



**NOTICE OF  
SPECIAL MEETING OF THE  
FINANCE COMMITTEE**

**NOTICE IS HEREBY GIVEN** that a Special Meeting of the Brea Finance Committee will be held on **Monday, September 28, 2015 at 4:00 p.m.** in the Executive Conference Room, Third Floor of the Brea Civic & Cultural Center, 1 Civic Center Circle, Brea, California.

Said special meetings shall be for: Formation of an Audit Committee and to conduct regular Finance Committee business.

**FURTHER INFORMATION** may be obtained at the Office of the City Clerk or by calling (714) 990-7756.

Dated this 16th day of September, 2015.

  
\_\_\_\_\_  
Cecilia Hupp, Council Member



# FINANCE COMMITTEE AGENDA SPECIAL MEETING

**Tuesday, September 28, 2015  
4:00 PM**

Executive Conference Room, Level Three  
Brea Civic & Cultural Center, 1 Civic Center Circle, Brea, California

**MEMBERS:** Council Member Cecilia Hupp and Council Member Steven Vargas  
**ALTERNATE:** Mayor Marty Simonoff

Materials related to an item on this agenda submitted to the Finance Committee after distribution of the agenda packet are available for public inspection in the third floor lobby of the Civic and Cultural Center at 1 Civic Center Circle, Brea, CA during normal business hours. Such documents may also be available on the City's website subject to staff's ability to post documents before the meeting.

## CALL TO ORDER / ROLL CALL

1. Matters from the Audience

## CONSENT

2. Approval of Minutes of September 8, 2015 Meeting

### Attachments

[Minutes](#)

3. [Award Annual Concrete Maintenance Contract to Minako America Corporation for the Removal and Replacement of Sidewalks, Curbs, and Gutters](#)

### Attachments

[Agreement](#)

4. Approve Agreement for Sharing Consultant Costs for 2015 Urban Water Management Plan (UWMP) Between Municipal Water District of Orange County (MWDOC) and the City of Brea Together with Twenty-Two Other Water Districts Serving Orange County

**Attachments**

Agreement

5. Expenditure of the Supplemental Law Enforcement Services Fund for FY 2015-2016
6. Procedures for Tracking Annual On-Call As-Needed Professional Services Agreements - Engineering Services

**Attachments**

Attachment A

7. Professional Services Agreement with NBS for User Fees and Charges Rates Study

**Attachments**

Proposal

8. Amendment to the Professional Services Agreement with Raftelis Financial Consultants, Inc. for a Water Rate Study

**Attachments**

Attachment 1 - Amendment 2

Attachment 2 - Amendment 1

Attachment 3 - Agreement

**DISCUSSION**

9. Continued Discussion of the Creation of an Oversight and Audit Committee

**Attachments**

Memorandum 8/11/2015

GFOA Best Practices

10. Schedule Next Meeting: October 13, 2015

cc: Council Member Glenn Parker  
Mayor Pro Tem Christine Marick

**Special Accommodations**

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's Office at (714) 990-7757. Notification 48 hours prior to the meeting will enable City staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

City of Brea

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**FINANCE COMMITTEE COMMUNICATION**

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**FROM:** City Manager

**DATE:** 09/28/2015

**SUBJECT:** Approval of Minutes of September 8, 2015 Meeting

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**Attachments**

Minutes

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# FINANCE COMMITTEE MINUTES

**Tuesday, September 8, 2015**

**8:30 AM**

Executive Conference Room, Level Three

Brea Civic & Cultural Center, 1 Civic Center Circle, Brea, California

## CALL TO ORDER / ROLL CALL

ATTENDEES: Councilmember Cecilia Hupp, Councilmember Steven Vargas, David Crabtree, Chris Emeterio, Eric Nicoll, Steve Kooyman, Raul Lising, Faith Madrazo, Lee Squire, Alicia Brenner and Raymond Contreras

1. Matters from the Audience – *None*

## CONSENT

2. Approval of Minutes of August 11, 2015 Meeting – *Clarification was made to Councilmember Cecilia Hupp regarding Item No. 4. The City's auditing firm was unable to attend this meeting due to a scheduling conflict and staff are coordinating with the firm to attend an upcoming meeting. Recommended for Council approval.*
3. Professional Services Agreements for Annual On-Call As-Needed Civil Engineering Services for Various Capital Improvement Projects – *Recommended for Council approval.*

## DISCUSSION

4. Project Update on Associated Road and Sleepy Hollow Traffic Signal Improvement – *The Committee received a project update, as it was requested to be expedited at the request of the City Council. The construction contract is anticipated to be awarded to the lowest responsible bidder later this month with construction completed by December. Additional funding needed for the project will be appropriated in the next round of quarterly budget adjustments. This is an informational item and no action is needed by the Committee.*
5. Schedule next meeting: September 29, 2015

Meeting adjourned: 8:51 AM

cc: Mayor Marty Simonoff  
Mayor Pro Tem Christine Marick  
Council Member Glenn Parker

**City of Brea**

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**FINANCE COMMITTEE COMMUNICATION**

**TO:** Honorable Chair and Committee Members

**FROM:** City Manager

**DATE:** 09/28/2015

**SUBJECT:** AWARD ANNUAL CONCRETE MAINTENANCE CONTRACT TO MINAKO AMERICA CORPORATION FOR THE REMOVAL AND REPLACEMENT OF SIDEWALKS, CURBS, AND GUTTERS

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**RECOMMENDATION**

Award annual concrete maintenance contract to Minako America Corporation for concrete removal and replacement in various City of Brea locations for a one year period with the opportunity to renew the contract annually for four additional years.

**BACKGROUND/DISCUSSION**

Staff prepared a Request for Proposal and posted the information on the CIPList.com website in July for contractors to view and download project information. Due to the limited ability to perform extensive concrete removal and replacement with current staffing levels, the Public Works Department relies on contract support to accomplish needed services. This includes sidewalk, curb and gutter removal and replacement in addition to other miscellaneous concrete flat work.

Of the 25 contractors who downloaded the RFP information, six contractors submitted proposals. On August 27, 2015, the top four contractors were invited to participate in interviews held to determine their capabilities of furnishing employees and equipment necessary to perform the work at a competitive price and meet the City of Brea's requirements for customer care and quality work. Staff found Minako America Corp. pricing the most effective for the needs of the City with a slight savings over the next lowest contractor based on the removal and replacement of

concrete sidewalk (sidewalk per linear foot pricing listed below). The interview process found all four contractors capable of performing this service, with Minako America Corp. scoring better than CT&C Concrete Paving Inc. in customer service and pricing. We are recommending that the contract be awarded to Minako America Corp.

After review of the interview results and pricing, staff ranked bidders as follows:

1. Minako America Corp. - (Sidewalk R & R) \$8.00 per linear foot
2. CT&T Concrete Paving Inc. - (Sidewalk R & R) \$8.70 per linear foot
3. Victor Concrete Inc. - (Sidewalk R & R) \$8.50 per linear foot
4. Gentry Brothers Inc. - (Sidewalk R & R) \$9.00 per linear foot

### **SUMMARY/FISCAL IMPACT**

Staff recommends awarding the annual concrete maintenance contract to Minako America Corporation for the removal and repairs of displaced concrete, curbs, gutters and sidewalks Citywide. The total annual budget for concrete maintenance is currently at \$180,000 for fiscal year 2015-16 with funding of \$80,000 from account 110-51-5121-4269 (General Fund) and \$100,000 from fund 182 (FARP) for this work. No additional appropriation is needed.

### **RESPECTFULLY SUBMITTED**

William Gallardo, City Manager

Prepared by: Will Wenz, Public Works Superintendent

Concurrence: Eric Nicoll, Director of Public Works

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### **Attachments**

Agreement

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AGREEMENT

KNOW ALL MEN BY THESE PRESENTS: That the following agreement is made and entered into, in duplicate, as of the date executed by the City Clerk and the Mayor, by and between

**Minako American Corporation dba Minco Construction**  
hereinafter referred to as the "CONTRACTOR" and the City of Brea, California,  
hereinafter referred to as "CITY".

WHEREAS, pursuant to Notice inviting Sealed Proposals, proposals were received, Reviewed by Committee, and declared on the date specified in said notice;  
and

WHEREAS, City did accept the proposal of Contractor  
**Minako American Corporation dba Minco Construction**  
and;

WHEREAS, City has authorized the City Clerk and Mayor to enter into a written contract with Contractor for furnishing labor, equipment, and material for the Removal and Replacement of Sidewalks, Curbs and Gutters at various locations within the City of Brea.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, it is agreed:

1. **GENERAL SCOPE OF WORK:** Contractor shall furnish all necessary labor, tools, materials, appliances, and equipment for and do the work for the Repair and Replacement of Sidewalks, Curbs and Gutters at Various Locations in the City Of Brea. Said work to be performed in accordance with specifications and standards on file in the office of the Director of Public Works and in accordance with bid prices hereinafter mentioned and in accordance with the instruction of the Director of Public Works for a period commencing

**OCTOBER 1, 2015 through JUNE 30, 2016.**

The prices quoted in the proposal shall be in effect for one year, at which time the agreement will be subject to review. The City and contractor shall have the option of extending the term of the agreement, by mutual consent of the parties, four (4) times for periods of one year each. Should the agreement be extended, the contract prices shall be adjusted as set forth in paragraph 6 hereof.

2. INCORPORATED DOCUMENTS TO BE CONSIDERED

COMPLEMENTARY: The aforesaid specifications are incorporated herein by reference hereto and made a part hereof with like force and effect as if all of said documents were set forth in full herein. Said documents, the Resolution Inviting Bids attached hereto, together with this written agreement, shall constitute the contract

between the parties. This contract is intended to require complete and finished piece of work and anything necessary to complete the work properly and in accordance with the law and lawful governmental regulations shall be performed by the Contractor whether set out specifically in the contract or not. Should it be ascertained that any inconsistency exists between the aforesaid documents and this written agreement, the provisions of this written agreement shall control.

### 3. TERMS OF CONTRACT:

A. The undersigned bidder agrees to execute the contract within ten (10) working days from the date of notice of award of the contract or upon notice by City after ten (10) working days.

B. The CONTRACTOR, while fulfilling the terms of this Contract, is performing as a representative of CITY and shall provide exceptional Customer Care. Any negative contact with staff, residents/citizens, businesses, visitors or other contractors shall be reported by CONTRACTOR immediately to CITY. CONTRACTOR'S management and supervisory personnel shall intercede to resolve or mitigate the negative contact in conjunction with CITY staff. CITY and CONTRACTOR may agree in advance to a single person contact, a representative of the CITY or CONTRACTOR, for the investigation and response to complaints.

