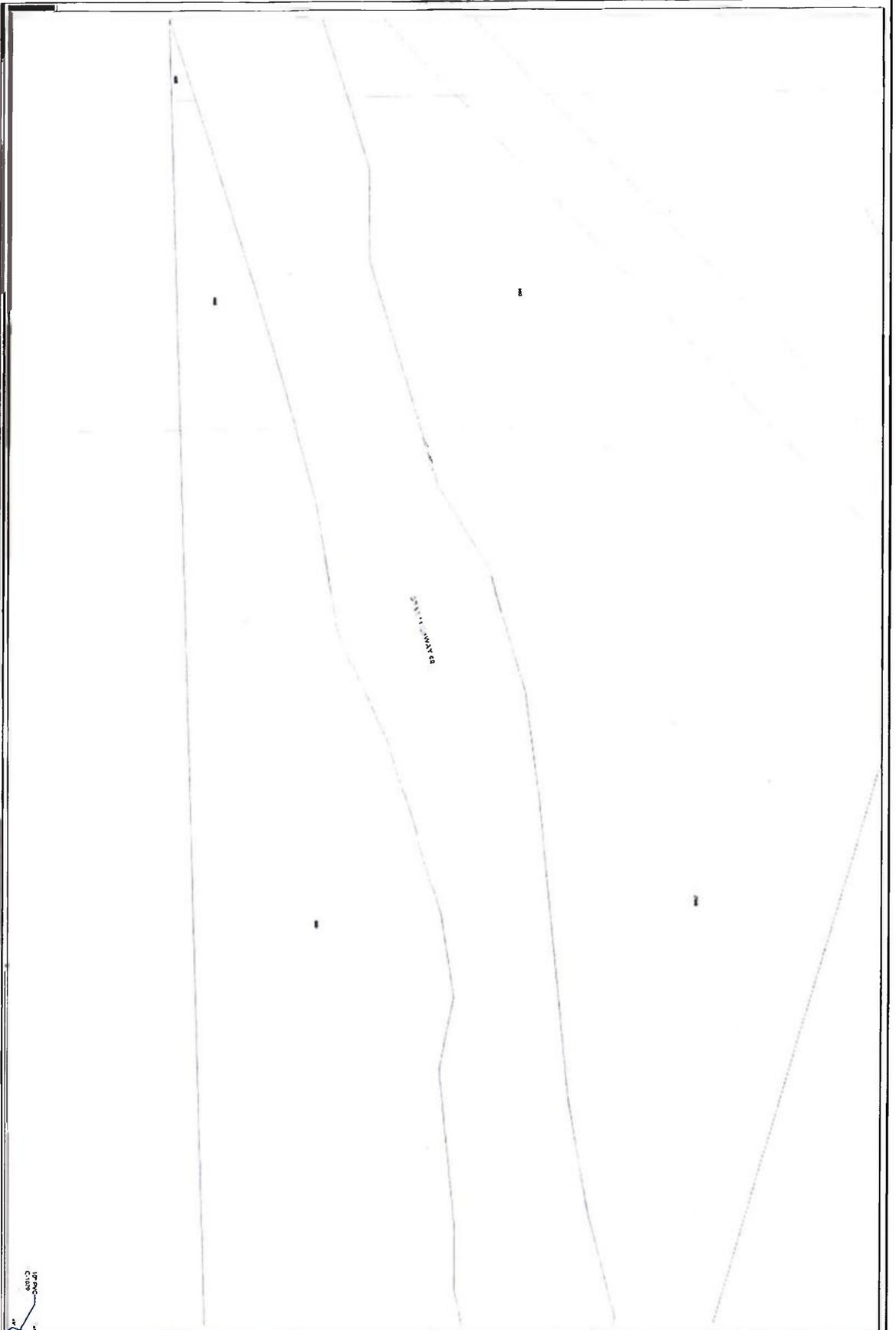
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**CITY OF MONTEBELLO
WATER SYSTEM**



MTB 25 28

MTB 25-29



MTB 25 30



Date of Issue
 10/15/10
 Date of Issue
 10/15/10
 Date of Issue
 10/15/10

Scale
 1" = 400'
 1" = 400'

Scale
 1" = 400'
 1" = 400'



Scale
 1" = 400'
 1" = 400'

CITY OF MONTEBELLO
WATER SYSTEM

SIS



10/15/10
 10/15/10
 10/15/10



CITY OF MONTEBELLO WATER SYSTEM

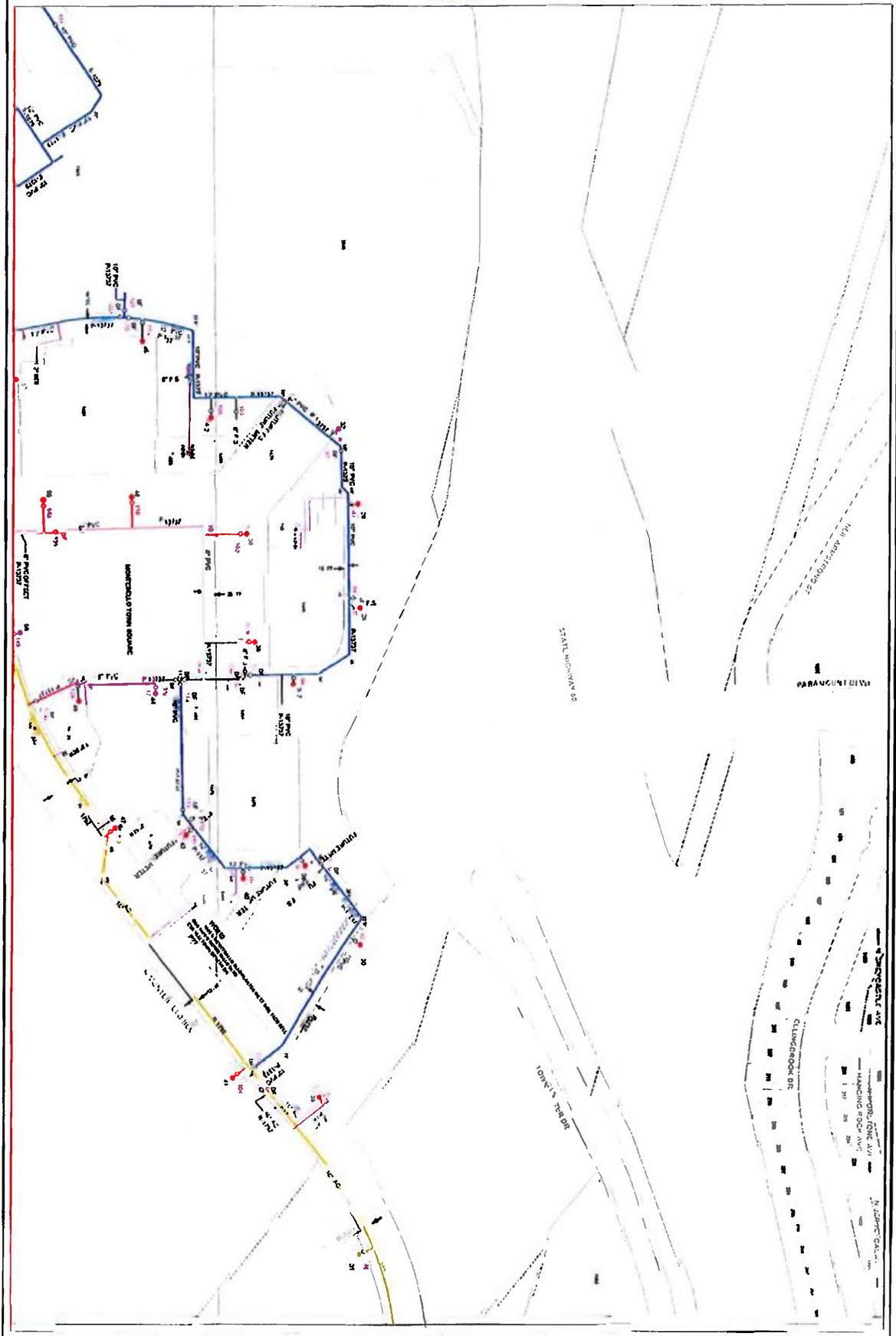
MTB-25-29



SCALE:
1" = 300'

Date of Issue:
March, 2012

Proj. Sheet:
MTB-25-30



MTB-25-30

MTB 25-31

Proj Sheet
MTB26-27

Date of Issue
March 2012

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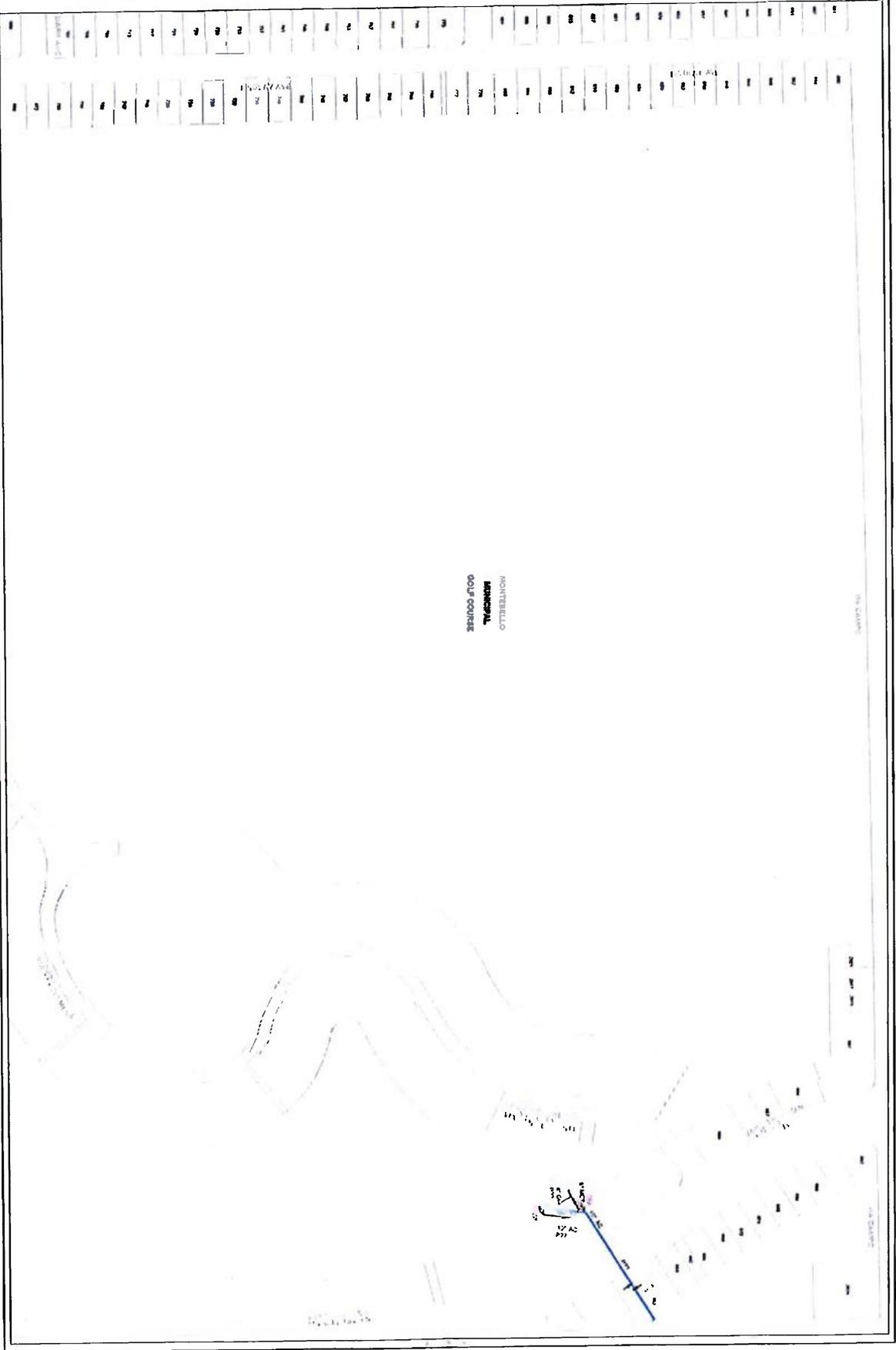


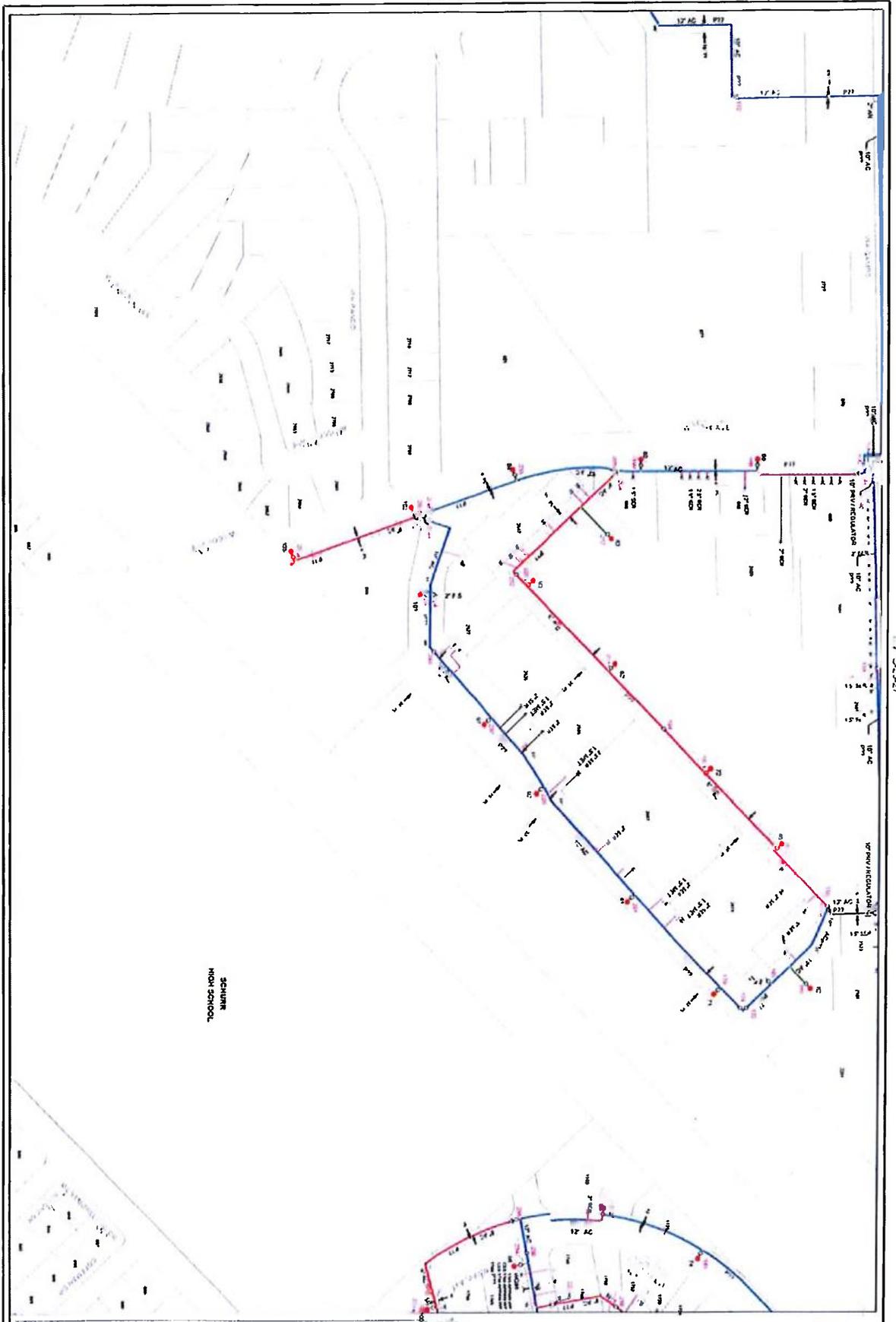
CITY OF MONTEBELLO WATER SYSTEM

GIS



Montebello
California
90640

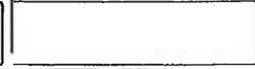




17-0-0-27

Date of Issue: March 2013
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 Part Sheet: MTP-05-27


