

Attachment A. Scope of Work

Project Understanding

Chaffee County (County) is considering a renewal of the 1041 Special Land Use permit requested by Nestle Water North America, Inc. (Nestle). The renewal process has thus far entailed various submittals by Nestle, input by County agencies, and public testimony. One issue yet to be addressed is the economic impact of Nestle operations, as required in Chaffee County 1041 regulations, specifically 3-303(1)(k)(vi):

“The benefits accruing to the County and its citizens from the Project outweigh the losses and any natural, agricultural, or recreational resources within the County, or the losses of opportunities to develop such resources.”

To comply with this requirement from an economic analysis perspective, Harvey Economics must identify, estimate, and evaluate the different economic benefits stemming from the Nestle operation, and compare them to costs or negative effects of the project. Importantly, the negative effects to be considered are the direct losses plus the opportunity costs of the resources Nestle will utilize or consume that might have been deployed by other present or future endeavors.

As used in this Scope of Work, “Harvey Economics,” “HE,” “we” and “our” refer to Harvey Economics Inc. In consultation with the County, HE makes two critical assumptions in this work scope. One, the economic impact study will be forward looking from 2020. Economic effects during the initial permit period from 2009-2019 will be used only as foundational information for projecting impacts from 2020 or 2021 for ten years in the future. Two, the positive and negative economic effects will be limited to those that will occur within Chaffee County boundaries. Economists refer to this as the accounting stance, adopted here as Chaffee County.

Task 1 — Kick-off Meeting and Data Collection Launch

We will meet with the County staff leading this effort to kick off this study. We will confirm the economic issues to be explored, discuss data collection efforts and communication protocols.

We will confirm that HE has all the relevant reports, data and information that has been submitted or is known to the County in this case to date. In this task, HE will review that information and extract what is needed for the present analysis.

We will review with County staff the information that will need to be collected from various County agencies. We will obtain contact information for those County staff and County staff permission to reach out to those agencies. Secondly, we will need to interview and obtain information from Nestle. We will ask the County to provide introductions and help us gain

permission and access to Nestle. Communication protocols with Nestle will be established at this time.

Task 2 — Data Gathering

HE will then begin to gather secondary and primary data from the following sources at a minimum:

- County—Treasurer, Assessor, Economic Development, Housing, Road and Bridge, Planning and Land Use.
- Nestle—Submit a list of questions/data requests. Follow-up interview.
- WW. Wheeler—Clarifying questions about report.
- State of Colorado—Revenue, Local Government.
- Federal—Bureau of Economic Analysis.

This initial list will lead to other inquiries as needed.

Task 3 — Economic Analyses

HE will identify and seek to quantify the different economic effects. Nestle operations will generate several benefits, including job opportunities and tax revenues, along with certain improvements and contributions. These will be quantified to the extent possible. Negative impacts or costs, such as fiscal impacts or traffic-related effects, will be explored. We will project these positive and negative effects for the next ten years. These types of impacts will be estimated as direct effects.

Indirect effects and induced effects are economic changes that result from and are in addition to the direct effects. Activities such as, for instance, the creation of a truck drivers' school would be an indirect effect. Induced effects will stem from the local expenditures from Nestle.

Indirect and induced economic effects will be estimated through the use of economic multipliers which are drawn from input-output models. HE will employ one of two models, RIMS or IMPLAN, to estimate indirect and induced effects. RIMS is less detailed, and the output is less comprehensive than IMPLAN. However, the additional level of detail (or additional outputs) offered by IMPLAN may not be necessary in this case. IMPLAN is more expensive. We will utilize whichever model the County chooses as we have provided costs for each in our budget.

Beyond the above economic effects, HE will address the deployment of resources Nestle will require and the potential use of those resources for other purposes. The prime example, but not the only resource, is spring water which Nestle extracts and ultimately ships out of Chaffee County. We will identify alternative uses for that spring water and if practicable, the

economic output those activities might generate. The feasibility and likelihood of these activities and whether Nestle's operation precludes them will be considered.

HE will attempt to quantify Nestle's future economic impacts issue by issue, but will offer qualitative assessments when a quantification is insupportable. The prospective conservation easement might be an example of a qualitative evaluation.

Task 4 — Results and Conclusions

Once each of the Nestle positive and negative impacts have been projected for the ensuing 10-year period, HE will consolidate them to the extent possible in a summary of benefits and costs. For example, as an annual average, Nestle may generate a net increase or decrease in employment after accounting for all positive and negative effects. The offsets and tradeoffs will be noted and evaluated to the extent possible. The significance of these changes, when compared with overall County economic activity, will be demonstrated. Qualitative and non-monetary impacts will receive appropriate attention as to direction and intensity of effect.

A single number of a net positive or negative economic impact will probably not be provided, since a common unit such as dollars will not be possible with all effects. However, those different effects which can be expressed in dollars will be consolidated, for instance.

Task 5 — Report and Presentation of Results

HE will prepare a report which describes the methods, data sources, analyses, results and conclusions from the economic impact study of Nestle's Chaffee County operations. We will provide a draft to County staff, and then respond to their comments. Once County staff is comfortable with the draft, they will determine the report distribution plan, namely before or after the presentation.

HE will develop and provide a presentation to the County Commissioners. We will respond to comments at that time and modify the draft report as needed. HE assumes that the draft will also be provided to Nestle for review by their economists. It is suggested that we offer this presentation before finalizing our report, so that any questions which might arise can be addressed in the final report. HE will provide a final report to Chaffee County.

Administrative Considerations

Research Team. This work will be performed by primarily by Susan Walker and Jessica Harvey, with support from Kegan Reiswig and Ed Harvey. Jessica and Susan will direct the effort and perform the bulk of the work. Ed Harvey will provide Project oversight.

Performance Schedule. With timely inputs and assuming a year-end 2020 start date, HE will complete this work by April 15, 2021 or within twelve weeks after written agreement to proceed. Let us know if a different performance schedule is needed.