4. INSURANCE: The Contractor shall not commence work under this contract until he has obtained all insurance required hereunder in a company or companies acceptable to City nor shall the Contractor allow any subcontractor to commence work on his subcontract until all insurance required of the subcontractor has been obtained. Any tort claims filed against the CITY related to the performance of this Contract and subsequently tendered to the CONTRACTOR shall be promptly investigated, and the resolution of such claims shall be promptly reported to the CITY.

The Contractor shall take out and maintain at all times during the life of this contract the following policies of insurance:

a. Compensation Insurance: Before beginning work, the Contractor shall furnish to the Director of Public Works a certificate of insurance as proof that he has taken out full compensation insurance for all persons whom he may employ directly or through subcontractors in carrying out the work specified herein, in accordance with the laws of the State of California. Such insurance shall be maintained in full force and effect during the period covered by this contract.

Further, such policy of insurance shall provide that the insurer waives all rights of subrogation against City and its elected officials, officers, employees and agents.

In accordance with the provisions of Section 3700 of the California Labor Code, every contractor shall secure the payment of compensation to his employees.

Contractor, prior to commencing work, shall sign and file with the City a certification as follows:

"I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for worker's compensation or to undertake self insurance in accordance with the provisions of that Code, and I will comply with such provisions before commencing the performance of work of this contract."

b. For all operations of the Contractor or any subcontractor in performing the work provided for herein, insurance with the following minimum limits and coverage:

(1) Commercial General Liability (occurrence) – for bodily injury, death and property damage for products/completed operations and any and all other activities undertaken by the Contractor in the performance of this Agreement – – or – – :

(2) (Alternative to Commercial General Liability) – Comprehensive, broad form General Public Liability (occurrence) – for bodily injury, death and property damage arising out of any activities undertaken by Contractor in the performance of this Agreement.

(3) Comprehensive Automobile Liability (occurrence) – for bodily injury, death and property damage insuring against all liability arising out of the use of any vehicle.

(4) Owner's and Contractor's Protective (occurrence) – for bodily injury, death and property damage arising out of any activities undertaken by Contractor in the performance of this Agreement.

(5) Other required insurance, endorsements or exclusions as required by the plans and specifications.

(6) The policies of insurance required in this Section b shall have no less than the following limits of coverage:

(i) \$2,000,000 (Two Million Dollars) for bodily injury or death;

(ii) \$1,000,000 (One Million Dollars) for property damage;

(iii) The total of the limits specified in subsections (i) and (ii), above, where a combined single limit is provided.

c. Each such policy of insurance required in paragraph b shall:

(1) Be subject to no deductible amount unless otherwise provided, or approved in writing by City;

(2) Be issued by an insurance company approved in writing by City, which is admitted and licensed to do business in the State of California and which is rated A VII or better according to the most recent A.M. Best Co. Rating Guide;

(3) Name as additional insured the City, its elected officials, officers, employees, attorneys and agents, and any other parties, including subcontractors, specified by City to be included;

(4) Specify that it acts as primary insurance and that no insurance held or owned by the designated additional insured shall be called upon to cover a loss under said policy;

(5) Specify that it applies separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

(6) Contain a clause substantially in the following words:

"It is hereby understood and agreed that this policy may not be canceled nor the amount of coverage thereof reduced until thirty (30) days after receipt by City of written notice of such cancellation or reduction of coverage as evidenced by receipt of a registered letter."

(7) Specify that any failure to comply with reporting or other provisions of the required policy, including breaches of warranty, shall not affect the coverage required to be provided;

(8) Specify that the insurer waives all rights of subrogation against any of the named additional insured; and

(9) Specify that any and all costs of adjusting and/or defending any claim against any insured, including court costs and attorneys' fees, shall be paid in addition to and shall not deplete any policy limits.

(10) Otherwise be in form satisfactory to City.

d. Prior to commencing performance under this Agreement, the Contractor shall furnish the City with original endorsements, or copies of each required policy, effecting and evidencing the insurance coverage required by this Agreement. The endorsements shall be signed by a person authorized by the insurer(s) to bind coverage on its behalf. All endorsements or policies shall be received and approved by the City before Contractor commences performance. If performance of this Agreement shall extend beyond one (1) year, Contractor shall provide City with the required policies or endorsements evidencing renewal of the required policies of insurance prior to the expiration of any required policies of insurance.

5. PREVAILING WAGE: Notice is hereby given that in accordance with the provisions of California Labor Code, Division 2, Part 7, Chapter 1, Articles 1 and 2, the Contractor is required to pay not less than the general prevailing rate of per diem wages for work of a similar character in locality in which the public work is performed, and not less than the general prevailing rate of per diem wages for holiday and overtime work. In that regard, the Director of the Department of Industrial Relations of the State of California is required to and has determined such general prevailing rates of per diem wages. Copies of such prevailing rates of per diem wages are on file in the office of the City Clerk of the City of Brea, Number One Civic Center Circle, Brea, California, and are available to any interested party on request. City also shall cause a copy of such determinations to be posted at the job site.

Pursuant to Labor Code § 1775, the Contractor shall forfeit, as penalty to City, not more than fifty dollars (\$50.00) for each laborer, workman, or mechanic employed for each calendar day or portion thereof, if such laborer, workman, or mechanic is paid less than the general prevailing rate of wages hereinbefore stipulated for any work done under the attached contract, by him or by any subcontractor under him, in violation of the provisions of said Labor Code.

6. APPRENTICESHIP EMPLOYMENT: In accordance with the provisions of Section 1777.5 of the Labor Code as amended by Chapter 971, Statutes of 1939, and in accordance with the regulations of the California Apprenticeship council, properly indentured apprentices may be employed in the prosecution of the work.

Attention is directed to the provisions in Sections 1777.5 and 1777.6 of the Labor Code concerning the employment of apprentices by the Contractor or any subcontractor under him.

Section 1777.5, as amended, requires the Contractor or subcontractor employing tradesmen in any apprenticeable occupation to apply to the joint apprenticeship committee nearest the site of the public works project and which administers the apprenticeship program in that trade for a certificate of approval. The certificate will also fix the ratio of apprentices journeymen that will be used in the performance of the contract. The ratio of apprentices to journeymen in such cases shall not be less than one to five except:

- a. When unemployment in the area of coverage by the joint apprenticeship committee has exceeded an average of 15 percent in the 90 days prior to the request for certificate, or
- b. When the number of apprentices in training in the area exceeds a ratio of one to five, or
- c. When the trade can show that it is replacing at least 1/30 of its membership through apprenticeship training on an annual basis statewide or locally, or

- d. When the Contractor provides evidence that he employs registered apprentices on all of his contracts on an annual average of not less than one apprentice to eight journeymen.

The Contractor is required to make contribution to funds established for the administration of apprenticeship programs if he employs registered apprentices or journeymen in any apprenticeable trade on such contracts and if other contractors on the public works site are making such contributions.

The Contractor and subcontractor under him shall comply with the requirements of Sections 1777.5 and 1777.6 in the employment of apprentices.

Information relative to apprenticeship standards, wage schedules, and other requirements may be obtained from the Director of Industrial Relations, ex-officio the Administrator of Apprenticeship, San Francisco, California, or from the Division of Apprenticeship Standards and its branch offices.

7. LEGAL HOURS OF WORK: Eight (8) hours of labor shall constitute a legal day's work for all workmen employed in the execution of this contract, and the Contractor and any subcontractor under him shall comply with and be governed by the laws of the State of California having to do with working hours set forth in Division 2, Part 7, Chapter 1, Article 3 of the Labor Code of the State of California as amended.

The Contractor shall forfeit, as a penalty to City, twenty-five dollars (\$25.00) for each laborer, workman, or mechanic employed in the execution of the contract, by him or any subcontractor under him, upon any of the work hereinbefore mentioned, for each calendar day during which said laborer, workman, or mechanic is required or permitted to labor more than eight (8) hours in violation of said Labor Code.

8. TRAVEL AND SUBSISTENCE PAY: Contractor agrees to pay travel and subsistence pay to each workman needed to execute the work required by this contract as such travel and subsistence payments are defined in the applicable collective bargaining agreements filed in accordance with Labor Code Section 1773.8.

9. CONTRACTOR'S LIABILITY: The City of Brea and its officers, agents and employees shall not be answerable or accountable in any manner for any loss or damage that may happen to the work or any part thereof, or for any of the materials or other things used or employed in performing the work; or for injury or damage to any person or persons, either workmen, employees of the Contractor or his subcontractors or the public, or for damage to adjoining or other property from any cause whatsoever arising out of or in connection with the performance of the work. The Contractor shall be responsible for any damage or injury to any person or property resulting from defects or obstructions or from any cause whatsoever, except the sole negligence or willful misconduct of City, its employees, servants, or independent contractors who are directly

responsible to City during the progress of the work or at any time before its completion and final acceptance.

The Contractor will indemnify City against and will hold and save City harmless from any and all actions, claims, damages to persons or property, penalties, obligations, or liabilities that may be asserted or claimed by any person, firm, entity, corporation, political subdivision, or other organization arising out of or in connection with the work, operation, or activities of the Contractor, his agents, employees, subcontractors, or invitees provided for herein, whether or not there is concurrent passive or active negligence on the part of City, but excluding such actions, claims, damages to persons or property, penalties, obligations, or liabilities arising from the sole negligence or willful misconduct of City, its employees, servants, or independent contractors who are directly responsible to City, and in connection therewith:

- a. The Contractor will defend any action or actions filed in connection with any of said claims, damages, penalties, obligations, or liabilities and will pay all costs and expenses, including attorneys' fees incurred in connection therewith.
- b. The Contractor will promptly pay any judgment rendered against the Contractor or City covering such claims, damages, penalties, obligations, and liabilities arising out of or in connection with such work, operations, or activities of the Contractor hereunder, and the Contractor agrees to save and hold the City harmless therefrom.
- c. In the event City is made a party to any action or proceeding filed or prosecuted against the Contractor for damages or other claims arising out of or in connection with the work, operation, or activities of the Contractor hereunder, the Contractor agrees to pay to City any and all costs and expenses incurred by City in such action or proceeding together with reasonable attorneys' fees.