CITY OF MONTEBELLO
WATER SYSTEM



GIS



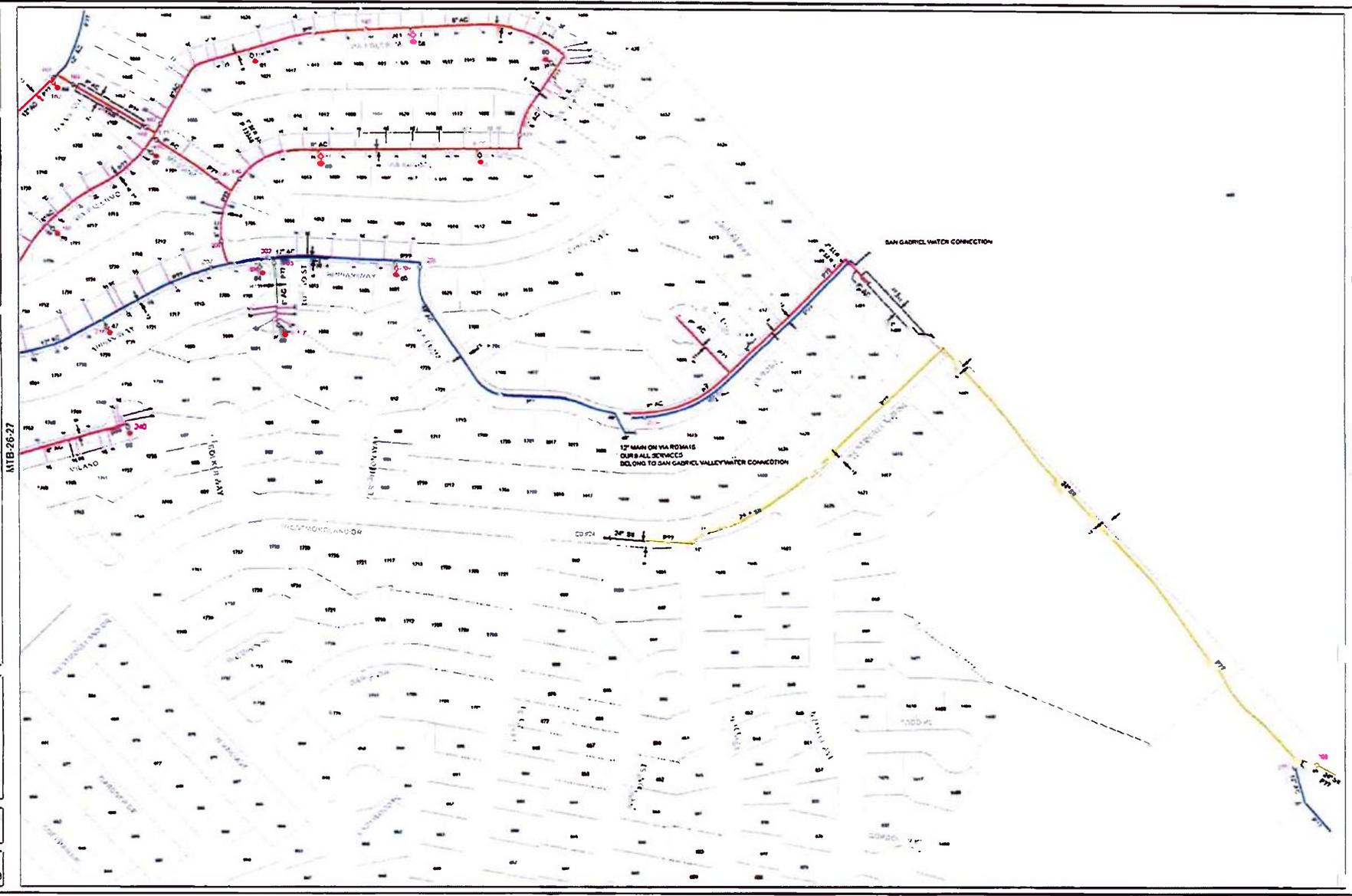

CITY OF MONTEBELLO
WATER SYSTEM



SCALE
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Date of Issue
March 2012

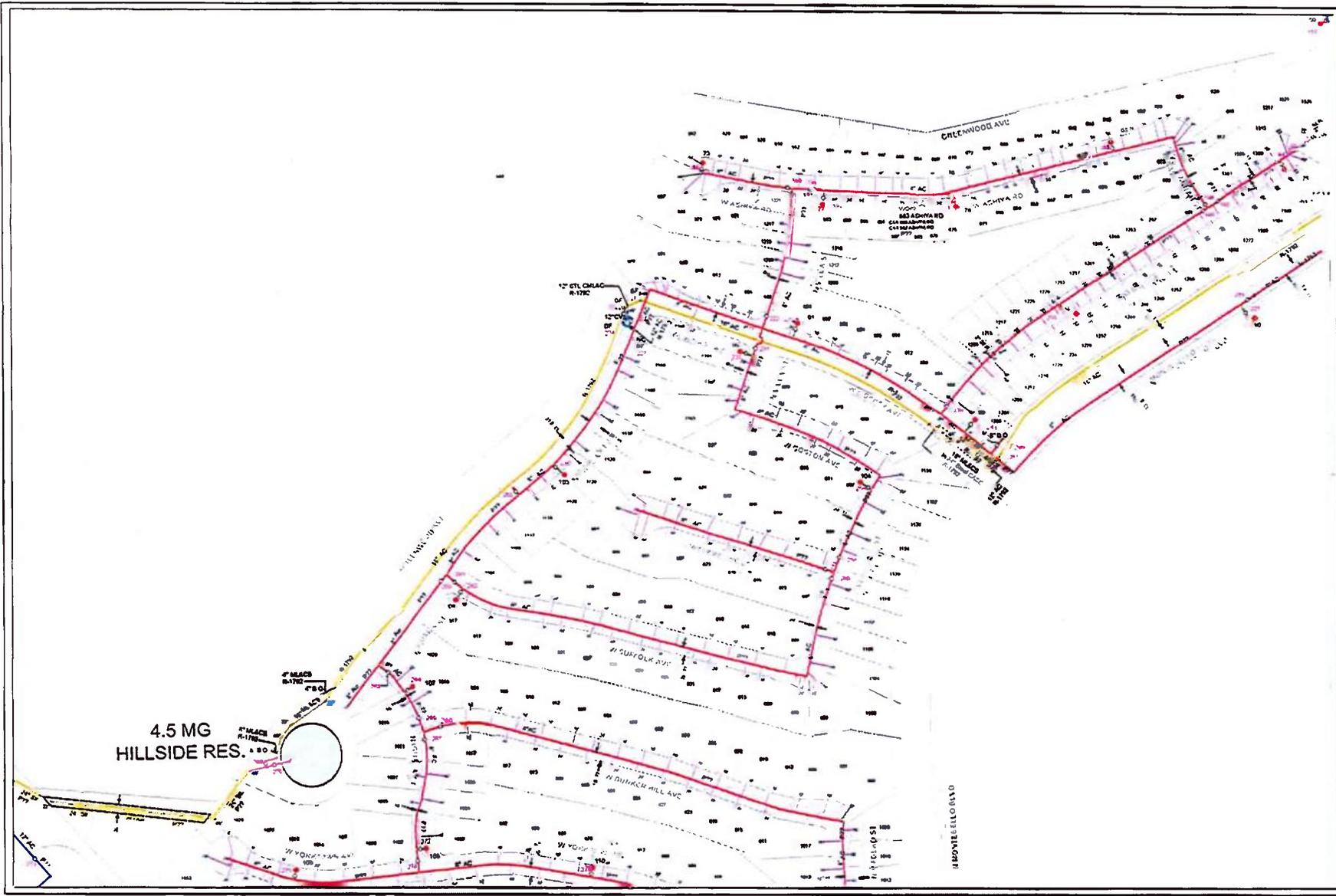
Plot Sheet
MTB-26-28



MTB-26-27

MTB-26-29

MTB 26-28



1110-26-30
 CITY OF MONTEBELLO
 WATER SYSTEM



SCALE
 1" = 200'

Date of Issue
 March 2012

Plot Sheet
 MTB-26-29



CITY OF MONTEBELLO WATER SYSTEM

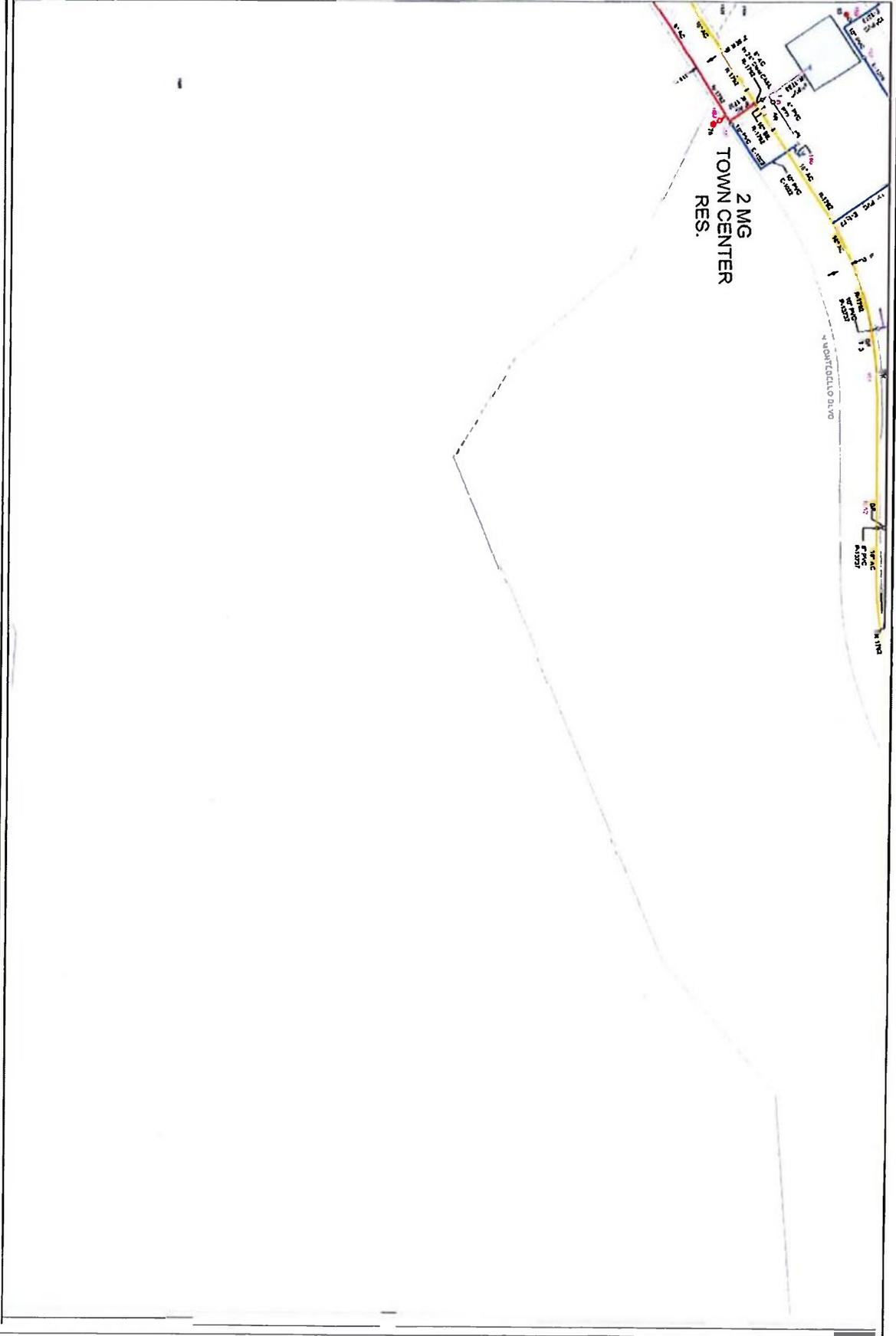
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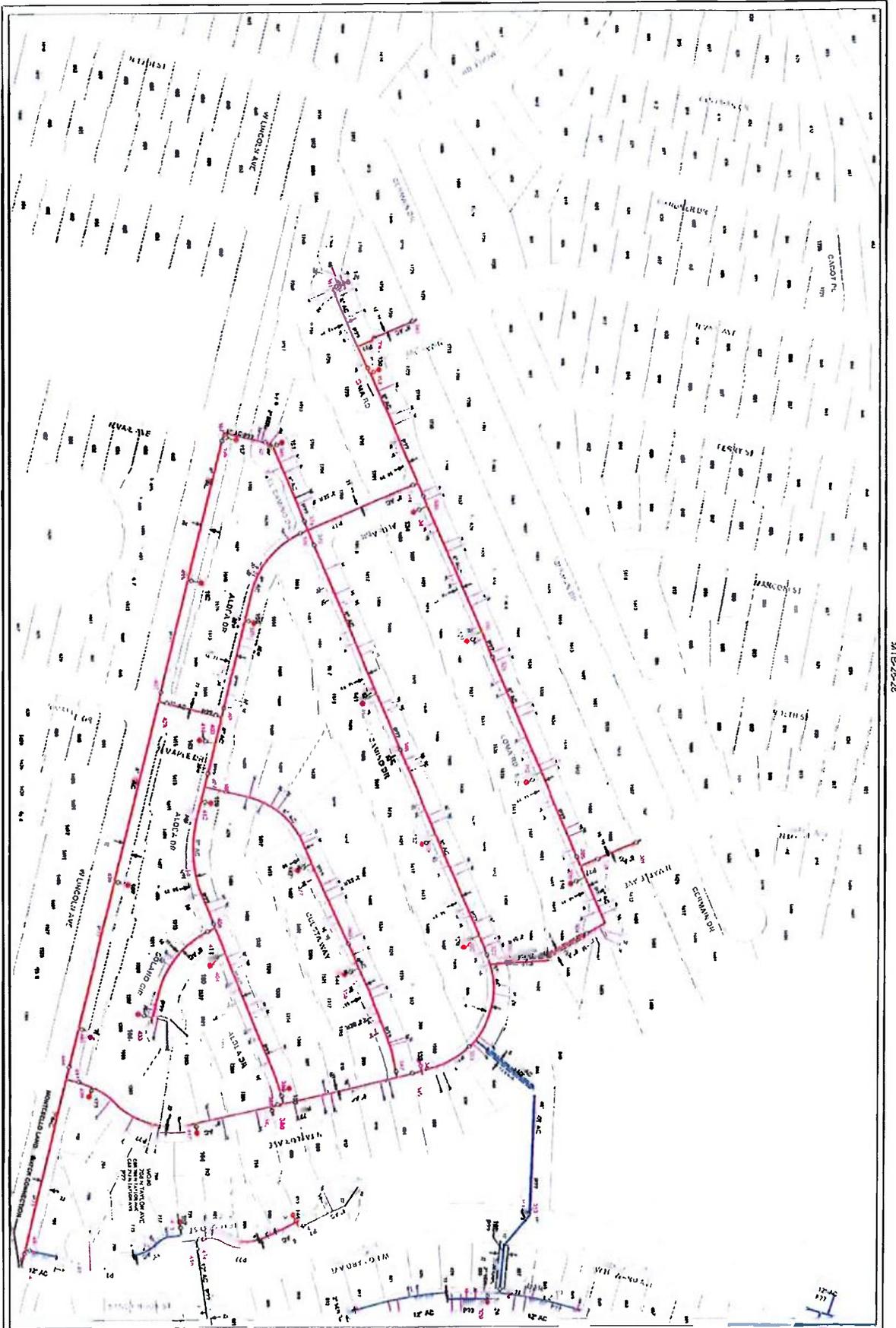
Date of Issue
March, 2012

