



Springsted Incorporated
30 Island Point
Newnan, GA 30263

Tel: 770.252.7998
www.springsted.com

LETTER OF TRANSMITTAL

April 6, 2018

Mr. David Milliron, City Manager
City of Hogansville
400 East Main Street
Hogansville, GA 30230

Re: **Invitation to Bid to Provide a Proforma Financial Model of the City's Enterprise Funds
(Water, Sewer, Gas, Electric, and Sanitation)**

Dear David:

On behalf of our team assembled for this project, Springsted Incorporated welcomes the opportunity to present our scope of work to provide a Proforma Financial Model of the City's Enterprise Funds which include Hogansville's Water, Sewer, Gas, Electric and Sanitation utilities.

Springsted has nearly 60 years of experience in serving local units of government in a wide variety of consulting and transactional activity. We have extensive experience in developing utility rate models and fees and in preparing rate studies for all types of utilities comparable to the City of Hogansville's Utilities. We are currently working with the City of Lawrenceville on a Storm Water rate study.

You can be confident in our assigned consulting team's incomparable work ethic, knowledge, expertise and past project experience. We are proud of our team and each one of us is eager to work with you and your staff to provide this important service to the City.

Respectfully submitted,

Tony King

Tony King, Vice President
Client Representative

City of Hogansville, Georgia

Invitation to Bid to Provide a Proforma Financial Model of the City's Enterprise Funds

Scope of Work

Springsted's approach would be to conduct a comprehensive review and analysis of the City's current utility rates and fee structure to gain an understanding of the current rate classes and rate structure and the basis for each. We would build a long-range financial proforma that will enable the City to determine the impact of various changes to the current water, sewer, gas, electric and sanitation revenues and expenditures, including capital outlay, on each utilities' operations. The revenue requirements established for each utility will focus on providing sufficient revenue to cover anticipated operating and maintenance expenses, debt service including principal and interest, capital improvement plans, provide adequate cash flow to pay for current expenditures and an adequate level of cash reserves for operations and capital replacement. We do not anticipate making significant changes to the current rate structures. However, the rate structures proposed would be fair and objective and would reflect the fixed costs of each utility. The model would provide the impact of any rate changes to various customer classes as well as a comparison of proposed rates to up to 12 similarly sized Utilities of the City's choosing.

Information Requests

In order to conduct this study, Springsted requests that the City identify a Project Manager to serve as a contact person between Springsted Incorporated and the City. The Project Manager will be responsible for the gathering of accurate and timely information necessary to complete the project. At a minimum, the following information will be needed to complete the study:

- Past three years detailed financial history of each utility
- Current utility budgets with line-item detail
- Beginning cash and investment balance in the Enterprise Fund as of July 1, 2018
- Current number of water, sewer, electric, gas and sanitation customers/accounts
- Current rates/fees and billing frequency
- Most recent set of (audited) financial statements (available on-line)
- Any outstanding utility debt by utility
- Upcoming capital improvements and projected funding sources for each utility fund

Tasks

1. Review Background Information

- Review the City's current policies, goals, and objectives for each Utility
- Review historical financial information, fixed fees, water rates, sewer rates, electric rates, gas rates, sanitation rates and other fees and charges that provide sources of revenue for each Utility
- Review historical trends in revenues, expenditures and ending cash balances for each Utility
- Review projected maintenance repair or replacement costs of all Utility assets
- Review current funding practices, funding sources and policies related to financing capital improvements
- Review the capital improvement program for each Utility identifying the sources of funding for each improvement

- Review any existing debt service coverage requirements for both senior and subordinate debt and the impact of adding additional debt to finance new capital improvements for each Utility
- Review the City’s existing ordinances, policies and practices related to user fees, system development fees and other charges for Utility services
- Review any engineering studies, cost of services studies and other relevant studies related to each Utility

2. Analyze Information and Develop Revenue Requirements for each Utility

- Analyze the information to identify any omissions and/or inconsistencies and collect additional information, as needed
- Develop projected future service demands
- Identify the overall change in revenue required to provide for adequate funding for major capital improvement programs, to meet all recurring annual operating and capital expenditures, to cover all debt service requirements, to comply with any revenue bond covenants, and to maintain sufficient cash balances and capital reserves for each Utility. The projections will be made using an income statement approach and will include a yearly cash flow analysis.
- Develop a 10-year forecast of revenues and expenditures for each Utility and the Enterprise Fund as a whole to determine the adequacy of revenues provided by existing utility rates.