So much of the money due to the Contractor under and by virtue of the contract as shall be considered necessary by City may be retained by City until disposition has been made of such actions or claims for damage as aforesaid.

10. NON-DISCRIMINATION: No discrimination shall be made in the employment of persons upon public works because of the race, color, or religion of such persons, and every contractor for public works violating this section is subject to all the penalties imposed for a violation of Division 2, Part 7, Chapter 1 of the Labor Code in accordance with the provisions of Section 1735 of said Code.

11. CONTRACT PRICE AND PAYMENT: City shall pay to the Contractor for furnishing material and doing the prescribed work the unit price set forth in accordance with Contractor's proposal dated August 24, 2015.

12. NOTICES: All notices required or permitted here- under shall be deemed delivered to the party to whom notice is sent upon personal delivery thereof at the addresses set forth upon which said notice is placed, postage pre-paid, in the United States mail and addressed as follows:

CONTRACTOR: Minako American Corporation dba Minco Construction  
522 E Airline Way, Gardena, CA 90248  
Riverside, CA 92509

CITY: Director of Public Works  
City of Brea  
1 Civic Center Circle  
Brea, CA 92821

13. SUPERVISOR DESIGNATION: Contractor shall provide to City's Director of Public Works, upon execution of this Agreement, the name of the individual employed by Contractor designated as the Contractor's primary representative for the supervision and prosecution of the work. Said designated person shall be available, upon 30 minutes notice, to respond personally or by telephone to requests for information or instructions concerning the prosecution of the work from City's authorized representatives.

14. TERMINATION OR ABANDONMENT: This agreement may be terminated by City without cause, upon the giving of a written "Notice of Termination" to Contractor at least fifteen (15) days prior to the termination date specified in said notice. Contractor may terminate this agreement only for cause. Termination of the Contract does not release CONTRACTOR from any and all claims, damages or other liability incurred during the contract until CITY acknowledges such release.

15. ATTORNEYS' FEES: In The event that any action or proceeding is brought by either party to enforce any term or provision of this Agreement, the prevailing party shall recover its reasonable attorneys' fees and costs incurred with respect thereto.



16. IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed with all the formalities required by law on the respective dates set forth opposite their signatures.

State of California  
Contractor's License No. \_\_\_\_\_

\_\_\_\_\_

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

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

CITY OF BREA, CALIFORNIA

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

By: \_\_\_\_\_  
City Clerk

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

Contractor's Business Phone: \_\_\_\_\_

Emergency Phone at which Contractor can be reached  
at any time: \_\_\_\_\_

**City of Brea**

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**FINANCE COMMITTEE COMMUNICATION**

**TO:** Honorable Chair and Committee Members

**FROM:** City Manager

**DATE:** 09/28/2015

**SUBJECT:** APPROVE AGREEMENT FOR SHARING CONSULTANT COSTS FOR 2015 URBAN WATER MANAGEMENT PLAN (UWMP) BETWEEN MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) AND THE CITY OF BREA TOGETHER WITH TWENTY-TWO OTHER WATER DISTRICTS SERVING ORANGE COUNTY

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**RECOMMENDATION**

Approve agreement for sharing consultant costs for 2015 Urban Water Management Plan (UWMP).

**BACKGROUND/DISCUSSION**

The California State Legislature passed the Urban Water Management Act of 1983 which mandated that all water utilities with more than 3,000 customers or supplying more than 3,000 acre feet of water annually must prepare and adopt an Urban Water Management Plan every five years. The 2015 UWMP is a document which is intended to trace the total water usage of our City over the past few years and incorporate this information, with other users throughout the state, in an attempt to better project the amount of water which will be needed in the future. It also incorporates and places a heavy emphasis on water conservation.

The plan follows the guidelines that were set forth by the state and also incorporates portions of the Municipal Water District of Orange County (MWDOC) and Metropolitan Water District of Southern California management plans. The City's plan contains information on our use of water, going back to 1995, and projects water usage to the year 2035. It also projects the percentage of water used by residential, industrial,

commercial and agricultural customers throughout the City. This plan covers the present efforts of the Public Works Department to conserve water by the use of public information, rebates, and home retrofitting of plumbing fixtures, which are made available by the Public Works Department in the form of conservation kits, toilets at no cost to residents, and by regulating water pressure throughout the City. The plan is designed to serve as a flexible, open-end document that can be periodically updated at least once every five years to help the City in its efforts, as well as supplying a document to help the entire state in a well-organized approach to water use management.

Staff recommends utilizing the consultant that MWDOC has selected to prepare the document for compliance with the Urban Water Management Act of 1983 for a unified plan that is consistent with all the other cities and water agencies' submittals.

### **SUMMARY/FISCAL IMPACT**

Brea's fair share cost for preparation of the Plan is \$45,320. Funding was approved by Council in the 2015-16 Water Fund budget. There is no General Fund impact.

### **RESPECTFULLY SUBMITTED**

William Gallardo, City Manager

Prepared by: Brian M. Ingallinera, Environmental Services Coordinator

Concurrence: Eric Nicoll, Public Works Director

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### **Attachments**

Agreement

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**Cost Sharing Agreement for 2015 UWMP – Final 8-31-15**

**AGREEMENT FOR SHARING CONSULTANT COSTS  
FOR 2015 URBAN WATER MANAGEMENT PLANS**

THIS AGREEMENT is made and entered into as of \_\_\_\_\_ 2015, by  
and between:

1. MWDOC
2. City of Buena Park
3. City of Fullerton
4. City of Garden Grove
5. City of La Palma
6. City of Orange
7. City of Seal Beach
8. City of Tustin
9. City of Westminster
10. Yorba Linda Water District
11. East Orange County Water District
12. City of Anaheim
13. City of Fountain Valley
14. City of Newport Beach
15. City of Santa Ana
16. City of Huntington Beach
17. Mesa Water District
18. City of San Clemente
19. El Toro Water District
20. South Coast Water District
21. City of San Juan Capistrano
22. Trabuco Canyon Water District
23. City of Brea
24. City of La Habra

(collectively "Participating Agencies" and individually "Participating Agency") and the Municipal Water District of Orange County ("MWDOC"). The Participating Agencies and MWDOC are also collectively referred to as "Parties."

**RECITALS**

WHEREAS, under California Water Code section 10621, subdivision (a), the Participating Agencies are required to update their respective Urban Water Management Plan ("UWMP") at least once every five years; and

WHEREAS, the 2015 UWMP's shall be updated and submitted to the California Department of Water Resources (DWR) by July 1, 2016; and

WHEREAS, each Participating Agency has the responsibility to prepare a separate 2015 UWMP for submission by July 1, 2016; and

WHEREAS, the Participating Agencies share many water supply characteristics, including water sources, regional water management agencies, location, climate history, and demographics; and

WHEREAS, pursuant to California Water Code section 10620, subdivision (d)(2), the Participating Agencies wish to coordinate the preparation of their 2015 UWMPs in the interest of reducing preparation costs; and

WHEREAS, the Participating Agencies and MWDOC desire to cooperate with each other to obtain economies of scale and thereby reduce preparation costs for each of the Participating Agencies; and

WHEREAS, MWDOC and the Participating Agencies have jointly prepared and agreed to a Scope of Work that was incorporated into a Request for Proposals that was sent to a number of competent Consulting Firms, two of which submitted proposals which were reviewed by a working group of MWDOC and several representatives from the Participating Agencies who recommended selection of Arcadis ("Arcadis" or "Consultant") as the successful consultant to prepare Urban Water Management Plans for the Participating Agencies; and

WHEREAS, MWDOC and its staff are willing to coordinate this process, including the preparation and administration of a professional services agreement with the selected consultant; and the administration of the cost sharing provisions of this Agreement;

NOW, THEREFORE, in consideration of the payment of money as set forth below and the mutual promises of the Parties hereto, it is agreed:

1. Engagement of Consultant and Administration of Consultant Agreement

MWDOC shall award a professional services agreement for the work identified in the Request for Proposals to Arcadis ("Consultant Agreement"). MWDOC shall use its standard professional services agreement form for the Consultant Agreement and require appropriate types and limits of insurance coverage. Each CGL policy shall identify MWDOC, the Participating Agencies, and their directors, officers, agents, employees, attorneys, consultants and volunteers as additional insureds, or be endorsed to identify these parties as additional insureds using a form acceptable to MWDOC. The Consultant Agreement will require the consultant's insurer(s) to waive all rights of subrogation against MWDOC, the Participating Agencies, and their directors, officers, agents, employees, attorneys, consultants and volunteers. The Consultant Agreement will require consultant to ensure that its sub-consultants, if any, provide similar insurance coverage.

- 1.2 MWDOC shall coordinate all aspects of the proposed work with the selected contractor and communicate with each Participating Agency, regularly and upon request of the Participating Agency, regarding the status and substance of its 2015 UWMP;
- 1.3 MWDOC shall make payments to the Consultant for progress payments as work proceeds. MWDOC shall withhold 10% of each progress payment to Consultant in a retention fund until such time as every Participating Agency has notified MWDOC that it is satisfied with the final UWMP prepared for it by Consultant.
- 1.4 Each Participating Agency shall provide all documents, information and assistance requested by the selected contractor during the performance of the Consultant Agreement.

2. Cost Sharing by Participating Agencies.

2.1 MWDOC shall:

- 2.1.1 Collect from each Participating Agency upon execution of this Agreement the full amount of the portion of the total cost allocated to that Participating Agency in the selected contractor's proposal, as attached in Exhibit A;
- 2.1.2 Inform each Participating Agency of any proposed extra work under the Consultant Agreement that relates to preparation of that Participating Agency's 2015 UWMP and that would result in an increase in that Participating Agency's payment under this Agreement. MWDOC and the affected Participating Agency must both approve such extra work before MWDOC will notify Consultant to proceed with the work.
- 2.1.3 Be responsible for making progress payments directly to Consultant from funds paid to MWDOC by Participating Agencies (see section 1.3).
- 2.1.4 Prepare a final accounting and either distribute any remaining funds collected from the Participating Agencies back to the Participating Agencies or issue a final bill to Participating Agencies where there are funds due.

2.2 Each Participating Agency shall:

- 2.2.1 Pay to MWDOC upon execution of this Agreement the full amount of the portion of the total cost allocated to that Participating Agency in the selected contractor's proposal, as attached in Attachment A;

2.2.2 Pay to MWDOC, upon approval of any extra work under the Consultant Agreement that relates to preparation of its 2015 UWMP, the full amount owed for the approved work. Each Participating Agency shall bear all costs associated with extra work it approves.