Plan Sheet
MTB-26-30



MTB-25-30

MTB-27-30



MTB-25-28

MTB-27-29



 PAI SHAW

 MTB-27-28

SCALE

 1" = 200'

Date of Issue

 April 2012

CITY OF MONTEBELLO

WATER SYSTEM





MTB-27-29

Part Sheet
 MTB-27-29
 Date of Issue:
 11/1/2007
 SCALE:
 1" = 200'


**CITY OF MONTEBELLO
WATER SYSTEM**





CITY OF MONTEBELLO WATER SYSTEM



SCALE
1" = 200'

Date of Issue
June 2012

Plan Sheet
MTB-29-30



MTB-29-30

MTB-27-30

UNION COLLEGE



CITY OF MONTEBELLO WATER SYSTEM

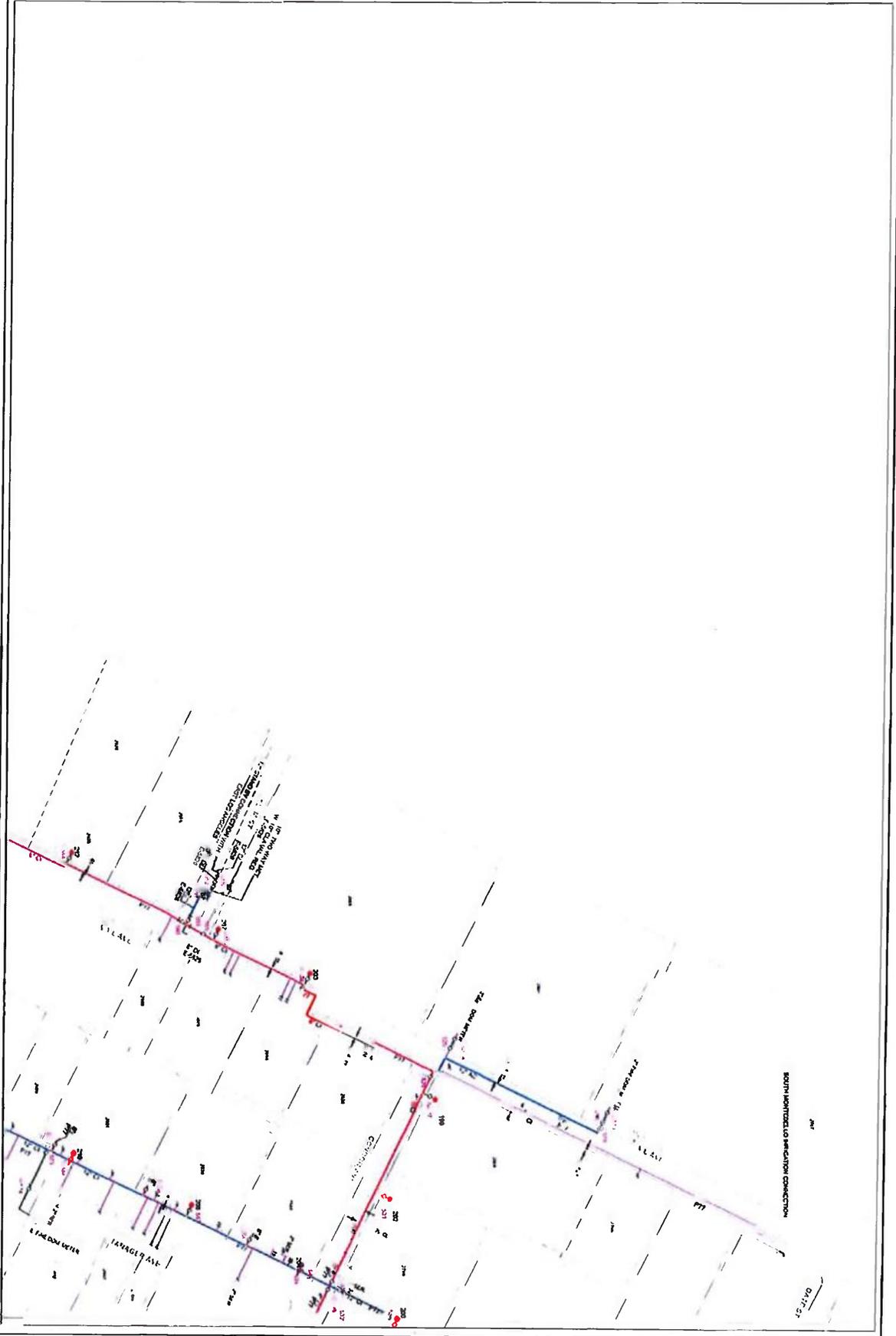


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Plan Sheet:
MTB-33-26

MTB-34-26



MTB-33-27



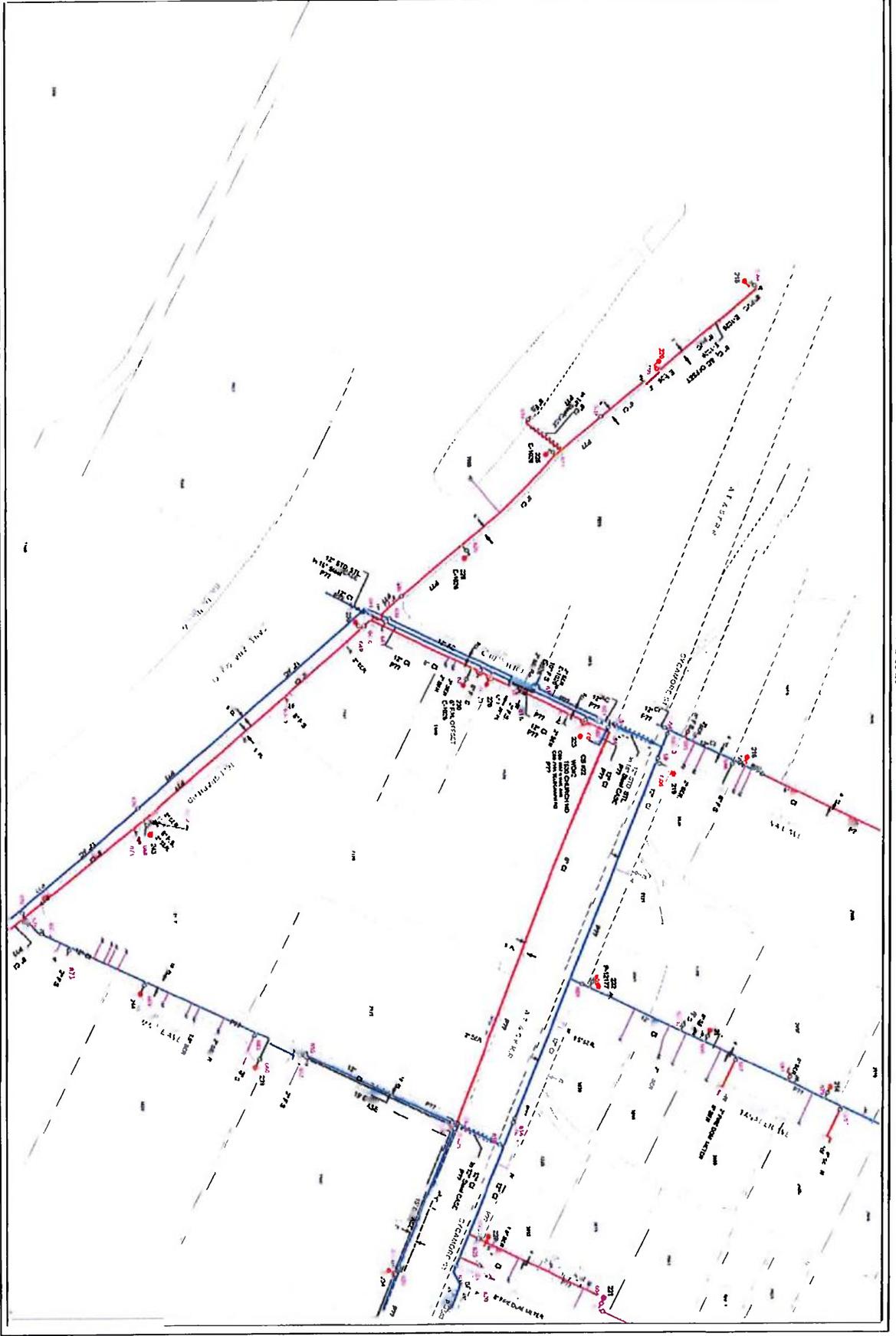
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Date of Issue: December 2012
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 City of Montebello
 Public Works
 MTB-33-27

CITY OF MONTEBELLO
WATER SYSTEM



CITY OF MONTEBELLO WATER SYSTEM



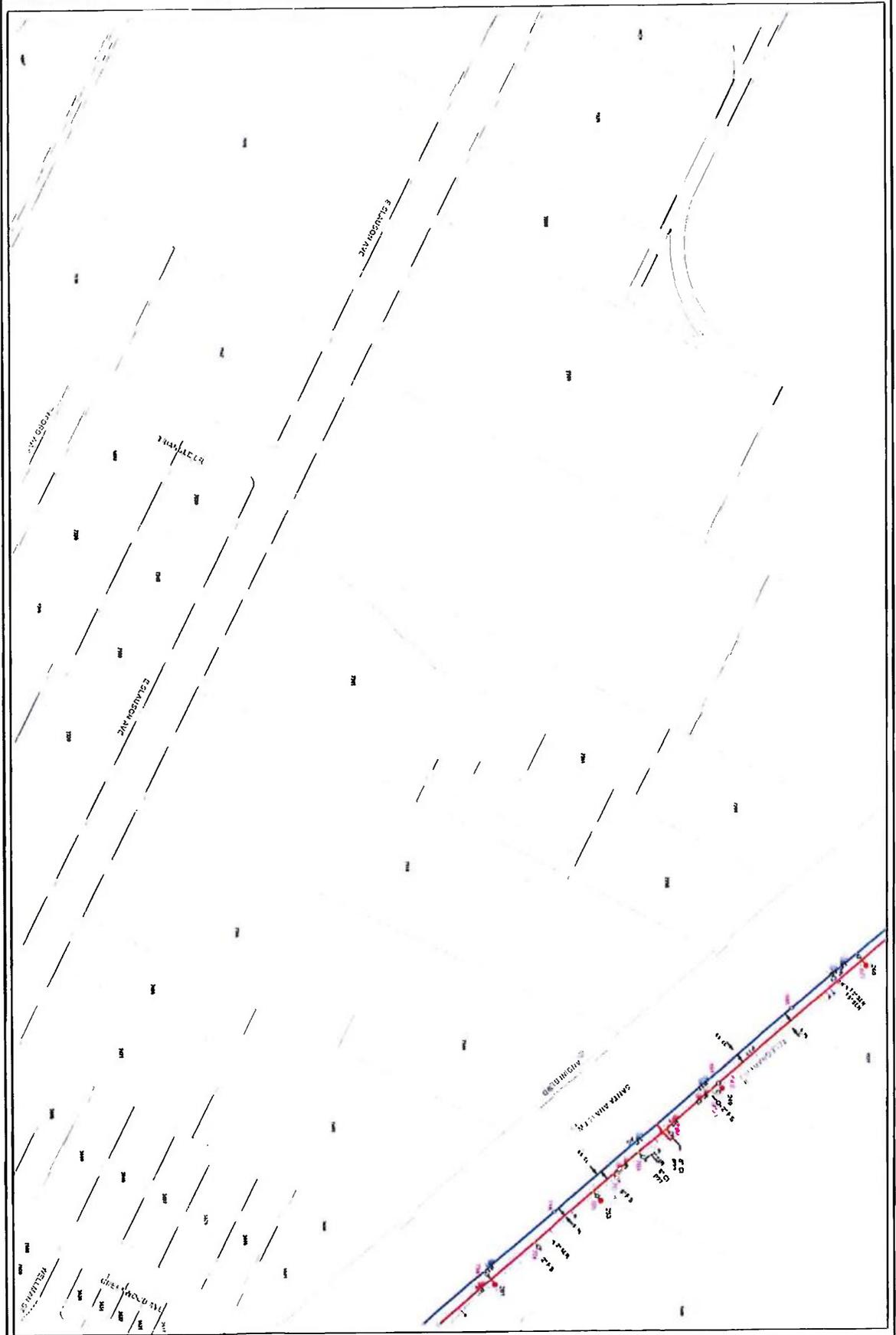
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MTB-34-27