3. Conduct Rate Study & Build Proforma Financial Model

- Develop a Microsoft® Excel-based Proforma Financial Model which includes financial projection for each of the five Utilities and integrates all anticipated revenue sources, including interest on the cash balance, anticipated operating expenditures including existing and projected new depreciation, anticipated capital expenditures, existing and projected debt service and changes in the customer base over the planning period
 - Develop recommendations for financing anticipated capital improvements including the renewal and replacement of existing assets based on information provided by the City
 - Identify the revenue required to provide for adequate funding for major capital improvement programs, to meet all recurring annual operating and capital expenditures, to cover all debt service requirements, to comply with any existing revenue bond covenants, and to maintain sufficient cash balances and capital reserves for each Utility. The projections will be made using an income statement approach and will include a yearly cash flow analysis
 - Determine the percentage increases needed in the City’s current rate structures for each Utility that provides revenue recovery at levels necessary to support each Utility’s operation as defined above. Percentage increases in rate structures will take into consideration the following:
 - Current and future cost of providing water, sewer, gas, electric and sanitation service in accordance with established and anticipated standards and regulations
 - Projected demand
 - The need to fund both long-term capital improvements and replacements and annual capital reinvestment
 - Funding requirements for all current and projected long-term liabilities and debt obligations (bonds and loans)
 - Renewal and replacement of existing assets
 - Compare the proposed fees and charges to the current rates, fees and charges of each Utility
 - Prepare sample bills for up to 12 customers from representative customer classes, comparing existing rates and charges to proposed rates and charges

Deliverables

We will build the financial proforma model using Microsoft Excel and prepare a Draft Memorandum of Findings for the City's review. We will incorporate any changes into the Final Memorandum of Findings and present the Memorandum at a regular or workshop session of the City Council. We will provide the City with a PDF copy of the Final Memorandum of Findings.

Springsted will present the Final Proforma Financial Model to City Staff and provide training in the use of the model. Springsted's training package will include 1) on-site training by Springsted personnel for key staff; 2) for a period of 12 months, phone inquiry service with response by Springsted staff to the City within twenty-four hours of an initial inquiry; and 3) instructions for the operation of the model inserted into the model. We will provide the City of Hogansville with a digital copy of the financial rate model on a flash drive.

Compensation

We propose to complete this study as described in this proposal for a lump sum, all-inclusive fee of \$19,750. This fee includes one on-site meeting with the entire Springsted Team. Tony King will attend all other staff and council meetings with Patty and Nick attending via WebEx.

Mr. King's time will be promotional. We will complete the study within 6-8 weeks of receiving the notice to proceed providing that all necessary information is made available to Springsted in a timely manner and that the City is available for required meetings.

Should the City request and authorize any other additional work or on-site meetings outside the scope of services described in this proposal we would invoice the City at our standard hourly fees as shown in the table below plus any related out-of-pocket expenses.

2018 Standard Hourly Fee Schedule	
Title	Hourly Rate
Principal & Senior Officer	\$260
Vice President	\$215
Analyst	\$160
Support Staff	\$75

Key Personnel Experience

Our staff’s breadth of experience and depth of expertise are two of our most important characteristics in providing high-quality service to clients. Many of our staff have backgrounds in municipal and county government, education or with development firms and non-profit organizations, so they share our clients’ perspectives in developing solutions. Each client draws on the talents of many members of our staff. We assign a specific client service team to ensure primary responsibility for each project. The teams are comprised of qualified individuals who are experienced in the specific challenges confronting the City of Hogansville.

The staff assigned to this project is experienced in utility expense and cost analysis. The teams are free to draw upon the expertise of our entire staff.



Anthony M. “Tony” King, CIPMA *Vice President and Client Representative*



Mr. Tony King serves as Vice President and Client Representative and leads Springsted’s public finance practice in the southeastern United States. Mr. King has more than 25 years of public finance experience and has advised cities, counties, development agencies public utilities and school districts on a broad range of capital markets initiatives. Mr. King’s municipal advisory practice emphasizes financial solutions that provide for the long-term improvement of credit fundamentals. He is a regular presenter on public finance matters at economic development, affordable housing and public utility conferences. Mr. King serves on the Board of Advisors of the Georgia State University Andrew Young School of Policy Studies Center for State and Local Finance. He is a Certified Independent Professional Municipal advisor and is qualified as a Municipal Securities Rulemaking Board Series 50 municipal advisor representative.

Patricia L. “Patty” Kettles, CIPMA *Vice President*



Ms. Patty Kettles has over 22 years of experience working with Springsted clients on various projects, including performing utility rate analyses and financial feasibilities, financing options, capital improvement programming and debt management. She has assisted clients with utility rate studies and cost of service analysis studies as well as in the development of Excel®-based computer models for utilities in Georgia, Iowa, Kansas, Maryland, Georgia, Missouri, North Carolina, North Dakota, Virginia, and Wisconsin. Ms. Kettles holds a Master’s in Business Administration from St. Thomas University and a Bachelor of Science degree in Finance from the University of Minnesota. She is also a Municipal Advisor Representative.

Nicholas R. “Nick” Dragisich, PE

Executive Vice President



Mr. Nick Dragisich is team leader for Springsted’s Management Consulting Services team. He has over 30 years of management experience, including service as a city administrator and city engineer. He joined Springsted Incorporated as a Management Consultant in 2000 and become the team leader for Management Consulting Services in 2003. Mr. Dragisich has been directly responsible for or involved in numerous utility expense and cost analysis studies as well as in the development of Excel®-based computer models for utilities in Iowa, Kansas, Maryland, Minnesota, Montana, Missouri, Nebraska, North Carolina, North Dakota, Virginia, Washington, and Wisconsin. He holds a master’s degree in business administration, a bachelor’s degree in civil engineering and is a licensed professional engineer in Minnesota and Washington. He is also a Municipal Advisor Representative.