3. Accounting

Upon request of any Participating Agency, MWDOC will provide copies of the selected Consultant's invoices and MWDOC's payment records.

4. Independent Contractor

Any consultant engaged by MWDOC on behalf of the Participating Agencies as contemplated in this Agreement will not be a party to this Agreement and will not be an employee or agent of MWDOC or any of the Participating Agencies, either as a result of this Agreement or as a result of a professional services agreement between MWDOC and the consultant. Any consultant engaged as contemplated in this Agreement will be an independent contractor to MWDOC.

5. Warranty and Indemnification

MWDOC shall use its best efforts in administering the Consultant Agreement, but makes no representations, guarantees or warranties to the Participating Agencies as to the quality or timeliness of work product provided by the selected contractor pursuant to the Consultant Agreement. The Participating Agencies, and each of them, shall indemnify MWDOC, its directors, officers, employees and agents against, and will hold and save them harmless from, any and all actions, claims, penalties, obligations or liabilities, in law or in equity, of every kind or nature whatsoever, that may be asserted or claimed by any person, firm, entity, corporation, political subdivision or other organization arising out of or in any manner directly or indirectly connected with the 2015 UWMPs prepared pursuant to the Consultant Agreement. As between the Participating Agencies, any costs associated with the indemnity and defense obligations set forth in the previous two sentences shall be the financial responsibility of each Participating Agency based on the same pro rata basis as the allocation of costs set forth in Section 2.1.1 herein and Exhibit A hereto. In the event MWDOC, its directors, officers, employees and agents are made a party to any action or proceeding filed in connection with a challenge to any 2015 UWMP prepared pursuant to the Consultant Agreement, the Participating Agency whose 2015 UWMP is challenged shall provide a complete defense to MWDOC, its directors, officers, employees and agents and shall reimburse MWDOC for all costs and expenses incurred as a result of the action or proceeding, including reasonable attorney's fees.

6. Notice

Any notice or communication required to be given under this Agreement shall be in writing and effective when deposited, first class postage prepaid, with the United States Postal Service addressed to the contracting Parties as follows:

Notices to Parties	
If to:	
1. MWDOC	Robert J. Hunter, General Manager Municipal Water District of Orange County 18700 Ward St. P.O. Box 20895 Fountain Valley, CA 92728
2. City of Buena Park	James B. Vanderpool, City Manager City of Buena Park 6650 Beach Blvd. Buena Park, CA 90622
3. City of Fullerton	David Schickling, Deputy Director of Public Works City of Fullerton 303 W. Commonwealth Avenue Fullerton, CA 92832-1775
4. City of Garden Grove	Scott Stiles, City Manager City of Garden Grove P.O. Box 3070 Garden Grove, CA 92842
5. City of La Palma	Ellen Volmert, City Manager City of La Palma 7822 Walker Street La Palma, CA 90623
6. City of Orange	John Sibley, City Manager City of Orange P.O. Box 449 Orange, CA 92866
7. City of Seal Beach	Jill R. Ingram, City Manager City of Seal Beach 211 8 <sup>th</sup> Street Seal Beach, CA 90740
8. City of Tustin	Jeffrey Parker, City Manager City of Tustin 300 Centennial Way Tustin, CA 92780
9. Yorba Linda Water District	Marc Marcantonio, General Manager Yorba Linda Water District 1717 E. Miraloma Placentia, CA 92870



**Cost Sharing Agreement for 2015 UWMP – Final 7-29-15**

10. City of Westminster	Eddie Manfro, City Manager City of Westminster 8200 Westminster Blvd. Westminster, CA 92683
11. East Orange County Water District	Lisa Ohlund, General Manager East Orange County Water District 185 N. McPherson Rd. Orange, CA 92869
12. City of Anaheim	Paul Emery, City Manager City of Anaheim City Hall East, 200 S. Anaheim Blvd. Anaheim, CA 92805
13. City of Fountain Valley	Bob Hall, City Manager City of Fountain Valley 10200 Slater Avenue Fountain Valley, CA 92708
14. City of Newport Beach	Dave Kiff, City Manager City of Newport Beach P.O. Box 1768 Newport Beach, CA 92663
15. City of Santa Ana	David Cavazos, City Manager City of Santa Ana P.O. Box 1988, M-24 Santa Ana, CA 92702
16. City of Huntington Beach	Brian Ragland, Utilities Manager City of Huntington Beach 19001 Huntington Street Huntington Beach, CA 92648-2211
17. Mesa Water District	Paul Shoenberger, General Manager Mesa Water District 1965 Placentia Avenue Costa Mesa, CA 92627-3420
18. City of San Clemente	James Makshanoff, City Manager City of San Clemente 100 Avenida Presidio San Clemente, CA 92672
19. El Toro Water District	Robert Hill, General Manager El Toro Water District P.O. Box 4000 Laguna Hills, CA 92654

20. South Coast Water District	Andrew Brunhart, General Manager South Coast Water District 31592 West Street Laguna Beach, CA 92651
21. City of San Juan Capistrano	Karen Brust, City Manager City of San Juan Capistrano 32400 Paseo Adelanto San Juan Capistrano, CA 92675
22. Trabuco Canyon Water District	Hector Ruiz, General Manager Trabuco Canyon Water District 32003 Dove Canyon Drive Trabuco Canyon, CA 92679
23. City of Brea	Bill Gallardo, City Manager City of Brea 1 Civic Center Circle Brea, CA 92821
24. City of La Habra	Jim Sadro, City Manager City of La Habra P.O. Box 337 La Habra, CA 90633-0337

7. Jurisdiction and Venue

In all matters concerning the validity, interpretation, performance, or effect of this Agreement, the laws of the State of California shall govern and be applicable. The Parties hereby agree and consent to the exclusive jurisdiction of the courts of the State of California and that venue of any action brought hereunder shall be in Orange County, California.

8. Counterparts and Facsimile

This Agreement may be executed by the Parties in counterparts, which counterparts shall be construed together and have the same effect as if all the Parties had executed the same instrument. Counterpart signatures may be transmitted by facsimile, email, or other electronic means and have the same force and effect as if they were original signatures. All parties have participated in the drafting of this Agreement.

9. Severability

If any provision of this Agreement shall be held illegal, invalid, or unenforceable, in whole or in part, the legality, validity, and enforceability of the remaining provisions shall not be affected thereby.

10. Entire Agreement

This Agreement contains the entire agreement of the Parties relating to the subject matter hereof; and the Parties have made no agreements, representations, or warranties, either written or oral, relating to the subject matter hereof that are not set forth herein. Except as provided herein, this Agreement may not be modified or altered without prior written approval from both parties.

IN WITNESS WHEREOF, the Parties have hereunto affixed their names as of the day and year thereafter written, which shall be and is the effective date of This Agreement.

Cost Sharing Agreement for 2015 UWMP – Final 8-31-15

Execution of Agreement by Parties	
1. MWDOC	Date _____  By: _____ Robert J. Hunter, General Manager Municipal Water District of Orange County  Approved as to Form:  Date _____  By: _____  Joseph Byrne General Counsel
2. City of Buena Park	Date _____  By: _____ James B. Vanderpool, City Manager City of Buena Park  Approved as to Form:  Date _____  By: _____  City Attorney
3. City of Fullerton	Date _____  By: _____ David Schickling, Deputy Director of Public Works City of Fullerton  Approved as to Form:  Date _____  By: _____  City Attorney

Cost Sharing Agreement for 2015 UWMP – Final 7-29-15

<p>4. City of Garden Grove</p>	<p>Date _____</p> <p>By: _____ Scott Stiles, City Manager City of Garden Grove</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____ City Attorney</p>
<p>5. City of Huntington Beach</p>	<p>Date _____</p> <p>By: _____ Fred Wilson, City Manager City of Huntington Beach</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____ Michael Gates City Attorney</p>
<p>6. City of La Palma</p>	<p>Date _____</p> <p>By: _____ Ellen Volmert, City Manager City of La Palma</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____ City Attorney</p>

Cost Sharing Agreement for 2015 UWMP – Final 7-29-15

<p>7. City of Orange</p>	<p>Date _____</p> <p>By: _____ John Sibley, City Manager City of Orange</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____</p> <p>Dave DeBerry City Attorney</p>
<p>8. City of Westminster</p>	<p>Date _____</p> <p>By: _____ Eddie Manfro, City Manager City of Westminster</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____</p> <p>Richard Jones City Attorney</p>
<p>9. City of Seal Beach</p>	<p>Date _____</p> <p>By: _____ Jill R. Ingram, City Manager City of Seal Beach</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____</p> <p>City Attorney</p>

Cost Sharing Agreement for 2015 UWMP – Final 7-29-15

10. City of Tustin	Date _____  By: _____ Jeffrey Parker, City Manager City of Tustin  Approved as to Form:  Date _____  By: _____  City Attorney
11. City of Anaheim	Date _____  By: _____ Paul Emery, City Manager City of Anaheim  Approved as to Form:  Date _____  By: _____ Daniel A. Ballin, Deputy City Attorney
12. Yorba Linda Water District	Date _____  By: _____ Marc Marcantonio, General Manager Yorba Linda Water District  Approved as to Form:  Date _____  By: _____  General Counsel Arthur Kidman

Cost Sharing Agreement for 2015 UWMP – Final 7-29-15

<p>13. East Orange County Water District</p>	<p>Date _____</p> <p>By: _____ Lisa Ohlund, General Manager East Orange County Water District</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____ General Counsel Joan Arneson</p>
<p>14. City of Fountain Valley</p>	<p>Date _____</p> <p>By: _____ Bob Hall, City Manager City of Fountain Valley</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____ City Attorney</p>
<p>15. City of Newport Beach</p>	<p>Date _____</p> <p>By: _____ Dave Kiff, City Manager City of Newport Beach</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____ City Attorney</p>



Cost Sharing Agreement for 2015 UWMP – Final 7-29-15

<p>16. City of Santa Ana</p>	<p>Date _____</p> <p>By: _____ David Cavazos, City Manager City of Santa Ana</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____ City Attorney</p>
<p>17. Mesa Water District</p>	<p>Date _____</p> <p>By: _____ Paul Shoenberger, General Manager Mesa Water District</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____ Robert Anslow General Counsel</p>
<p>18. City of San Clemente</p>	<p>Date _____</p> <p>By: _____ James Makshanoff, City Manager City of San Clemente</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____ City Attorney</p>