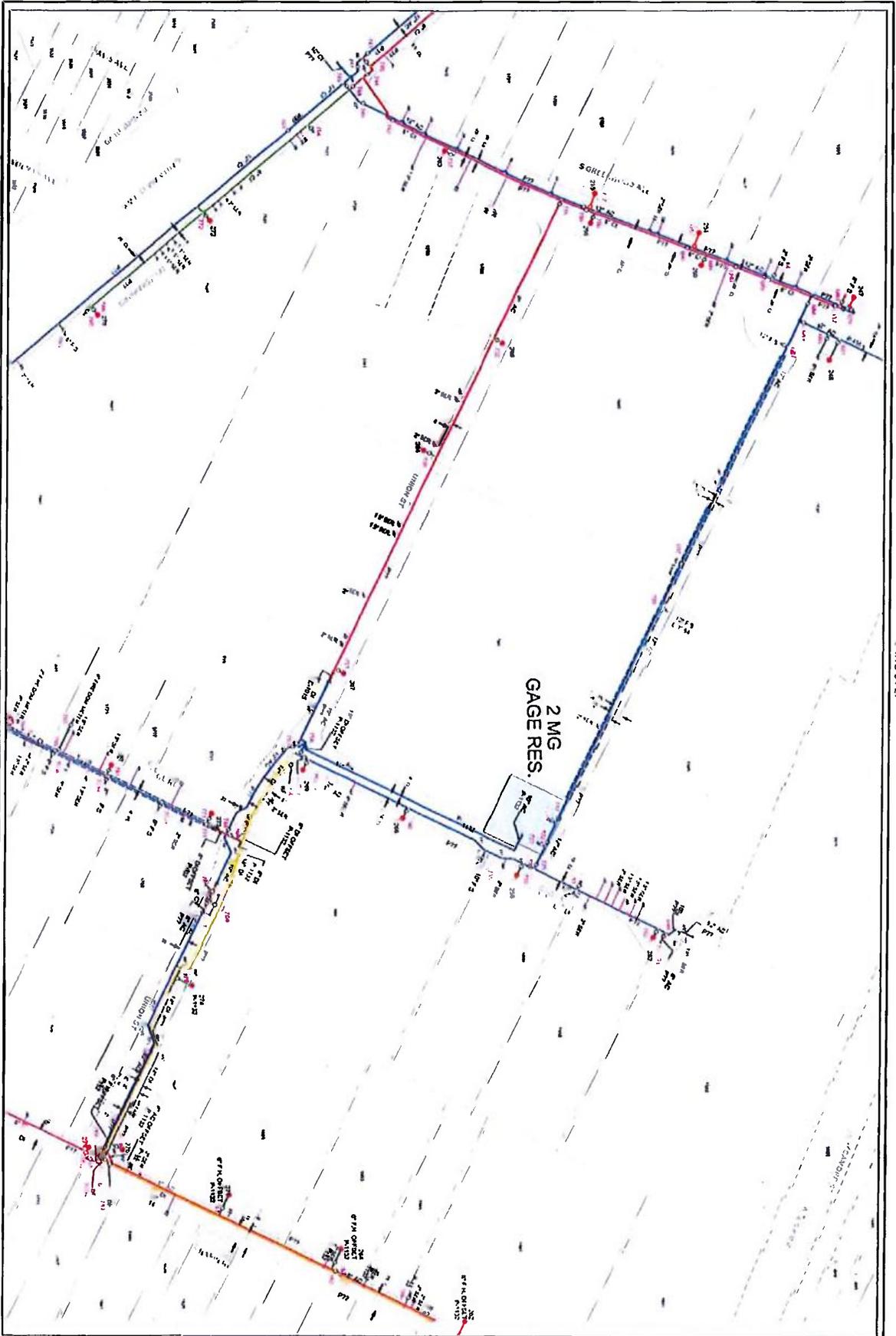


CITY OF MONTEBELLO WATER SYSTEM

SCALE:
1" = 200'
Date of Issue:
Version:
Map Sheet:
MTB-35-28



MTB-35-28



W1B-35-27

W1B-35-27

Date of Issue: March 2012
 Scale: 1" = 200'
 Plot Sheet: W1B-35-27

CITY OF MONTEBELLO
WATER SYSTEM



GIS



CITY OF MONTEBELLO WATER SYSTEM

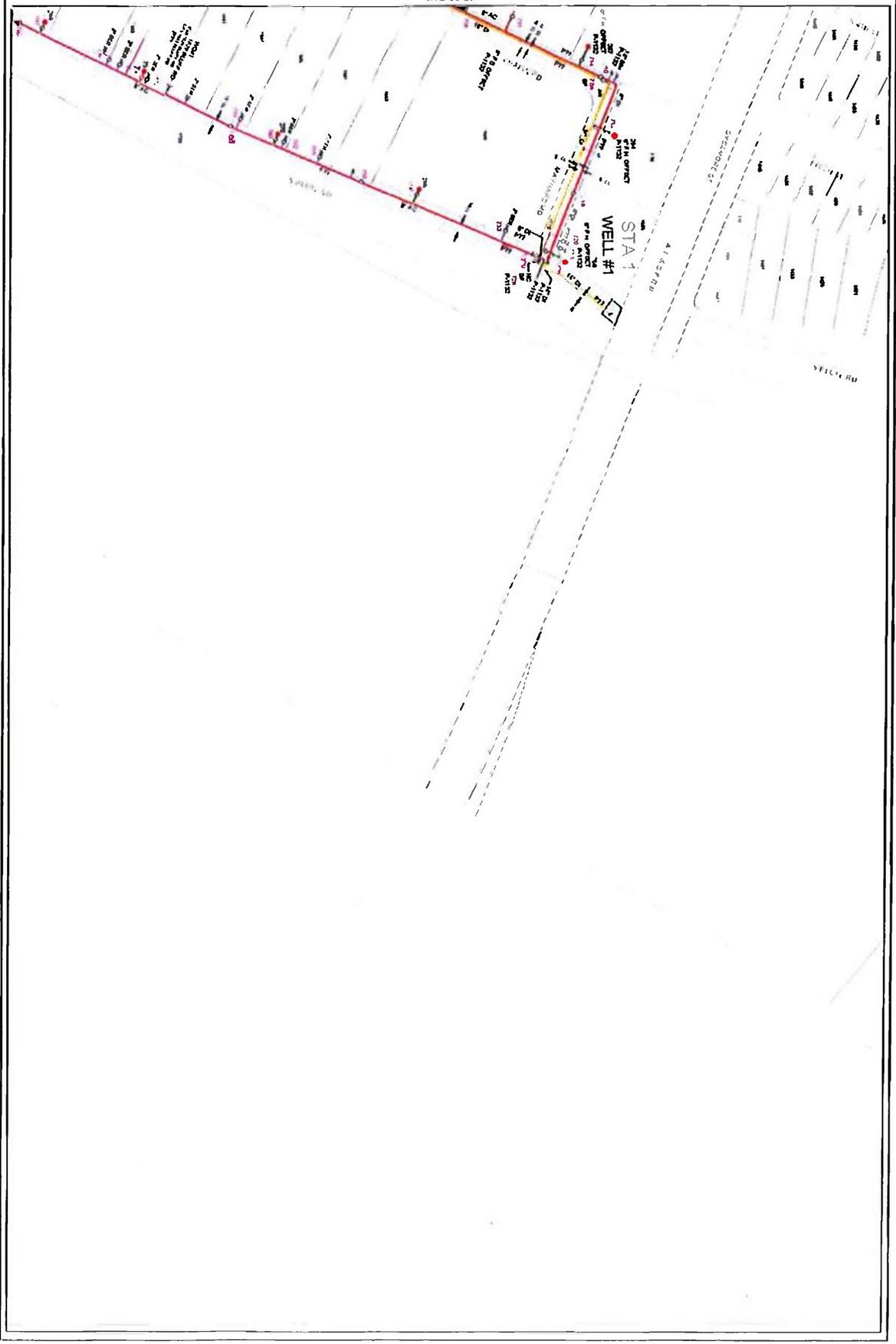


SCALE
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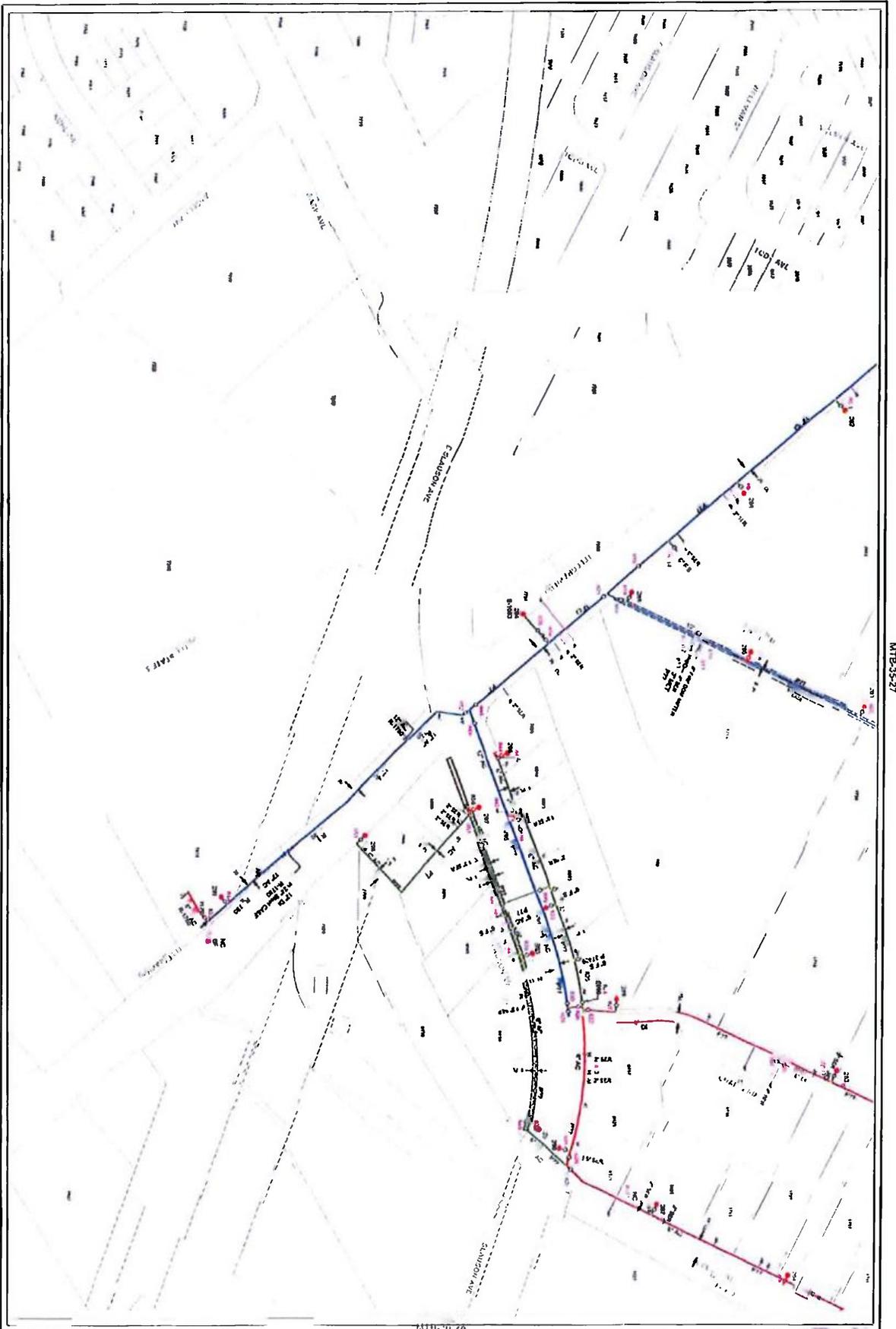
Date of Issue:
April 2013

Part Sheet:
MTB-35-28

MTB-35-27



MTB-36-28



MTB-35-27

<p>City of Montebello Engineering Department MTB-35-27</p>	<p>Date of Issue October 2012</p>	<p>SCALE 1" = 200'</p> 	<p>CITY OF MONTEBELLO WATER SYSTEM</p>		<p>CIS</p>
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Plan Sheet
MTB-35-28

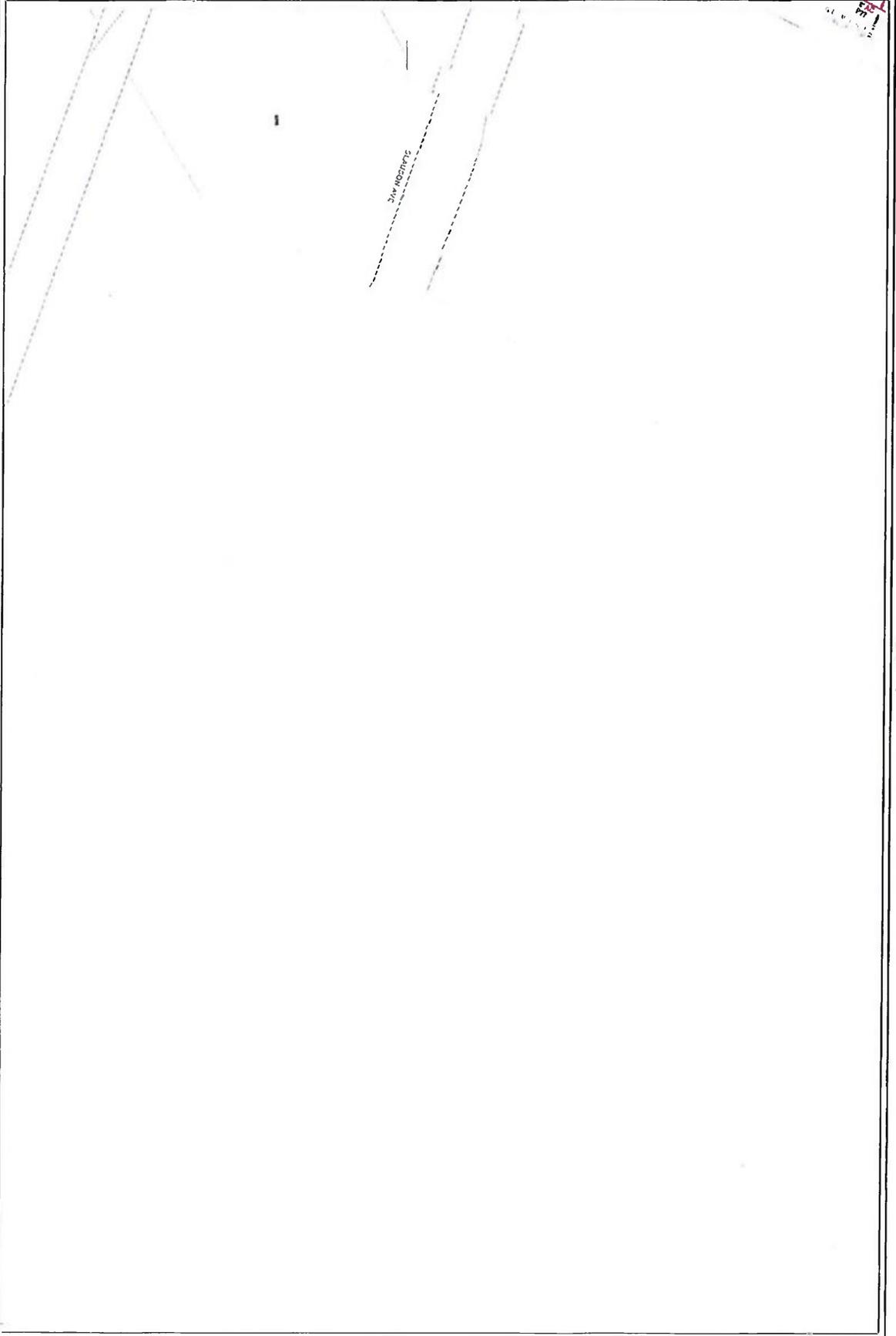
Date of Issue
March 2012

SCALE:
1" = 200'



CITY OF MONTEBELLO WATER SYSTEM

MTB 35-27



MTB 35-27

Exhibit D – City Water Purveyors Map

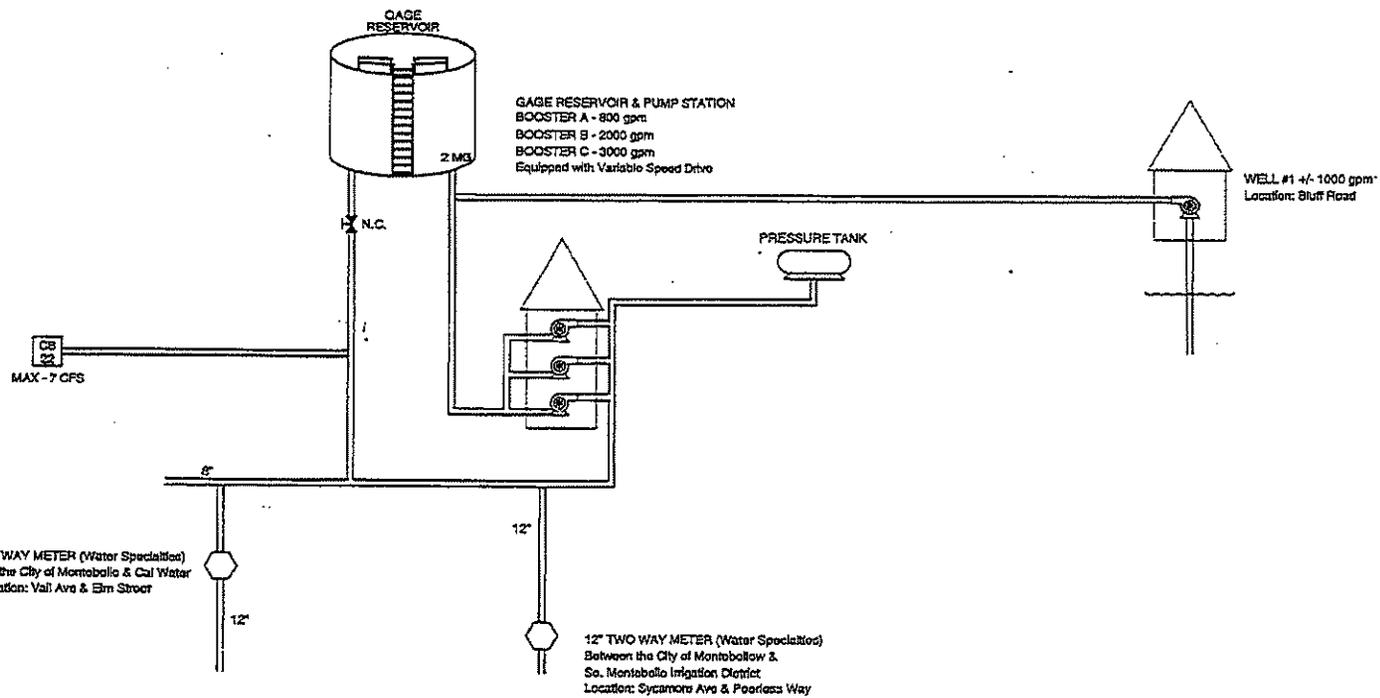
Exhibit E - Montebello Asset List & Schematic

**Exhibit E To Request for Proposals to Purchase Municipal Water System
City of Montebello Water System Asset Inventory
Northern Service Area**

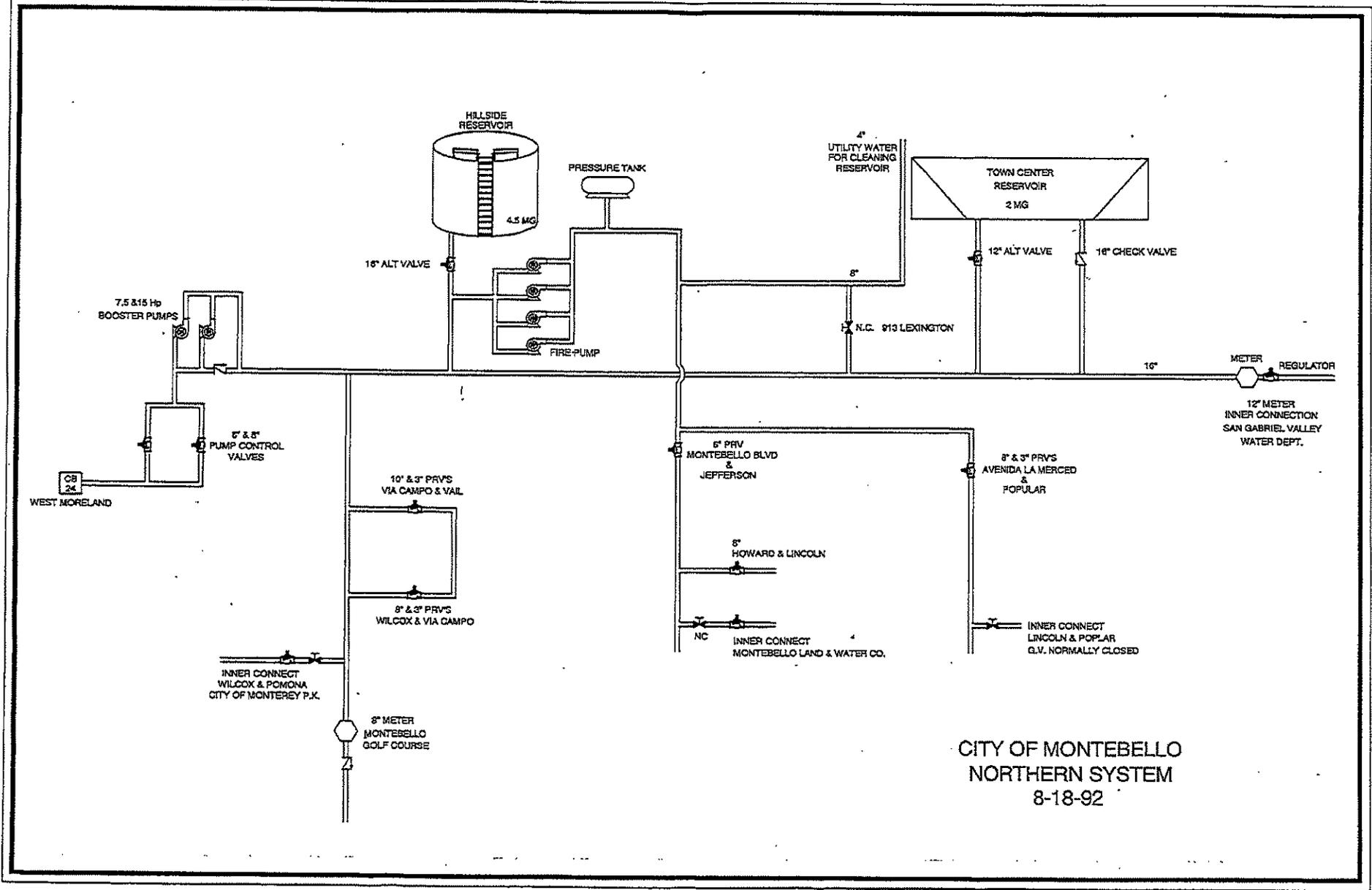
Description	Material	Quantity	Units	Year Installed	2016 Estimated Age
Water Supply					
MWD CB-24 (1,800 gpm)		1	ea	1973	43
subtotal					
Reservoirs					
Town Center (2.0 MG)	concrete	1	ea	1984	32
Hillside (4.6 MG) (\$.75/gal)	ws	1	ea	1975	41
subtotal		2			
Booster Stations					
Westmoreland (700/450 gpm)		1	ea	1984	32
Hillside (360/350/350 gpm)		1	ea	1975	41
Hillside Fire Pump (1,500 gpm)		1	ea	1975	41
subtotal		3			
Distribution Mains/Valves					
4" Main	PVC	132	lf	1985	31
6" Main	AC	5,574	ft	1976	40
8" Main	AC	37,374	ft	1975	41
8" Main	AC	1,460	ft	1985	31
8" Main	CI	64	ft	1979	37
8" Main	DI	345	ft	1984	32
8" Main	PVC	1,189	ft	1985	31
10" Main	AC	7,756	ft	1976	40
10" Main	CMCL	25	ft	1976	40
10" Main	DI	1,774	ft	1984	32
10" Main	PVC	4,705	ft	1985	31
12" Main	AC	7,417	ft	1977	39
12" Main	CMCL	259	ft	1977	39
12" Main	STEEL	94	ft	1985	31
16" Main	AC	3,790	ft	1984	32
16" Main	AC	2,337	ft	1984	32
16" Main	DI	5,420	ft	1984	32
16" Main	STEEL	618	ft	1984	32
24" Main	STEEL	3,038	ft	1974	42
subtotal		83,371			
Hydrants					
FH with Lateral & Valves		171	ea	1970	46
Meters w/Lateral					
5/8x3/4"		945	ea	1970	46
1"		1	ea	1970	46
1.5"		11	ea	1970	46
2"		34	ea	1970	46
2.5"		4	ea	1970	46
3"		10	ea	1970	46
4"		4	ea	1970	46
8"		2	ea	1970	46
subtotal		1,011			
Fire Services					
2" Detector Check		2	ea	1970	46
6" Detector Check		5	ea	1970	46
8" Detector Check		7	ea	1970	46
10" Detector Check		1	ea	1970	46
subtotal		15			
Other Appurtenances					
Sampling Station		5	ea	1986	30
Air Release/Vacuum Release		4	ea	1970	46
Blow Off		8	ea	1970	46
Pressure Reducing Station		3	ea	1970	46
subtotal		20			
Real Property					
Town Center Reservoir					
Hillside Reservoir					
subtotal					
Total RCNLD					

**Exhibit E To Request for Proposals to Purchase Municipal Water System
City of Montebello Water System Asset Inventory
Southern Service Area**

Description	Material	Quantity	Units	Year Installed	2016 Estimated Age
Water Supply					
Bluff Road Well (900 gpm)		1	ea	1973	41
MWD CB-22 (3,100 gpm)		1	ea	1973	41
subtotal					
Reservoirs					
Gage Reservoir (2 MG)		1	ea	1973	41
Booster Station					
Gage Booster (500/2,000/3,000)		1		1973	41
Distribution Mains/Valves					
4" Main	CI	964	ft	1985	29
4" Main	DI	71	ft	1985	29
6" Main	AC	1,178	ft	1966	48
6" Main	CI	810	ft	1954	60
8" Main	AC	5,867	ft	1960	54
8" Main	C.L. &C.	26	ft	1960	54
8" Main	CI	10,608	ft	1960	54
8" Main	DI	2,041	ft	1966	48
8" Main	PVC	409	ft	1985	29
10" Main	AC	2,315	ft	1976	38
10" Main	CI	2,229	ft	1961	53
10" Main	DI	193	ft	1985	29
12" Main	AC	11,440	ft	1972	42
12" Main	CI	9,053	ft	1972	42
12" Main	DI	582	ft	1982	32
12" Main	STEEL	190	ft	1958	56
14" Main	DI	2,989	ft	1972	42
subtotal		50,965	ft		
Hydrants					
FH with Lateral & Valves		103	ea	1969	45
Meters w/Lateral					
1.5"		32	ea	1969	45
2"		72	ea	1969	45
3"		7	ea	1969	45
4"		2	ea	1969	45
6"		9	ea	1969	45
8"		17	ea	1969	45
10"		1	ea	1969	45
Unknown (assume 1")		171	ea	1969	45
subtotal		311			
Fire Services					
1.5" Detector Check		1	ea	1969	45
2" Detector Check		9	ea	1969	45
4" Detector Check		2	ea	1969	45
6" Detector Check		14	ea	1969	45
8" Detector Check		22	ea	1969	45
10" Detector Check		5	ea	1969	45
subtotal		53			
Other Appurtenances					
Sampling Station		3	ea	1986	28
Air Release/Vacuum Release		3	ea	1969	45
Blow Off		2	ea	1969	45
subtotal		8			
Real Property					
Bluff Well site					
Gage Reservoir					
subtotal					
Groundwater Pumping Rights		386.5	AFY		
Total					



CITY OF MONTEBELLO
SOUTHERN SYSTEM
9-16-92



CITY OF MONTEBELLO
 NORTHERN SYSTEM
 8-18-92

Exhibit F - Non-collusion Affidavit

NON-COLLUSION AFFIDAVIT

STATE OF CALIFORNIA LOS ANGELES COUNTY The undersigned bidder or agent, being duly sworn, on oath says that have not, nor has any other member, representative, nor agent of the firm, company, corporation, or partnership represented by them entered into any combination, collusion, or agreement with any person relative to the price to be bid by anyone at such letting, nor to prevent any person from bidding nor to induce anyone to refrain from bidding, and that this bid is made without reference to any other bid and without any agreement, understanding, or combination with any other person in reference to such bidding.

They further state that no person, persons, firms, or corporation has, have or will receive directly or indirectly any rebate, fee, gift, commission, or thing of value on account of such sale. (Purchaser or Agent) for: _____
(Firm or Corporation)

Subscribed and sworn to before me this _____ day of _____, 20____.
My commission expires: _____
(Notary Public)

CERTIFICATION

The Purchaser hereby certifies that they are not barred from bidding on this contract as a result of a violation of either the bid-rigging or bid-rotation provisions of Article 33E of the Criminal Code of 1961, as amended.

(Signature) (Date)

Exhibit G – Water Rate Study



City of Montebello

1600 West Beverly Boulevard
Montebello, California 90640

Water Rate Study

October 3, 2016

Prepared by:

MF Whipple & Associates



October 3, 2016

Ms. Francesca Schuyler, City Manager
City of Montebello
1600 West Beverly Boulevard
Montebello, CA 90640

Ms. Schuyler:

MF Whipple & Associates prepared a water rate analysis after reviewing the City of Montebello's ("City") current water rates to assess the financial condition of the City's water enterprise. For the purpose of this report, we placed reliance on:

- Audited financial statements of the City of Montebello for the years ended June 30, 2011 through June 30, 2015, the estimated expenses of the water enterprise for the year ended June 30, 2016 and the budget for Fiscal Year 2016-17.
- Water delivery and customer water use data provided by San Gabriel Valley Water Company ("SGVWC"), the City's current water operator; monthly production summary in acre-feet provided by the Water Replenishment District of Southern California ("WRD") and various invoices provided by the City to determine water use levels at the City's golf course.
- The Water Service Agreement (Agreement No. 2903) by and between the City and SGVWC establishing the cost and terms for SGVWC to provide water to the northern portion of the City's water system.
- The Agreement to Operate the City Water System by and between the City and SGVWC (Agreement File No. 2883).
- Agreement No. 2015-26 between the City and Central Basin Municipal Water District ("Central Basin") to supply recycled water to the City's golf course.
- The recommended capital improvement plan for the water enterprise contained in the Water Evaluation Report prepared by Infrastructure Engineers in October 2012.