Cost Sharing Agreement for 2015 UWMP – Final 7-29-15

<p>19. El Toro Water District</p>	<p>Date _____</p> <p>By: _____ Robert Hill, General Manager El Toro Water District</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____</p> <p>Gil Granito General Counsel</p>
<p>20. South Coast Water District</p>	<p>Date _____</p> <p>By: _____ Andrew Brunhart, General Manager South Coast Water District</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____</p> <p>Art Kidman General Counsel</p>
<p>21. City of San Juan Capistrano</p>	<p>Date _____</p> <p>By: _____ Karen Brust, City Manager City of San Juan Capistrano</p> <p>Approved as to Form:</p> <p>Date _____</p> <p>By: _____</p> <p>City Attorney</p>

Cost Sharing Agreement for 2015 UWMP – Final 7-29-15

22. City of Brea	Date _____  By: _____ William Gallardo, City Manager City of Brea  Approved as to Form:  Date _____  By: _____  City Attorney
23. City of La Habra	Date _____  By: _____ Jim Sadro, City Manager City of La Habra  Approved as to Form:  Date _____  By: _____  City Attorney
24. Trabuco Canyon Water District	Date _____  By: _____ Hector Ruiz, General Manager Trabuco Canyon Water District  Approved as to Form:  Date _____  By: _____ Bowie, Arneson, Wiles and Giannone General Counsel

Cost Sharing Agreement for 2015 UWMP – Final 8-31-15

Attachment A												
List of Potentially Interested MWDOC Agencies												
For Development of Urban Water Management Plans for 2015												
Budget Groupings of Agencies	Base Price	Itemized Time and Materials Cost Allowance (Contingency Items)										
		Printing costs for additional copies (\$50/per copy)	Additional Coordination costs due to limited staff & complicated arrangements	Additional work for those not a CUVCC reporting agency	Additional time to complete a Shortage Impact Section	Additional time to prepare and implement a "Communication Plan"	Additional time to process changes from MET or other sources on the data tables	Attendance at Agency Management/Board/Council Meetings (\$1,000/per mtg assume 3 mtgs)	Reporting of Water Loss Control for agencies who have not completed a top down audit	Agencies who request assistance in revising their Water Shortage Contingency Plan	Agencies who request assistance in assessing their Water Shortage Contingency Plan	
<b>MWDOC</b>												
1	MWDOC	\$26,410	\$ 900	\$0	\$0	\$0	\$0	\$1,200	\$3,000	\$0	\$0	\$0
<b>OCWD Groundwater Agencies</b>												
2	City of Buena Park	\$18,240	\$ 900	\$3,310	\$3,000	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
3	City of Fullerton (not a part of MWDOC)	\$18,240	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
4	City of Garden Grove	\$18,240	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
5	City of La Palma	\$18,240	\$ 900	\$3,310	\$3,000	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
6	City of Orange	\$18,240	\$ -	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
7	City of Seal Beach	\$18,240	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
8	City of Tustin	\$18,240	\$ 900	\$3,310	\$3,000	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
9	Yorba Linda Water District	\$18,240	\$ 900	\$3,310	\$3,000	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
10	City of Westminster	\$18,240	\$ 900	\$3,310	\$3,000	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
11	East Orange County Water District (1)	\$19,986	\$ -	\$0	\$0	\$0	\$0	\$1,200	\$3,000	\$0	\$0	\$0
<b>OCWD Groundwater Agencies with Recycled Water</b>												
12	City of Anaheim (not part of MWDOC)	\$19,040	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
13	City of Fountain Valley	\$19,040	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
14	City of Newport Beach	\$19,040	\$ -	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
15	City of Santa Ana (not a part of MWDOC)	\$19,040	\$ -	\$3,310	\$3,000	\$1,800	\$0	\$1,200	\$0	\$2,260	\$1,500	\$5,440
16	Huntington Beach	\$18,240	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
17	Mesa Water	\$19,040	\$ -	\$3,310	\$0	\$1,800	\$0	\$1,200	\$3,000	\$0	\$0	\$0
<b>South County Agencies with Recycled Water</b>												
18	City of San Clemente	\$17,890	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
19	El Toro Water District	\$17,890	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
20	South Coast Water District	\$17,890	\$ 900	\$3,310	\$3,000	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
21	City of San Juan Capistrano	\$17,890	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
22	Trabuco Canyon Water District	\$17,890	\$ 900	\$3,310	\$0	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
<b>Non-OCWD Groundwater Agencies</b>												
23	City of Brea	\$18,990	\$ 900	\$3,310	\$3,000	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
24	City of La Habra	\$18,990	\$ 900	\$3,310	\$3,000	\$1,800	\$3,920	\$1,200	\$3,000	\$2,260	\$1,500	\$5,440
<b>South County Agencies without Recycled Water</b>												
<b>Total for All Agencies</b>												
	<b>Total</b>	<b>\$451,426</b>	<b>\$16,200</b>	<b>\$66,200</b>	<b>\$27,000</b>	<b>\$36,000</b>	<b>\$50,960</b>	<b>\$28,800</b>	<b>\$60,000</b>	<b>\$45,200</b>	<b>\$24,000</b>	<b>\$92,480</b>
(1) EOCWD = Wholesale & Retail Plans under one												

**City of Brea**

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**FINANCE COMMITTEE COMMUNICATION**

**TO:** Honorable Chair and Committee Members

**FROM:** City Manager

**DATE:** 09/28/2015

**SUBJECT:** EXPENDITURE OF THE SUPPLEMENTAL LAW  
ENFORCEMENT SERVICES FUND FOR FY 2015-2016

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**RECOMMENDATION**

Approve the expenditure of the Supplemental Law Enforcement Services Fund.

**BACKGROUND/DISCUSSION**

**BACKGROUND**

The Supplemental Law Enforcement Services Fund (SLESF) is an annual allocated state fund awarded to the City of Brea for frontline law enforcement services. The allocation award for FY 2015-2016 will be \$100,000.

For the last several years, the downtown liaison police officer position, including salary, benefits, and overtime, has been financed by this fund. The Downtown Liaison Officer handles calls for service in the Downtown District and coordinates the police department's response to and deployment at special events in the Downtown including the Jazz Festival, Farmers Market, Farrell's Ice Cream Challenge, Kids Block Party on Halloween, and other events as they occur. The Downtown Liaison Officer can also be deployed to special projects or emergencies outside of the Downtown District as needed.

**DISCUSSION**

Police Department staff has conducted a comprehensive review of the Department's needs and makes the following recommendations for the expenditure of the SLESF funds by June 30, 2016. The recommendations

will maintain the operational functions of the department, as well as improve the delivery of services to the community.

The proposed expenditure for the FY 2015-2016 SLESF grant follows, which includes receipt of the FY 2015-2016 grant funding (\$100,000):

Downtown Liaison Police Officer \$182,573.17

**SUMMARY/FISCAL IMPACT**

**FISCAL IMPACT**

Revenues and expenditures related to receipt of the SLESF fund have already been presented to Council and are included in the FY 2015-2016 budget. The balance of the salary not covered by SLESF (approximately \$82,573.17) has been appropriated in the approved FY 2015-2016 budget.

**RESPECTFULLY SUBMITTED**

William Gallardo, City Manager

Prepared by: Santo Porto, Police Lieutenant

Concurrence: John M. Conklin, Chief of Police

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**City of Brea**

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**FINANCE COMMITTEE COMMUNICATION**

**TO:** Honorable Chair and Committee Members

**FROM:** City Manager

**DATE:** 09/28/2015

**SUBJECT:** PROCEDURES FOR TRACKING ANNUAL ON-CALL  
AS-NEEDED PROFESSIONAL SERVICES AGREEMENTS –  
ENGINEERING SERVICES

---

**RECOMMENDATION**

Approve Procedures for Tracking Annual On-Call As-Needed Professional Services Agreements - Engineering Services

**BACKGROUND/DISCUSSION**

In May 2015, staff evaluated and selected six (6) out of eight (8) consulting firms through a Request for Proposal process to assist the City with Engineering Services on various capital projects. The capital projects are listed within the approved 2015 Capital Improvement Program (CIP) for Fiscal Year 2015-2016 and within subsequent fiscal years. Each of the Annual Professional Services Agreements (PSAs) with the selected engineering firms are for on-call, as-needed engineering services with a not-to-exceed single year limit of \$200,000 threshold.

On September 15, 2015, City Council approved the six (6) On-Call As-Needed Professional Service Agreements (PSAs) for Engineering Services. Additionally, as part of the item, there was a discussion between the City Manager and Council Member Parker to discuss procedures for spending controls and thresholds for the six PSAs with the Finance Committee. Based on this discussion and recommended reporting and cost control measures by the City Manager, staff has prepared Procedures for Tracking Annual On-Call As-Needed Professional Services Agreements for Engineering Services for the Finance Committee review and approval (Attachment A).

## **SUMMARY/FISCAL IMPACT**

Staff is recommending that the Finance Committee approve the Procedures for Tracking Annual On-Call As-Needed Professional Services Agreements for Engineering Services (Attachment A). Staff currently tracks the PSA Purchase Orders for each CIP Project which is funded within the approved CIP, therefore, there will be no impact to the General Fund for the additional reporting.

## **RESPECTFULLY SUBMITTED**

William Gallardo, City Manager

Prepared by: Steve Kooyman, P.E., City Engineer

Concurrence: Eric Nicoll, Public Works Director

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## **Attachments**

Attachment A

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## Attachment A

### PROCEDURES FOR TRACKING ANNUAL ON-CALL AS-NEEDED PROFESSIONAL SERVICES AGREEMENTS – ENGINEERING SERVICES

#### A. Staff Review and Tracking System

- Step 1. Staff will develop a Scope of Work to complete the required engineering work within the specific CIP Project.
- Step 2. Staff will submit the Scope of Work to all or some of the consulting firms on the list, depending on the specific need of service, to obtain their work plan and cost proposals to complete the Scope of Work.
- Step 3. Staff will evaluate the consultants work plan and cost proposals to complete the Scope of Work as well as assess the project budget and PSA not-to-exceed threshold amount of \$200,000.
- Step 4. Staff will select the preferred engineering firm and initiate a Purchase Order for the Scope of Work if the CIP Project budget is sufficient to cover the work and if the proposed cost does not exceed the available un-encumbered PSA balance (See Exhibit A for a proposed cost tracking summary report). If the CIP Project budget is insufficient to cover the Scope of Work, staff will evaluate the funding and Scope of Work options with Administrative Services, which might require additional Finance Committee and/or City Council action.
- Step 5. Staff will submit the Purchase Order request with back-up Scope of Work and selected firm's proposal to Administrative Services – Purchasing to obtain an approved Purchase Order.
- Step 6. Staff will submit the approved Purchase Order and a Notice to Proceed with the work to the selected firm.