Our review focused on the evaluation of the following:

- Decrease in water consumption levels since the 2013 Water Rate Study. Because of the drought, the State has mandated reduction in water use. Although the City was not mandated to reduce its water use, findings indicate that significant reductions in water consumption has occurred since 2013, impacting revenues of the water enterprise.
- The equivalent meter factors used in the City's current meter service charges as compared to the equivalent meter factors cited in the American Water Works Association (AWWA).
- The amount of revenues generated through various rate scenarios. The scenarios presented in this report evaluate the revenues resulting from scenarios where there are no rate increases, rate increases at levels where the approximate breakeven point occurs (i.e., covers operations and maintenance ("O&M") but rates generate no significant funds for capital improvements), and rate increases each year for five years to generate funds for much needed major capital improvements.

City of Montebello Water Rate Study
October 2016



Should you have any questions, please call our office at (949) 916-3492.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Whipple", with a long horizontal flourish extending to the right.

Michael F. Whipple
Managing Principal



I. EXECUTIVE SUMMARY

Since 1992, the City of Montebello (the “City”) has contracted for the operation and maintenance of its water system with an experienced and highly qualified private water company in order to reduce operational costs. Currently, the San Gabriel Valley Water Company (“SGVWC”) maintains and operates the City’s water system under the terms of an agreement dated October 1, 2013 (Agreement File No. 2883). California Water Service Company (“Cal Water”) was the previous contracted water operator for the City. The transfer of the facilities operations from Cal Water to SGVWC became effective on October 1, 2013. SGVWC staff has notified the City that SGVWC plans to extend its contract up to June 30, 2017 and will not renew its contract as the City’s water system operator beyond that date. The City will have to search for a replacement water operator for the Fiscal Year 2017-18 if SGVWC does not change its decision not to renew the contract as the City’s water system operator.

The City’s Water Enterprise Fund accounts for the maintenance and operation of the water system’s facilities and services. Under enterprise fund accounting, the City reports revenues and expenses for the Water Enterprise in a separate fund rather than commingle the revenues and expenses of the Water Enterprise with all other government activities.

The City Council sets the rates and charges for the City-owned water system. On February 25, 2004, per Resolution 04-14, City Council approved an increase in meter charges by 52.6%, the first-tier volumetric rate by 12.5% and the second-tier volumetric rate by 8.1%. The rates went into effect on March 1, 2004 and the City did not raise rates for nine years. On July 10, 2013, with the adoption of Resolution 13-63, volumetric rates and meter charges were increased by 50.0% effective August 1, 2013 and an additional 25.0% effective July 1, 2014. In each case, City Council approved increased volumetric water rates and meter charges to cover projected operational and maintenance expenses of the water system.

The largest operational expense for the water system has been the purchase of imported water from Metropolitan Water District of Southern California (“MWD”) through Central Basin Municipal Water District (“Central Basin MWD”). Effective April 29, 2016, the City initiated the purchase of water from SGVWC to reduce water purchase costs. SGVWC has agreed to deliver water at a cost equal to ninety percent (90%) of the commodity rate applicable to the delivery of Non-Interruptible Treated Tier 1 water from MWD through Central Basin MWD.

The following analysis provides an overview of the present financial status of the City’s water system along with optional scenarios for water rates to support operational, maintenance and capital expenses over a five-year planning horizon encompassing Fiscal Years 2016-2017 through 2020-2021. The focus of this analysis is to explore the following scenarios:

- Scenario 1: The projected annual operating income or loss to the Water Enterprise Fund if there are no rate increases and no capital improvements are made.
- Scenario 2: The water rates at which the Water Enterprise Fund provide revenues to cover projected operation and maintenance (O&M) of the water system but do not provide significant funds for capital improvements.



- Scenario 3: A rate increase of 50.0% in FY 2016-17 and 5.0% each fiscal year from FY 2017-18 to FY 2020-21 to cover O&M and provide funds for capital improvements.

Water Rate Scenarios

The water rate scenarios assume increasing costs for purchased water to serve the northern portion of the water system and increasing pumping expenses including charges by the Water Replenishment District of Southern California (“WRD”) to serve the southern portion of the water system. Projections of other operating expenses are based on the most recent expenses of the water enterprise. The first water rate increase is anticipated to become effective on January 1, 2017. In addition, the scenarios assume that delivery of recycled water at the City’s golf course will start in July 2017, producing savings to the City because of the lower cost of recycled water to irrigate the golf course. The findings of the analysis are as follows:

- Scenario 1: No rate increases result in significant and increasing deficits every year.
- Scenario 2: The approximate breakeven point in operating income occurs at a rate increase of 15.0% each in Fiscal Years 2016-17 (Year 1) and 2017-18 (Year 2) and there would be no rate increases in Years 3 to 5. Income is used to pay back the loan from the General Fund and/or used for capital improvements. This level of rate increase is projected to generate no significant revenues for capital improvements and continues to produce a deficit up to Year 3 (see Appendix C).
- Scenario 3: A rate increase of 50.0% in FY 2016-17 and 5.0% each fiscal year from FY 2017-18 to FY 2020-21 generates funds for capital improvements. This scenario projects operating income to be approximately \$420,000 in FY 2016-17 and about \$5.0 million over five years. Income is used to pay back the loan from the General Fund and/or used for capital improvements. This scenario produces a deficit in Year 1 and produces a surplus by the end of Year 2 and in each fiscal year end thereafter (see Appendix C).

Summary of Conclusions and Observations

- Operating costs and increased costs of purchased water have resulted in an annual operating loss since Fiscal Year 2007-08.
- If the costs of purchased water and other operational costs continue to increase as projected, the City will have to continue advancing funds from the City’s General Fund to subsidize the Water Enterprise Fund unless water rates are increased.
- Net Revenues have not been sufficient to make needed major capital improvements to the aging water system.
- Infrastructure Engineers Water System Evaluation Report dated October 2012 listed recommended improvements and estimated costs:
 - The estimated cost of immediate capital improvement projects is \$14,400,000.



- The estimated cost of additional capital improvement projects, which would be desirable to have if funding were available, is \$32,500,000.
- The total estimated cost of capital improvements is \$46,900,000.
- On January 27, 2016, the City Council directed City staff to issue a Request for Proposals to receive offers from potential buyers of the water system. The City held a pre-proposal conference for bidders on February 12, 2016. The due date for the submission of proposals was February 29, 2016. The City received proposals from California Water Service Company (Cal Water), San Gabriel Valley Water Company, Liberty Utilities Company, and Golden State Water Company. San Gabriel Valley Water Company was selected as the buyer of the water system after thorough review of the proposals.
- Measure W asking the City's voters to approve the sale of the water system was placed on the June 7, 2016 Primary Election Ballot. The City's voters did not approve the sale of the Montebello Water System to SGVWC.
- The City's current volumetric water rates and meter charges have been in effect since July 1, 2014.
- The City's water system serves several discontinuous areas in the northern portion of the City and a separate southern portion of the City.
- The water source for the southern portion of the water system is groundwater pumped from Well No. 1.
- The northern portion had been served imported water from MWD through Central Basin MWD in the past. Effective April 29, 2016, SGVWC provides water to the City's northern portion through an interconnection on Westmoreland Drive. Pursuant to an agreement with SGVWC (Agreement No. 2903), the City will pay SGVWC an amount equal to 90% of the commodity rate applicable to the delivery of Non-Interruptible Treated Tier 1 water from MWD through Central Basin MWD. The City plans to purchase water from SGVWC for the foreseeable future.
- In FY 2014-15, the City purchased 1,163 Acre-Feet of imported water and pumped 163 Acre-Feet of water, for a total of 1,326 Acre-Feet of water (87.7% imported water and 12.3% pumped groundwater). In FY 2015-16, the City purchased 789 Acre-Feet of imported water from Central Basin MWD, 181 Acre-Feet of water from SGVWC, and pumped 137 Acre-Feet of groundwater, for a total of 1,107 Acre-Feet of water (71.2% imported water, 16.4% water from SGVWC, and 12.4% pumped groundwater).
- There are four other water purveyors serving the citizens of the City: California Water Service Company, SGVWC, Montebello Land and Water Company and South Montebello Irrigation District.



- The current average bi-monthly residential bill of a City water customer using 22 units of water bi-monthly is \$99.48 (one unit equals 748 gallons).
- The financial projections assume that the Water Enterprise Fund will not incur any loans or issue bonds to finance capital improvements for the improvement or replacement of existing water system facilities.
- The financial projections and rate analysis assumes that the golf course will start using recycled water in July 2017. The City has entered into an agreement with Central Basin MWD for delivery of recycled water to the golf course to irrigate the fairways and roughs. The City plans to continue to irrigate the greens with water delivered from the City's water system. Of the total water used at the golf course, it is estimated that 30% will remain potable water and 70% will be recycled water.
- The City has adjudicated groundwater rights of 386.50 acre-feet per year (AFY) in the Central Basin. This groundwater is available only in the southern portion of the water system. The City has leased water rights it has not used to Montebello Land and Water Company.
- Public outreach will be needed to enable the City to disseminate information to the public regarding water issues and the need for water rate increases.

II. OVERVIEW

The City engaged MF Whipple & Associates in 2012 to prepare a water rate study, which was completed in 2013. The 2013 Water Rate Review and Analysis ("2013 Water Rate Study") found that the water enterprise's operating expenses exceeded operating revenues. Upon review of the 2013 Water Rate Study, City staff recommended that the City Council hold a public hearing to consider increasing water rates. Pursuant to Proposition 218, the City notified its water customers of a Public Hearing to be held on July 10, 2013. On July 10, 2013, City Council approved two consecutive rate increases that came into effect on August 1, 2013 and July 1, 2014. This report is an update of the 2013 Water Rate Study.

The City was able to raise additional revenues from volumetric and meter charges in Fiscal Years 2013-14 and 2014-15 because of the two consecutive rate increases, which came into effect on August 1, 2013 and July 1, 2014. In the fiscal year prior to the first rate increase, the City's audited financial statements for the year ending June 30, 2013 showed the Water Enterprise Fund having a net loss of \$830,288. For the year ending June 30, 2014, the first rate increase enabled the Water Enterprise Fund to reduce its net loss to \$370,862. In the following fiscal year ending June 30, 2015, in the fiscal year of the second rate increase, the Water Enterprise Fund's net loss was reduced to \$70,341. For the fiscal year ending June 30, 2016, it is estimated that the Water Enterprise Fund will have a net loss of \$438,051.

The rate increases in 2013 and 2014 allowed the Water Enterprise Fund to reduce net losses and its burden on the General Fund. However, as operational and maintenance costs, pumping costs and the cost of imported water continue to increase, and revenues from water sales decrease as the result of conservation, the City requested a review of the current water rates and an analysis of the current financial condition of its water enterprise.



Although Infrastructure Engineers and both Cal Water and SGVWC as operators of the water system have recommended capital improvements, the City has not had the funds to make major capital improvements due to insufficient water revenues.

Table 1 shows the historical meter charges and Table 2 shows historical volumetric water rates for the City's Water Enterprise since 2004.

Table 1. Current and Historical Monthly Meter Charges

Meter Size (inches)	2004 Monthly Meter Charge	August 1, 2013	July 1, 2014 (Current)
5/8" & 3/4"	\$9.70	\$14.55	\$18.18
1"	\$18.11	\$27.16	\$33.95
1.5"	\$41.10	\$61.65	\$77.06
2"	\$57.45	\$86.17	\$107.72
3"	\$111.75	\$167.63	\$209.54
4"	\$149.52	\$224.28	\$280.35
6"	\$243.97	\$365.96	\$457.44
8"	\$404.53	\$606.79	\$758.49
10"	\$510.75	\$766.12	\$957.65
Fire Services			
2"	\$28.32	\$42.48	\$53.10
3"	\$47.79	\$71.69	\$89.61
4"	\$71.54	\$107.31	\$134.14
6"	\$88.57	\$132.86	\$166.07
8"	\$122.52	\$183.78	\$229.73
10"	\$186.26	\$279.39	\$349.24

Table 2. Current and Historical Monthly Meter Charges

Tier	2004 \$/unit	August 1, 2013 \$/unit	July 1, 2014 \$/unit (Current)
For the first 6 units, per unit	\$1.350	\$2.205	\$2.531
Over 6 units, per unit	\$1.598	\$2.397	\$2.996

1 unit = 1 hundred cubic feet = 748 gallons

III. WATER SYSTEM CHARACTERISTICS

Water Service Connections

The City's water system serves several discontinuous areas in the northern portion of the City and the southern portion of the City. The water source for the northern portion had been imported water purchased from Central Basin MWD. SGVWC has provided water to the northern portion since April 29, 2016. For the southern portion, the water source is groundwater pumped from Well No. 1. The southern portion serves commercial and industrial customers and the northern portion serves mostly residential and commercial customers.



In addition to the City-owned water system, there are four other water purveyors in the City:

- 1) California Water Service Company, an investor owned utility,
- 2) San Gabriel Valley Water Company, an investor owned utility,
- 3) Montebello Land and Water Company, a mutual water company, and
- 4) South Montebello Irrigation District, a public agency.

The map on Appendix A shows the service areas of water purveyors in the City.

The City’s water system has a total of 1,616 meters. Table 3 lists the number of meters by user class and the distribution of meters in the northern and southern portions of the water system (meter count by meter size is shown in Table 18 and Appendix D).

Table 3. Number of Meters by User Class

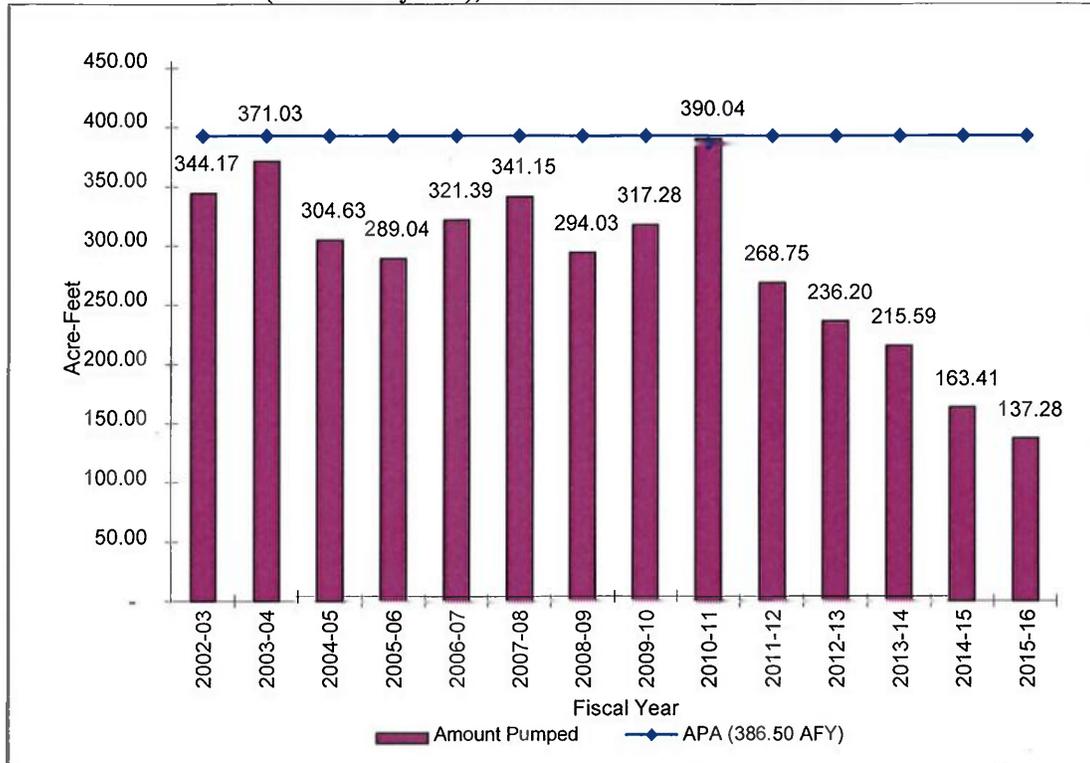
User Class	No. Meters	% of Total
Residential	1,230	76.1%
Commercial [1]	264	16.3%
Industrial	1	0.1%
Public Authority	1	0.1%
Other Services	2	0.1%
Private Fire	118	7.3%
Total	1,616	100.0%
Distribution of Meters		
	No. Meters	% of Total
North	1,347	83.4%
South	269	16.6%
Total	1,616	100.0%

[1] The golf course meter is included in the commercial class.

In FY 2015-16, the City purchased 789 AF of imported water from Central Basin MWD, 181 AF of water from SGVWC and pumped 137 AF of groundwater, for a total of 1,107 AF of water (71.2% of imported water, 16.4% of water from SGVWC, and 12.4% pumped groundwater). In FY 2014-15, the water system purchased 1,163 AF of water from Central Basin MWD and pumped 163 AF of groundwater for a total of 1,326 AF (87.7% imported water from Central Basin MWD and 12.3% pumped groundwater). This is a 16.5% reduction in water delivery. In addition, the total imported and pumped groundwater in FY 2013-14 was 1,553 AF. This is an overall 14.6% reduction in water delivery from the previous fiscal year. The City-owned water system in FY 2014-15 pumped 163.4 acre-feet of groundwater, which is 223.1 acre-feet less than its adjudicated pumping rights of 386.5 acre-feet in the Central Groundwater Basin. According to the City’s current water operator, the significant reduction in the amount of water pumped from 215.6 AF in FY 2013-14 to 163.4 in FY 2014-15 was due to conservation. FY 2015-16 also experienced an additional drop in the amount of water pumped from Well No. 1 for the same reason. The chart below shows the thirteen-year historical water consumption in the southern area as compared to the City’s water rights of 386.5 acre-feet (AF) per year. Figure 1 shows that groundwater pumping has significantly decreased in the past five years. Table 4 shows the amount of water delivered in FY 2011-12 through FY 2015-16 from each water source.



Figure 1. Amount of Water Pumped from Well No. 1 in Acre-Feet per Year, AFY (Southern System), Fiscal Years 2002-03 to 2015-16



Sources: Department of Water Resources, Water Master Service; Water Replenishment District of Southern California

Table 4. Total Water Delivered by Source (Acre-Feet per Year, AFY)

Water Source	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Imported Water [a]	1,106.30	1,181.93	1,337.19	1,163.21	788.60
Pumped Groundwater [b]	268.75	236.32	215.59	163.41	137.28
Water from SGVWC [c]	0	0	0	0	181.26
Total Water Delivered	1,375.05	1,418.25	1,552.78	1,326.62	1,107.14
Total % Change [d]	-3.5%	+3.1%	+9.5%	-14.6%	-16.5%

[a] Imported water purchased from Central Basin MWD.

[b] Groundwater pumped from the City's Well No. 1.

[c] The City began purchasing water from SGVWC to service the northern portion of the water system on April 29, 2016. The City purchased this water in lieu of purchasing water from Central Basin MWD.

[d] Percent change from the previous fiscal year. In FY 2010-11, total water delivery was 1,424.24 acre-feet.

The Executive Order in April 2015 by Governor Jerry Brown mandating an overall 25% reduction in water consumption by February 2016 due to the continuing drought has decreased the water system's revenues as customers comply with the State's conservation mandate. It is important to note that the 25% reduction in the water consumption mandate is a collective percentage and water suppliers have different



conservation goals. The mandate takes into account communities that have already been conserving for many years. Suppliers with lower residential gallons per capita per day (R-GPCD) for the benchmark months of July to September 2014 were assigned lower conservation goals than suppliers with higher R-GPCDs. Although the State Water Resources Board did not set a conservation goal for the City of Montebello, City water customers have reduced their water use. For example, this water rate study update found that residential customers use an average of 11 units per month as compared to 15 units per month as cited in the 2013 Water Rate Study. Although reduced water use will reflect lower total purchased water and replenishment expenses, the cost per acre-foot of imported water charged by Central Basin MWD and the replenishment assessment charged by WRD will continue to increase, as well as expenses for maintenance, operations and recommended capital improvements.

Table 5. Customer by User Class and Water Consumption [a]

User Class	Meter Count	Average Monthly Water Use (Units)	Average Monthly Use per Meter (Units)	Percent of Total Water Use
Residential	1,228	13,158	11	34.56%
Commercial	265	15,450	58	40.58%
Industrial	1	15	15	0.04%
Public Authority	2	24	12	0.06%
Other Services	1	32	32	0.08%
Private Fire	118	-	-	-
Total Less Golf Course	1,615	28,680	-	-
Montebello Golf Course	1	9,394	9,394	24.67%
Grand Total	1,616	38,073	-	100.00%

1 unit = 1 hundred cubic feet = 748 gallons

[a] FY 2015-16 consumption data.

The average bi-monthly residential water use within the City’s service area is 22 units of water or 11 units of water per month (one unit equals 748 gallons), as shown in Table 5 above. The average bi-monthly water bill for the City’s customers consuming 22 units of water (11 units per month) is \$99.48 (or \$49.74 per month). When the City’s current single-family residence bi-monthly water bill is compared to the average bills of the other four water purveyors in the City, the City customer’s bi-monthly average bill is second lowest on the list. Table 6 below shows the current average bi-monthly water bills of the water purveyors in the City using an average of 22 units bi-monthly.

Table 6. Average SFR Bi-Monthly Bill with 5/8” Meter Using 22 Units Bimonthly (Water Purveyors in the City of Montebello)

Water Purveyor	2016
Montebello Land and Water Company	\$ 86.77
City of Montebello	\$ 99.48
San Gabriel Valley Water Company	\$107.72
California Water Service Company	\$121.93
South Montebello Irrigation District	\$123.10



Montebello Municipal Golf Course

The Montebello Municipal Golf Course is the largest consumer of water in the City’s water system, consuming 309.4 AF in FY 2012-13, 280.7 AF in FY 2013-14, 289.8 AF in FY 2014-15 and 258.8 AF in FY 2015-16 (24.7% of the total water consumed in FY 2015-16). An 8-inch water meter (Meter No. 09321048) serves the golf course. Cal Water provides potable water service to the Quiet Cannon Restaurant and the Hilton Garden Inn Hotel located at the golf course.

The financial projections and rate analysis assume that the golf course will start using recycled water in July 2017. The City has entered into an agreement with Central Basin MWD for delivery of recycled water to the golf course to irrigate the fairways and roughs. The City plans to continue to irrigate the greens through the existing 8-inch meter. Of the total water used at the golf course, it is estimated that 30% will remain potable water and 70% will be recycled water.

Table 7 below shows the historic water consumption at the golf course since FY 2007-08 on a fiscal year basis.

Table 7. Golf Course Water Consumption

Fiscal Year	Acre-Feet per Year (AFY)	Average Acre-Feet per Month
2007-08	320.5	26.7
2008-09	323.9	27.0
2009-10	279.3	23.3
2010-11	253.6	21.1
2011-12	262.0	21.8
2012-13	309.4	25.8
2013-14	280.7	23.4
2014-15	289.8	24.2
2015-16	258.8	21.6

IV. FINANCIAL PLAN

The 2013 Water Rate Study evaluated the water system’s revenue requirements. The study determined that the water system had inadequate funds for operations, maintenance, and capital improvements. This update to the 2013 Water Rate Study reviewed the current and anticipated revenue requirements of the City’s water enterprise. Consumption data provided by SGVWC show that volumetric revenues and meter service charge revenues account for about 60% and 40% of user charge revenues, respectively. Further, the findings indicate that the water enterprise will not be able to meet its overall expenses without increases in the volumetric rates and meter charges as net revenues decrease due to projected increases in operation and maintenance expenses and funds required for capital improvements.

Current Financial Condition of the Water Enterprise

Audited financial statements show that operating expenses incurred by the water system began outpacing operating revenues in Fiscal Year 2007-08. Table 8 below shows the operating revenues and operating expenses of the water enterprise in the past five years. The General Fund subsidized the Water Enterprise



Fund in FY 2013-14 in the amount of \$300,000; \$140,000 in FY 2014-15; and is expected to contribute \$438,051 in FY 2015-16. The estimated accumulated amount the General Fund is expected to have subsidized the Water Enterprise by year end June 30, 2016 is \$878,051. The Water Enterprise Fund will pay back this loan from the General Fund over time.

Table 8. Revenues and Expenses, FY 2011-12 through FY 2015-16

	Actual FY 2011-12	Actual FY 2012-13	Actual FY 2013-14	Actual FY 2014-15	Estimated FY 2015-16
Operating Revenues	\$1,325,638	\$1,250,518	\$1,993,532	\$2,448,434	\$2,178,044
Operating Expenses	\$1,689,061	\$2,082,362	\$2,364,394	\$2,518,775	\$2,616,095
Operating Income (Loss)	(\$363,423)	(\$831,844)	(\$370,862)	(\$70,341)	(\$438,051)
Non-operating Revenues	\$3,772	\$1,556	-	-	-
Non-operating Expenses	-	-	-	-	-
Net Income (Loss)	(\$359,651)	(\$830,288)	(\$370,862)	(\$70,341)	(\$438,051)
Transfers-In	-	-	\$300,000	-	-
Change in Net Position	(\$359,651)	(\$830,288)	(\$70,862)	(\$70,341)	(\$438,051)
Net Position – Beginning of Year	\$1,274,635	\$914,984	\$84,696	\$13,384	(\$69,215)
Prior Period Adjustment	-	-	-	(\$12,708)	-
Net Position, Beginning of Year	-	-	-	\$1,126	-
Net Position – End of Year	\$914,984	\$84,696	\$13,834	(\$69,215)	(\$507,266)

Operation and Maintenance

Operating expenses include water system contract services provided by SGVWC, potable water provided by SGVWC at 90% of the commodity Tier 1 rate charged by Central Basin MWD, replenishment assessment expenses charged by WRD for pumping groundwater, and other operational expenses related to the water system’s primary elements including Well No. 1, water mains and pumping facilities. In order to cover operation and maintenance costs, an annual escalation factor of 2.0% was assumed for labor and fringe benefits, materials, supplies, utility expenses and the Non-Interruptible Treated Tier 1 water charged by Central Basin MWD. The replenishment charge imposed by WRD for pumping groundwater assumes an annual escalation factor of 5.0%. The capital charge imposed by Central Basin MWD is assumed to take effect when recycled water delivery to the golf course begins in FY 2017-18. Pursuant to Agreement No. 2015-16, the City will pay an additional \$250 per acre-foot as a capital charge in addition to the recycled water rate to pay the loan the City will incur to install facilities to deliver recycled water to the golf course. The budgeted expenses in Fiscal Year 2016-17 and projected expenses in future years are shown in the table below.



Table 9. Projected Water System O&M Expenses (Fund 605-99 – Water Fund)

	Year 1 [a] FY 2016-17	Year 2 FY 2017-18	Year 3 FY 2018-19	Year 4 FY 2019-20	Year 5 FY 2020-21
Labor and fringe benefits	\$8,588	\$8,760	\$8,935	\$9,114	\$9,296
Materials and supplies	\$17,000	\$17,430	\$17,687	\$18,041	\$18,401
Utilities	\$121,000	\$123,420	\$125,888	\$128,406	\$130,974
Purchased water [b]	\$1,349,443	\$799,395	\$815,383	\$831,690	\$848,324
Water replenishment	\$40,772	\$42,811	\$44,951	\$47,199	\$49,559
CBMWD capital charge	-	\$45,285	\$45,285	\$45,285	\$45,285
General repair and maint.	\$47,433	\$300,000	\$300,000	\$300,000	\$300,000
Water operator contract	\$473,067	\$482,528	\$492,179	\$502,022	\$512,063
Administration	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
Other expenses	\$190,500	\$191,410	\$192,338	\$193,285	\$194,251
Total	\$2,337,803	\$2,100,949	\$2,132,647	\$2,165,043	\$2,198,154

[a] From the FY 2016-17 Budget.

[b] The reduction in purchased water cost in FY 2017-18 is due to the start of recycled water delivery at the golf course and the effects of the reduced cost of water purchased from SGVWC.

Assumptions Used for the Water Rate Scenarios

Scenarios for rate increases presented in this study assume the following:

- 1) The effective date of the new rates is January 1, 2017.
- 2) The City does not make capital improvements at this time, but will make capital improvements as revenues increase in the future.
- 3) The price of potable water charged by Central Basin MWD will increase at an annual inflation factor of 2.0%.
- 4) SGVWC will provide water to the northern portion of the water system at the price agreed upon between the City and SGVWC pursuant to Agreement No. 2903. This price is equal to 90% of the commodity rate applicable to the delivery of Non-Interruptible Treated Tier 1 water from MWD by Central Basin MWD.
- 5) The replenishment charge imposed by the WRD for pumping groundwater will increase at an annual inflation factor of 5.0%.
- 6) The golf course will begin using recycled water provided by Central Basin MWD in July 2017. The purchase cost of recycled water will be paid by the Golf Enterprise Fund.
- 7) Labor and fringe benefits, materials, supplies and utility expenses will increase at an annual inflation factor of 2.0%.
- 8) As previously mentioned, this water rate study update found that residential customers use an average of 11 units per month compared to 15 units per month as cited in the 2013 Water



Rate Study. This water rate study update assumes that the average residential customer will continue to consume an average of 11 units of water per month.