#### B. Finance Committee Review and Reporting

- Step 1. Staff will prepare a Bi-Annual Spending Report for the six (6) firms for review by the Finance Committee (See Exhibit A for an example of this Report).
- Step 2. Staff will set a 75% contingency threshold amount (75% of \$200,000 or \$150,000) within the tracking system for each firm as part of the checks and balances for PSA threshold controls. If a cost proposal or accumulative approved encumbered Purchase Orders with new cost proposal from a preferred firm exceeds this 75% contingency amount but not the \$200,000 not-to-exceed threshold amount, staff will prepare a Finance Committee agenda report for a subsequent meeting to brief the Committee on the remaining budget and scope for the firms.

# EXHIBIT A

## Work Order Summary Report

AS NEEDED ON-CALL CIVIL DESIGN SERVICES					
Company	FUNDS		P.O. No.	Contact	Address
	Max/Yr. =	Design Cost			
Kreuzer	PN 7318 - Kraemer/Lambert Rehabilitation	\$100,000	66756	Rick Kreuzer, PE 714-656-0165 rick@kruzezercons ulting.com	320 Main Street, Unit D Seal Beach, CA 90740
	PN...				
	PN...				
	PN...				
	PN...				
	PN...				
	<b>Subtotal</b>	\$100,000			
	<b>Remaining Funds</b>	\$100,000			

**City of Brea**

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**FINANCE COMMITTEE COMMUNICATION**

**TO:** Honorable Chair and Committee Members

**FROM:** City Manager

**DATE:** 09/28/2015

**SUBJECT:** PROFESSIONAL SERVICES AGREEMENT WITH NBS FOR  
USER FEES AND CHARGES RATE STUDY

---

**RECOMMENDATION**

Approve professional services agreement with NBS to perform specific and professional financial analysis of existing development and inspection related fees for the Public Works, Community Development and Fire Departments and provide support for any fee update recommendations.

**BACKGROUND/DISCUSSION**

Each year as a component of the budget preparation process, the Finance Division requests that all departments submit any recommendations for fee updates. Each Division has reviewed their own individual fees and recommended changes in the past, but at this time, City staff believes it is necessary to complete a comprehensive review of the interconnected development-related fees. The Public Works Department alone has forty different fees that are charged to customers as a means of capturing the cost of providing various types of services. The Community Development and Fire Departments also have various fees which are charged to cover the costs related to development and inspection activities.

In some cases the determination of appropriate, legally defensible fee levels involves methodologies and protocols requiring specific, technical expertise not possessed by in-house staff. Staff is proposing such a review now to coincide with preparation of the next City budget cycle, consistent with the City Council's past discussions to keep fees current in covering our costs for services, while keeping Brea competitive in the

marketplace.

## **DISCUSSION**

A comprehensive, professional analysis of the City's development related fees is proposed. This work effort will ensure the proper nexus between the fee amount being charged and the cost of providing service. This fee review has been the additional benefit of assuring that Brea remains competitive with other agencies in its fee structure.

Requests for proposals for a fee study were sent to eight companies in December 2014. Responses were received from six companies, and are summarized below:

<b>Company Name</b>	<b>Location</b>	<b>Amount</b>
NBS	Irvine, CA	\$45,680
BPR Concepts	San Francisco, CA	\$20,750
MGT	Sacramento, CA	\$41,120
Revenue Cost Specialists, LLC	Fullerton, CA	\$24,000
Willdan	Temecula, CA	\$32,910
Fiscal Choice Consulting	Northfield, IL	\$38,970

While the cost of the NBS proposal may seem high, their proposal included a package of options that other consultants would need to add on. Their proposal includes meeting attendance, training, and a model that can be used by City staff in the future to perform fee updates. The hourly rates of all six consultants were comparable. In May 2015, a panel of City staff interviewed the top four ranked companies and NBS stood out as the top candidate to provide these services. With its review, staff identified the further need to expand the study to include Fire Department fee review, bringing the proposed not to exceed amount for this work effort to \$55,000. NBS has nearly twenty years of experience and serves as an industry leader whose services include providing training workshops to educate clients and others about industry standards and practices. The two main components of the services they would provide to Brea are the Cost of Service Analysis and a Fee Design component for City Council's

consideration.

If NBS is awarded the agreement, they will also provide several deliverables including:

- A Cost Allocation Plan
- A report on user fee subsidy levels
- A fee update model that staff can use to perform this task in future years
- Staff training on the fee update model

Recall, a City may impose fees, charges, and rates for services and facilities it provides. Examples include fees for checking plans for new construction or for inspections of construction projects. The amount of a fee may not exceed the cost of providing the service. This cost may include overhead, capital improvements and debt service. Other issues are important considerations for fees the City charges. For example, federal grant rules require local agencies to allocate overhead and indirect costs to all their programs and services, so that federally funded programs do not pay more than their proportionate share of these costs.

Having a cost of service study performed will help determine if the amount currently collected per year from fees for service is equal to the amount eligible for recovery from fees for service. There are also economic, political and behavioral reasons City staff or policy makers would not recommend or adopt fees at 100% of their cost recovery and these issues too need to be considered. The main goal of this action will be to provide information to City Council that will enable them to provide cost recovery policy direction specific to the fees charged for development and inspection related activities.

### **COMMITTEE RECOMMENDATION**

The Finance Committee reviewed staff's recommendation at their September 28, 2015 Special Meeting and recommended...

### **SUMMARY/FISCAL IMPACT**

The Professional Services Agreement is a not-to-exceed amount of \$55,000. This amount will be divided amongst the Building and Safety Division, the Planning Division, the Engineering Division, and the Brea Fire Department. The amount for this agreement will be included in the next quarterly budget adjustment.

**RESPECTFULLY SUBMITTED**

William Gallardo, City Manager

Prepared by: Keri Bullock, Senior Management Analyst

Concurrence: David Crabtree, Community Development Director

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**Attachments**

Proposal

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[Return to Agenda](#)

# City of Brea

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## Proposal for a User Fees and Charges Rate Study

September 24, 2015

**OFFICE LOCATIONS:**

*Irvine - Regional Office*  
18012 Cowan Street, Suite 290  
Irvine, CA 92614

*Temecula - Corporate Headquarters*  
32605 Temecula Parkway, Suite 100  
Temecula, CA 92592

*San Francisco - Regional Office*  
870 Market Street, Suite 1223  
San Francisco, CA 94102

*Davis - Regional Office*  
140 B. Street, Suite 5-292  
Davis, CA 95616

Phone: 800.676.7516

[www.nbsgov.com](http://www.nbsgov.com)

Prepared by

 **NBS**™ helping communities fund tomorrow



18012 Cowan Street, Suite 290  
Irvine, CA 92614  
Toll free: 800.676.7516

[nbsgov.com](http://nbsgov.com)

September 24, 2015

Mr. Delfino "Chino" Consunji, P.E.

Deputy Director of Public Works/City Engineer

Public Works Department – Engineering Division

**City of Brea**

1 Civic & Cultural Center

Brea, CA 92821-5732

**RE: USER FEES & CHARGES RATE STUDY**

Dear Mr. Consunji, City Council, Staff and Colleagues,

We appreciate the opportunity to submit this proposal to prepare a User Fees and Charges Rate Study for the City of Brea. Our role in helping any agency establish fees for services is to set the sound and legal maximum, beneath which, community goals and values may influence the fees ultimately imposed. We work methodically – step by step – to build a strong analytical foundation for fees, and we bring our years and breadth of experience to facilitate the formulation of cost recovery policy unique to the City of Brea.

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Prepared by **NBS** – September 24, 2015

City of Brea – User Fees and Charges Rate Study



## EXECUTIVE SUMMARY

The requirements of this Study warrant a consulting team with expertise in user and regulatory fee analysis. NBS offers a cohesive team of senior professionals dedicated to successfully achieving the City's key objectives. We offer the following advantages:

**LOCAL EXPERIENCE AND GEOGRAPHY** – We believe the strongest benefit we offer the City is our local experience and the senior level staff who would be working closely with City of Brea staff. Within Orange County, the proposed project team recently completed a Comprehensive User Fee Study for the City of Fountain Valley. Fees included in the analysis stemmed from the following broad categories: engineering, administration/finance, public works, fire prevention, water utility, recreation and police. The proposed NBS project team has also completed similar studies for the Cities of Dana Point, Fountain Valley, Huntington Beach, Irvine, Mission Viejo, Orange, Rancho Santa Margarita, San Juan Capistrano and Tustin in Orange County.

Our specialized project team will be working locally from NBS' Irvine office in Orange County, just minutes from the City of Brea. This allows NBS staff to be available onsite for the City's project within a moment's notice, should there be such urgency.

**CONTENT EXPERIENCE** – NBS will facilitate the formulation of cost recovery policy unique to the City of Brea. Our team will provide a strategic asset in developing fees in a manner that reflects City staff and City Council's concerns about understanding the basis for existing fees, simplifying fee structures, keeping fees at reasonable levels, incorporating the broader range of community values these fees must reflect.

**DEDICATED PROJECT TEAM** – Regardless of the “national experts and experience” a firm may offer, the more important question is, “Who will actually work on the study for the City?” The NBS team offers a California-based project team which will conduct and complete this study for the City *from start to finish*.

Our project manager and senior consultants will be readily available to attend meetings with City staff, Council and any other community groups.

**GOING THE EXTRA MILE** – Our most valuable qualification aside from our technical expertise, is our record of satisfied clients, as demonstrated by our client references. We are genuinely concerned about our clients' project successes and satisfaction. Because of this, we often go beyond what is expected of a consultant, including:

- Tailoring our approach and schedule to what works best for the City.
- Understanding how recent changes to laws and regulations may affect the study.
- Working with you as partners, and paying attention to your concerns.
- Striving to educate City staff, Council members throughout the process.
- Soliciting your active involvement in the study, yet respecting your time by not burdening you with unnecessary requests.

\* \* \* \* \*

In order to provide these advantages to the City, we believe that communication is a key factor. We will communicate as necessary with Project staff to keep abreast of all developments and progress during the study.