Imported Water. Recycled and potable imported water charges by Central Basin MWD have generally increased on a yearly basis. The Central Basin MWD imported potable water charge is comprised of three components: the MWD Commodity charge, the MWD Readiness-to-Serve (“RTS”) charge, and the Central Basin MWD surcharges for administration and infrastructure charges. Effective July 1, 2015 through June 30, 2016, each retail agency will be assessed a fixed monthly RTS to cover MWD readiness charges. The MWD RTS is a pass-through charge from MWD to recover the cost of the portion of the system capacity that is on standby to provide emergency service and operational flexibility. The RTS charge finances MWD infrastructure projects and is assessed by MWD based on meter size. Each retail agency will pay a percentage of the RTS charge based on total direct use potable water purchases over the past four years compared to Central Basin MWD’s total direct use potable water purchases from MWD over the same period. For FY 2016-17, the RTS charge applicable to the City is \$41,026. According to the FY 2016-17 Central Basin MWD rate table, the annual Tier 1 allowance for the City is 1,170 acre-feet. Hence, the estimated RTS for the City is \$35 per acre-foot (\$41,026 divided by 1,170 acre-feet). Table 10 below details the breakdown of Central Basin MWD charges for potable water at Tier 1 imported water rates.

Table 10. Central Basin Municipal Water District Tier 1 Rates (per acre-foot)

January 1,	MWD Commodity	MWD RTS	Central Basin MWD Surcharge	Grand Total	% Change
2007	\$478	\$7	\$40	\$525	-
2008	\$508	\$7	\$42	\$557	6.1%
2009	\$579	\$12	\$44	\$635	14.0%
2010	\$701	\$18	\$62	\$781	23.0%
2011	\$744	\$25	\$86	\$855	9.5%
2012	\$794	\$31	\$90	\$915	7.0%
2013	\$847	\$30	\$90	\$967	5.7%
2014	\$890	\$58	\$90	\$1,038	7.3%
2015	\$923	\$49	\$90	\$1,062	2.3%
1/1/16 – 6/30/16	\$942	\$50	\$90	\$1,082	1.8%
7/1/16 – 12/31/16	\$942	\$35	\$90	\$1,067	-
1/1/17 – 6/30/17	\$979	\$35	\$90	\$1,104	2.0%

[a] MWD Readiness-to-Serve charge for the City is \$41,026 for FY 2016-17. Using the annual tier 1 water budget for the City per Central Basin MWD at 1,170 acre-feet, the RTS is estimated at \$35 per acre-foot.

Groundwater. The Water Replenishment District has also increased their replenishment charge. In FY 2015-16, the replenishment charge was \$283/AF, which was a 5.6% increase from the previous year. As shown below in Table 11, the FY 2016-17 replenishment charge is \$297/AF, a 5.0% increase from the previous year.



Table 11. WRD Replenishment Charges

Fiscal Year	Rate/AF	% Increase
2006-07	\$138.00	-
2007-08	\$149.00	8.0%
2008-09	\$153.00	2.7%
2009-10	\$181.85	18.9%
2010-11	\$205.00	12.7%
2011-12	\$244.00	19.0%
2012-13	\$244.00	0.0%
2013-14	\$268.00	9.8%
2014-15	\$268.00	0.0%
2015-16	\$283.00	5.6%
2016-17	\$297.00	5.0%

Capital Improvement Plan

The estimated costs for capital improvements in the northern and southern areas of the City’s water system include \$14,400,000 in immediate capital improvements and \$32,500,000 in long-term capital improvements. Table 12 below summarizes the recommended capital improvements. A detailed itemization of the recommended improvements by the City’s engineer is in Appendix B.

Table 12. Capital Improvements

Priority	Year	Cost
Immediate	Immediate	\$14,400,000
Long-Term	Lasting longer than 3 years	\$32,500,000
Total		\$46,900,000

Source: Infrastructure Engineers

Water Rate Scenarios

This water rate study analyzes the following three scenarios: 1) no rate increases, 2) rate increases at which the Water Enterprise Fund approximately breaks even in operating income and, 3) rate increases that provide accumulation of funds for capital improvements. The scenarios presented below assume recycled water delivery to the golf course in July 2017. Table 13 shows the summary of the findings of this rate study. Appendix C shows the details of the three scenarios.

Table 13. Rate Scenarios

Scenario	Rate Increase	Funds Available for Capital Improvements
1	None	None
2	15.00% in Years 1 & 2, No Rate Increases in Years 3-5	Approximate breakeven point for O&M in Year 1; no significant funds for capital improvements; income generated used to pay back General Fund and/or used for capital improvements
3	50.00% in Year 1 5.00% each in Years 2-5	Allows for capital improvements (generates approximately \$5.0 million in five years in operating income); income generated used to pay back General Fund and/or used for capital improvements



Scenario 3 rate increases would result in funds available for capital improvements. Tables 14, 15 and 16 below show projections of operating income (or loss) with and without rate increases for Fiscal Years 2016-17 through 2020-21.

Table 14. Scenario 1 - Revenues and Expenses, FY 2016-17 through FY 2020-21, Without Rate Increases

Percent Increase	0.00%	0.00%	0.00%	0.00%	0.00%
	Year 1	Year 2	Year 3	Year 4	Year 5
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Operating Revenues	\$2,207,262	\$1,970,861	\$1,970,861	\$1,970,861	\$1,970,861
Operating Expenses	\$2,337,803	\$2,100,949	\$2,132,647	\$2,165,043	\$2,198,154
Operating Income (Loss)	(\$130,541)	(\$130,088)	(\$161,786)	(\$194,182)	(\$227,293)
Transfers Out	-	-	-	-	-
Net Position – Beginning of Year	(\$507,266)	(\$637,807)	(\$767,895)	(\$929,681)	(\$1,123,863)
Net Position – End of Year	(\$637,807)	(\$767,895)	(\$929,681)	(\$1,123,863)	(\$1,351,156)

**Table 15. Scenario 2 – Revenues and Expenses, FY 2016-17 through FY 2020-21
With Rate Increases in Years 1 and 2 (No Significant Funds for Capital Improvements)**

Percent Increase	15.00%	15.00%	0.00%	0.00%	0.00%
Effective Date	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
	Year 1	Year 2	Year 3	Year 4	Year 5
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Operating Revenues	\$2,372,806	\$2,606,464	\$2,606,464	\$2,606,464	\$2,606,464
Operating Expenses	\$2,337,803	\$2,100,949	\$2,132,647	\$2,165,043	\$2,198,154
Operating Income (Loss)	\$35,003	\$505,514	\$473,817	\$441,421	\$408,310
Transfers Out [a]	(\$35,003)	(\$505,514)	(\$337,534)	-	-
Net Position – Beginning of Year	(\$507,266)	(\$507,266)	(\$507,266)	(\$370,983)	\$70,438
Net Position – End of Year	(\$507,266)	(\$507,266)	(\$370,983)	\$70,438	\$478,748

[a] Pay back the General Fund and/or pay for capital improvements.



Table 16. Scenario 3 - Revenues and Expenses, FY 2016-17 through FY 2020-21, With Rate Increases Funds Capital Improvements (Generates Approximately \$5.0 million over Five Years in Operating Income)

Percent Increase	50.00%	5.00%	5.00%	5.00%	5.00%
Effective Date	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
	Year 1	Year 2	Year 3	Year 4	Year 5
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Operating Revenues	\$2,759,077	\$3,104,106	\$3,259,311	\$3,422,277	\$3,593,391
Operating Expenses	\$2,337,803	\$2,100,949	\$2,132,647	\$2,165,043	\$2,198,154
Operating Income (Loss)	\$421,274	\$1,003,157	\$1,126,665	\$1,257,234	\$1,395,237
Transfers Out [a]	(\$421,274)	(\$456,777)	-	-	-
Net Position – Beginning of Year	(\$507,266)	(\$507,266)	\$39,114	\$1,165,779	\$2,423,013
Net Position – End of Year	(\$507,266)	\$39,114	\$1,165,779	\$2,423,013	\$3,818,250

[a] Pay back the General Fund and/or pay for capital improvements.

Table 15 above (Scenario 2) shows minimal operating income and a pay back of past loans from the General Fund (shown as Transfers Out). Table 16 (Scenario 3) is an example to show that a significant increase in rates in FY 2016-17 and subsequent annual rate increases would be required to produce enough income for capital improvements and pay back the loan the Water Enterprise owes to the General Fund (shown as a Transfers Out in Years 1 and 2). Table 16 shows a 50.0% rate increase in the first year and 5.0% rate increases every year thereafter would generate approximately \$5.0 million over five years, which still falls short of the \$14,400,000 in estimated costs required for immediately needed capital improvements recommended by the City’s engineer.

Development of Volumetric Rates and Meter Service Charges

The American Water Works Association (AWWA) Manual M-1 Principles of Water Rates, Fees and Charges provides relevant information needed to evaluate and select water rate structures, fees, charges and pricing policies. AWWA Manual M-1 uses the industry standard method of allocation of fixed costs to meter sizes in proportion to the rated capacity of each meter size relative to a 5/8-inch meter. AWWA Manual M-1 states:

“Customer-related costs for meters and services may be properly distributed among customer classes by recognizing factors that are generally responsible for those costs being incurred. As an example, one method for distributing meter-and-service costs to customer classes is in proportion to the investment in meters and services installed for each customer class, based on the number of equivalent meters. Distribution of customer costs by equivalent meter-and-service ratios recognizes that meter-and-service costs vary depending on considerations such as size of service, pipe, materials used, locations of meters, and other local characteristics for various sized meters as compared to a 5/8-inch meters and services.”

AWWA Manual M-1 recognizes that some fixed costs such a meter reading, billing, collections and customer service may equitably be allocated as a fixed meter charge to each meter based on the total number of bills rendered to the respective classes in a year rather than the size of the meter. Further, AWWA Manual M-1 establishes equivalent meter factors in terms of the ratio of rated meter capacity for each meter size relative to a 5/8-inch meter. The following table summarizes the equivalent meter factors



assigned to each meter size using AWWA equivalent meter factors and the City’s equivalent meter factors.

Table 17. Equivalent Meter Factors

Meter Size (Inches)	Maximum Flow (Gallons per minute)	AWWA Equivalent Meter Factors	City’s Equivalent Meter Factors (Non-Fire Meters)	City’s Equivalent Meter Factors (Fire Meters)
5/8” x 3/4”	20	1.00	1.00	-
3/4”	30	1.50	1.00	-
1”	50	2.50	1.87	-
1.5”	100	5.00	4.24	-
2”	160	8.00	5.93	2.92
3”	300	15.00	11.53	4.93
4”	500	25.00	15.42	7.38
6”	1,000	50.00	25.16	9.13
8”	1,600	80.00	41.72	12.64
10”	2,300	115.00	52.68	19.21

The costs of developing and maintaining a safe, reliable operating capacity increase as the total equivalent meter factors increase. The ratio of the safe operating capacity, or flow, of various meter sizes relative to the capacity of a 5/8-inch meter is used to determine the appropriate fixed charges for each size of the meter. Fixed costs of developing and operating the water system vary with the demand for water and are allocated to each meter size based on the equivalent meter factor for the meter size to the total equivalent meter factors. This water rate study update acknowledges the AWWA equivalent meter factors in the development of meter service charges. However, with the City having only a total of 1,616 meters, the City may use ratios that are specific to its water system. AWWA Manual M-1 further states that:

“Developing equivalent capacity ratios specific to a particular utility and its system characteristics is normally desired, as opposed to using a standardized table of meter equivalencies.”

This water rate study update uses the City’s convention of meter ratios shown in Table 17 above in the development of the City’s meter service charges. The table below shows the meter count within the City’s municipal water system for each meter size. The City’s municipal water system currently has 1,616 metered connections, 55% of which are 5/8” x 3/4” meters. Using the City’s equivalent meter factors shown in Table 17 above, the total equivalent meter units for non-fire and fire meters can be derived. Appendix E shows the number of equivalent meter units.

Using the projected operation and maintenance expenses shown in Table 9 and the allocation of expenses shown in Appendix F, the development of volumetric rates and meter services charges can be derived. Appendix G shows a pro forma calculation that details the derivation of volumetric rates and meter service charges for FY 2016-17 under Scenario 3 if volumetric rates and meter service charges were to be effective for the full Fiscal Year 2016-17. The same pro forma calculation is prepared for volumetric rates and meter service charges for FY 2017-18 through FY 2020-21 under Scenario 3 for each full fiscal year. This analysis assumes that volumetric rates and meter service charges will be in effect for six months, from January 1, 2017 to June 30, 2017, for the first rate increase. Table 16 above shows that funds for capital improvements in FY 2016-17 is estimated at \$421,274, if volumetric rates and meter service charges were to be effective on January 1, 2017.



Table 18. Scenario 3 for Years 1 and 2. Current Rates and Rate Increases for FY 2016-17 and FY 2017-18

Percent Increase		Year 1	Year 2	
Effective Date		50.00%	5.00%	
		1/1/2017	7/1/2017	
Tier		FY 2015-16 Current Rates	FY 2016-17 Scenario 3 Rates	FY 2017-18 Scenario 3 Rates
First 6 units		\$2.531	\$3.797	\$3.986
Over 6 units		\$2.996	\$4.494	\$4.719
Meter Size	No. of Meters	Monthly Meter Charges		
5/8" & 3/4"	1,221	\$18.18	\$27.27	\$28.63
1"	98	\$33.95	\$50.93	\$53.47
1.5"	47	\$77.06	\$115.59	\$121.37
2"	107	\$107.72	\$161.58	\$169.66
3"	17	\$209.54	\$314.31	\$330.03
4"	5	\$280.35	\$420.53	\$441.55
6"	1	\$457.44	\$686.16	\$720.47
8"	2	\$758.49	\$1,137.74	\$1,194.62
10"	0	\$957.65	\$1,436.48	\$1,508.30
Subtotal Meters	1,498			
Fire Meters				
2"	0	\$53.10	\$79.65	\$83.63
3"	0	\$89.61	\$134.42	\$141.14
4"	7	\$134.14	\$201.21	\$211.27
6"	24	\$166.07	\$249.11	\$261.56
8"	77	\$229.73	\$344.60	\$361.82
10"	10	\$349.24	\$523.86	\$550.05
Subtotal Meters	118			
Total Meters	1,616			

Under Scenario 3, water rates are projected to generate income at the end of FY 2016-17 to cover some capital improvements. The effects of increases in volumetric rates and meter service charges under Scenario 3 is shown in the table below for Fiscal Years 2016-17 as an illustration (see also Appendix D). Please note, however, that the estimated average bill shown in Table 19 below may significantly vary depending on water consumption. Customers receive water bills on a bi-monthly basis.