This proposal shall remain valid for a period of not less than ninety (90) days from the date of submittal. All information submitted with this proposal are true and correct. The information contain herein this proposal reflects the Addendum issued on December 22 (City Responses to RFP Questions). I am your proposed Project Director and you can contact me with any questions or concerns you may have at 800.676.7516 or nkissam@nbsgov.com. Our headquarters address is 32605 Temecula Parkway, Suite 100, Temecula, CA 92592.

We do appreciate your consideration of NBS to perform these services for the City and look forward to the possibility of working on this project.

Sincerely,

**NBS Government Finance Group, dba NBS**



Nicole Kissam

Director



Michael Rentner

President and CEO

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# A. QUALIFICATIONS, RELATED EXPERIENCE AND REFERENCES

## 1. FIRM PROFILE

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helping communities fund tomorrow. NBS is an independent consulting

firm serving local governmental agencies, including cities, towns, counties, municipal utilities, and special purpose districts. The ultimate goal of NBS is to provide support, expertise and solutions that allow these local agencies to focus on community needs and core services. Our Financial Consulting practice focuses primarily on cost recovery mechanisms and supporting justification for various agency revenue streams, including the following:

- User and regulatory fees for a wide variety of local government programs and services
- Overhead cost allocation analysis
- Rate studies for municipal water, sewer, storm drainage and solid waste utilities
- Financial plans for public utilities
- System capacity and development impact fees

NBS also provides special financing district consulting and administration focusing on the formation and ongoing administration of Assessment Districts, Community Facilities Districts (CFDs), Business Improvement Districts (BIDs), Landscape Maintenance Districts (LMDs), property-related fee districts, and special parcel tax districts. NBS is staffed with seasoned experts who are dedicated to providing our clients

with the best possible results; 37 consultants contribute extensive experience in the fields of finance, management, and local governance.

## **2. FIRM'S FINANCIAL POSITION**

The company is in a strong financial position with little to no debt and continually invests in the highest-quality software and technology.

## **3. FIRM'S EXPERIENCE IN PERFORMING WORK OF A SIMILAR NATURE**

In a recent survey conducted by the California Society of Municipal Finance Officers (CSMFO), NBS was used **most often** by municipal agencies for current or past Fee Study or Fee Review projects. The following is a sampling of municipal agency clients for which the proposed project staff completed similar work within the last five (5) years.

**Exhibit A. Sample listing of municipal agency clients for which NBS Project Team Staff has performed similar work**

<b>AGENCY NAME</b>	<b>STUDY PERFORMED</b>
American Canyon Fire Protection District	User Fee Study
Association of Bay Area Governments	Review of OMB A-87 Cost Allocation Plan
California Fire & Rescue Training Authority	User Fee Study and OMB A-87
City of Agoura Hills	User Fee Study
City of Alameda	User Fee Study
City of Belmont	OMB A-87 Cost Allocation Plan
City of Benicia	User Fee Study, Full Cost Allocation Plan
City of Camarillo	User Fee Study
City of Chula Vista	User Fee Study
City of Clearlake	Full Cost Allocation Plan
City of Concord	Full Cost Allocation Plan

AGENCY NAME	STUDY PERFORMED
City of Culver City	User Fee Study, Full and OMB A-87 Cost Allocation Plans
City of Dixon	Full and OMB A-87 Cost Allocation Plan
City of Fountain Valley	Full Cost Allocation Plan
City of Fresno	User Fee Study
City of Half Moon Bay	User Fee Study, Full Cost Allocation Plan
City of Huntington Beach	Full and OMB Cost Allocation Plan
City of Indio	User Fee Study, Full Cost Allocation Plan
City of Lincoln	User Fee Study, Full Cost Allocation Plan
City of Los Angeles	User Fee Study
City of Los Angeles	User Fee Studies
City of Merced	User Fee Study
City of Moreno Valley	Full and OMB A-87 Cost Allocation Plan
City of Napa	Full and OMB Cost Allocation Plan
City of National City	Full and OMB A-87 Cost Allocation Plan
City of Palmdale	Full and OMB A-87 Cost Allocation Plan
City of Patterson	User Fee Study
City of Petaluma	Full Cost Allocation Plan
City of Richmond	User Fee Study, Full and OMB A-87 Cost Allocation Plans
City of San Carlos	User Fee Study, Full Cost Allocation Plan
City of San Diego	User Fee Study
City of San Luis Obispo	User Fee Study
City of Santa Cruz	User Fee Study, Full and OMB A-87 Cost Allocation Plans
City of Sausalito	User Fee Study
City of Seaside	User Fee Study
City of Sierra Madre	User Fee Study

AGENCY NAME	STUDY PERFORMED
City of Taft	User Fee Study, Full Cost Allocation Plan
City of Tulare	User Fee Study
City of Turlock	User Fee Study
City of Tustin	User Fee Study, Full Cost Allocation Plan
City of Vallejo	Cost Allocation Study
City of Ventura	User Fee Study, Full and OMB A-87 Cost Allocation Plans
County of Santa Clara	User Fee Study
Moraga-Orinda Fire Protection District	User Fee Study
City of Richmond	Full and OMB A-87 Cost Allocation Plans
City of Riverside	Full and OMB Cost Allocation Plan
City of Rocklin	Review of Full Cost Allocation Plan
Sacramento Metropolitan Fire District	User Fee Study, Full and OMB A-87 Cost Allocation Plans
Sacramento Public Library Authority	Full and OMB A-87 Cost Allocation Plan
City of San Carlos	Full Cost Allocation Plan
San Francisco MTA	OMB A-87 Cost Allocation Plan
City of San Juan Capistrano	Full Cost Allocation Plan
Solano Irrigation District	OMB A-87 Cost Allocation Plan
Stanislaus Consolidated Fire Protection District	User Fee Study
City of Taft	Full Cost Allocation Plan
Town of Atherton	User Fee Study
Town of Colma	User Fee Study
Town of Portola Valley	User Fee Study
Tuolumne Utilities District	Full Cost Allocation Plan
City of Tustin	Full Cost Allocation Plan
City of Ventura	Full and OMB A-87 Cost Allocation Plans



#### 4. EXPERIENCE WITH VARIOUS GOVERNMENT AGENCIES

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NBS performs the services listed above within the requirements and framework of California-specific statutes and guidelines, including:

- State Controller’s Office Handbook of Cost Plan Procedures; and federal guidelines, including the Office of Management and Budget Circular A-87
- Proposition 218, 26, and subsequent legislation and case law
- AWWA Industry Standards (Manuals M-1, M-6, and M-22)
- State Water Resources Control Board Revenue Program Guidelines
- Article XIID of the California State Constitution (as applies to user and regulatory fees)
- Mitigation Fee Act (Government Code 66000 et seq., codified by “AB 1600”)



**MSRB Municipal Advisor:** NBS is registered with the Municipal Securities Rulemaking Board (MSRB) as a Municipal Advisor.

As a new rule covered under the Dodd-Frank Wall Street Reform and Consumer Protection Act, any firm that is a provider of debt issuance support services must be registered with the Securities Exchange Commission (SEC) and MSRB in order to legally provide these related services.

#### 5. JOINT WORK

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NBS does not foresee the need for subconsultants to complete the City's subject study.

#### 6. REFERENCES

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NBS submits the following information and references for recent projects we have performed comparable to the needs of Brea:

## CITY OF FOUNTAIN VALLEY, COMPREHENSIVE USER FEE STUDY



NBS recently completed a User Fee Study for the City of Fountain Valley. Fees included in the analysis stemmed from the following broad categories: administration/finance, water utility, public works, engineering, fire prevention, recreation and police. Key consulting tasks included development of a deliverable cost of service model justifying fully-burdened hourly rates and activity/service unit costs, a master fee schedule identifying the maximum fee amount justified, documentation of cost recovery and pricing objectives, and market comparison of all fees. In addition, NBS presented the methodology and results to the City Council for adoption.

**Contact:** Teresa Gonzales, Budget/Accounting Manager

**Address:** 10200 Slater Avenue, Fountain Valley, CA 92708

**Phone/Email:** (P) 714.593.4503 (E) [teresa.gonzales@fountainvalley.org](mailto:teresa.gonzales@fountainvalley.org)

## CITY OF SAN JUAN CAPISTRANO, COST ALLOCATION PLAN AND USER FEE STUDY



NBS is in the final phases of a Cost Allocation Plan and User Fee Study for the City of San Juan Capistrano (final report delivered, Council meeting to be determined by City staff). Included in the project was the development of a deliverable Overhead Cost Allocation Plan to identify and allocate the costs of central governmental and administrative services. Fees included in the analysis stemmed from the following broad categories: administration/governmental, building and safety, engineering, land development, planning and land use, and utilities. Key consulting tasks included development of a deliverable cost of service model justifying fully-burdened hourly rates and activity/service unit costs, a master fee schedule identifying the maximum fee amount justified, documentation of cost recovery and pricing objectives, and market comparison of all fees.

**Contact:** Cindy Russell, Chief Financial Officer/City Treasurer

**Address:** 32400 Paseo Adelanto, San Juan Capistrano, CA 92675

**Phone/Email:** (P) (949) 443-6301 (E) crussell@sanjuancapistrano.org

## CITY OF SEASIDE, CITYWIDE USER FEE STUDY AND REVENUE OPTIONS ANALYSIS



NBS recently completed a User Fee Study for the City of Seaside. Fees included in the analysis stemmed from the following broad categories: administration/governmental, building and safety, engineering, fire prevention, land development, planning and land use, and police. Key consulting tasks included development of a deliverable cost of service model justifying fully-burdened hourly rates and activity/service unit costs, a master fee schedule identifying the maximum fee amount justified, documentation of cost recovery and pricing objectives, and market comparison of all fees. In addition, NBS provided the City with a proactive approach for a number of new revenue options.

**Contact:** Daphne Hodgson, Finance Director

**Address:** 440 Harcourt Avenue, Seaside, CA 93955

**Phone/Email:** (P) 831.899.6718 (E) dhodgson@ci.seaside.ca.us

## CITY OF RICHMOND, COST ALLOCATION PLAN AND USER FEE STUDIES



The NBS project team has also recently completed several successful user and regulatory fee analyses for the City of Richmond, including a third party review of fully loaded hourly rate calculations for the Engineering, Wastewater, and Stormwater departments, as well as review of the City's existing approach to establishing Wastewater and Stormwater utility rates subject to

### City of Seaside

DAPHNE HODGSON

DEPUTY CITY MANAGER

*"The City Council has adopted the fees as proposed and we are moving forward! Thank you for your work on this - I don't think we would have got it done without your presentations."*

Proposition 218 procedures. NBS also performed complete user and regulatory fee analyses pertaining to the Code Enforcement division and the permitting process for the recently adopted Medical Marijuana Collectives Dispensary Ordinance.

Nicole Kissam, the project manager for this engagement, prepared a Full Cost Allocation Plan and OMB A-87 version for the City of Richmond. Additionally, she performed a user fee study for the planning and building departments. This work was performed within the last two years of her employment as Vice President and Secretary of the Matrix Consulting Group.

**Contact:** Antonio Banuelos, Revenue Manager

**Address:** 450 Civic Center Plaza, Richmond, CA 94804

**Phone/Email:** (P) 510.620.6741 (E) antonio\_banuelos@ci.richmond.ca.us

#### CITY OF SAN CARLOS, COST ALLOCATION PLAN AND USER FEE STUDY



In May 2013, NBS completed a Cost Allocation Plan and User Fee Study for the City of San Carlos. Included in the project was the development of a deliverable Overhead Cost Allocation Plan to identify and allocate the costs of central governmental and administrative services. Fees included in the analysis stemmed from the following broad categories: administration/governmental, building and safety, engineering, land development, planning and land use, and police. Key consulting tasks included development of a deliverable cost of service model justifying fully-burdened hourly rates and activity/service unit costs, a master fee schedule identifying the maximum fee amount justified, documentation of cost recovery and pricing objectives, and market comparison of all fees.

**Contact:** Tracy Kwok, Finance Services Manager

**Address:** 600 Elm Street, San Carlos, CA 94070

**Phone/Email:** (P) 650.802.4217 (E) tkwok@cityofsancarlos.org

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Prepared by NBS – September 24, 2015

# B. PROPOSED STAFFING AND PROJECT ORGANIZATION

## 1. EDUCATION, EXPERIENCE AND CREDENTIALS OF KEY PROJECT STAFF

NBS is staffed with seasoned professionals who are dedicated to providing our clients with the best possible results. The NBS staff of over 37 consultants and engineers has extensive experience in the fields of finance, management, engineering, and local governance and combine their knowledge to produce a synergy that results in maximum success and minimum risk.

The NBS staff is fully conversant with all changes to laws, codes, and regulations affecting local governments. Recognized as leaders in their field, they are often asked to teach university courses, and participate in workouts for troubled agencies. In addition, NBS staff works with our clients as partners by developing an intimate knowledge of their needs and responding with strategic and timely solutions.

The following is a brief over of key project staff education, experience and credentials:

### **NICOLE KISSAM, PROJECT DIRECTOR:**

Experience and Education: Ms. Kissam is a Director with NBS in the Financial Consulting practice. She has 15 years total work experience in public sector consulting, city government, marketing, and public relations. Nicole has been a financial and management consultant to local government for the majority of her career, specializing in Full and OMB A-87 compliant cost allocation plans, user and regulatory fee analysis, impact fee and utility rate studies for California agencies. Nicole holds a Bachelor of Science in Business Administration from California Polytechnic State University in San Luis Obispo. Ms. Kissam has completed

similar projects as requested in the City's RFP for many agencies across California. (See Exhibit A for a sample listing of experience).

#### **GRETA DAVIS, PROJECT MANAGER/LEAD CONSULTANT:**

Experience and Education: Ms. Davis offers over 25 years of experience in all facets of financial, organizational and operational consulting for local government clients. The majority of her professional experience includes development of Full Cost and OMB A-87 compliant cost allocation plans, and user fee analysis including establishment of realistic, customized fee recovery policies. Greta holds a Bachelor of Arts in Social Science, with an emphasis in Finance, from the University of California, Irvine. Ms. Davis has completed similar projects as requested in the City's RFP for many agencies across California. (See Exhibit A for a sample listing of experience).

#### **NBS CONSULTANTS AND FINANCIAL ANALYSTS:**

Qualifications: The NBS professional staff proposed to work on this project could include **Kelly Gustafson** as a Consultant, and/or **Ivan Velasco** as Financial Analyst. Their high level of expertise in various spreadsheet and database platforms is utilized in providing the support, documentation, and analysis required as deliverables to NBS clients. These members of our project team have Bachelor's Degree in Finance, Business, or Economics, and local government background.

## **2. KEY STAFF RESUMES**

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Full resumes for key staff personnel can be found in the Appendix.

## **3. KEY PERSONNEL ROLES AND ADDITIONAL INFORMATION**

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NBS is pleased to present the following staff for the City's study:

## NICOLE KISSAM, PROJECT DIRECTOR:

Roles & Responsibilities: Ms. Kissam will manage the ongoing administration of the project, serving as the primary point of contact for City staff and directing the work efforts the consultant project team. She will be fully conversant in all findings and will be onsite for progress, findings, and public events. She will present recommendations and findings to City staff, council, and any other public bodies or public hearings. Ms. Kissam will work closely with the City's designated project manager to monitor schedule and delivery of work products to the City's satisfaction. While designing and directing analytical efforts, she will also provide senior-level technical analysis as warranted throughout the project

Current Location: Irvine, CA.

Current Assignment: Various studies at different stages.

Level of Commitment to that Assignment: 30 – 40% of total time.

Availability to this Assignment: 15 - 30%

Length of time with Firm: 5 years

## GRETA DAVIS, ASSISTANT DIRECTOR / PROJECT MANAGER:

Roles & Responsibilities: Ms. Davis, an Associate Director will act as Project Manager and serve as the Lead Consultant to lead data acquisition and validation efforts with City staff, direct specific areas of model design, and prepare technical analysis supporting the determination and justification of cost allocation and fees, at the direction of the Project Director. Ms. Davis will work actively with departmental staff members who oversee and perform services under review in this effort. As needed or assigned, Greta Davis may also perform the duties listed above for Nicole Kissam.

Current Location: Irvine, CA.

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Prepared by NBS – September 24, 2015

Current Assignment: Various studies at different stages.

Level of Commitment to that Assignment: 30 – 40%

Availability to this Assignment: 15 - 30%

Length of time with Firm: 4 years

#### **STACEY SHELL, LEAD CONSULTANT:**

Roles & Responsibilities: Ms. Shell, Manager, is available to the City for this important project. The Lead Consultant will execute all aspects of analytical design under the direction of the Project Director and Project Manager. She will facilitate completion of key aspects of the project's Task Plan, including but not limited to, organizational interviews, fee model development, data collection, timeline management, and draft reviews and documentation efforts.

Current Location: Sacramento, CA.

Current Assignment: Various studies at different stages.

Level of Commitment to that Assignment: 30 – 40%

Availability to this Assignment: 15 - 30%

Length of time with Firm: 6 months

#### **NBS FINANCIAL ANALYST, KHALID WAHIDI:**

Roles & Responsibilities: Financial Analysts perform large-scale data analysis and validation, design and implement cost allocation and rate models, and prepare technical outcomes at the direction of Ms. Kissam and Ms. Davis.

Current Location: Irvine, CA.



Current Assignment: Various studies at different stages.

Level of Commitment to that Assignment: 30 – 40%

Availability to this Assignment: 15 - 30%

Length of time with Firm: 6 months

**DANIELLE WOOD, CLIENT SERVICES DIRECTOR:**

Roles & Responsibilities: Ms. Wood will ensure NBS' study team delivers the high quality work products and service standards that differentiate NBS from other firms. However, he will not be charging time to this project.

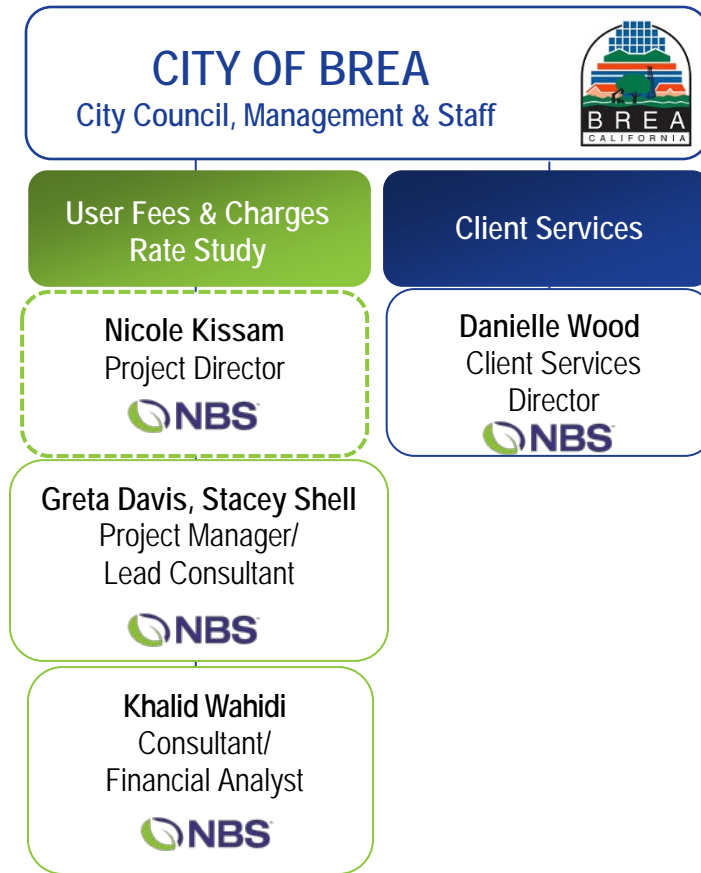
**4. PROJECT ORGANIZATION CHART**

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NBS is staffed with seasoned professionals who are dedicated to providing our clients

The organization chart shown as Exhibit B on the next page illustrates the reporting relationships within our proposed project team.

Exhibit B. NBS Project Team reporting structure for the City



**5. KEY PERSONNEL AVAILABILITY STATEMENT**

Key personnel will be available to the extent proposed for the duration of the project. NBS acknowledges that no person is designed as “key” to the project shall be removed or replaced without the prior written concurrence of the City.

# C. DETAILED WORK PLAN

## 1. APPROACH AND WORK PLAN

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### APPROACH

In general, NBS' project management philosophy is based on effective communication and timely delivery of work product. In the sphere of varying types of competitor firms available for provision of these services, the City should ultimately focus on selecting the consultant with the strongest project management abilities, experience, and positive references.

At NBS, we ensure that each client is serviced by a **senior level technical consultant** for the majority of onsite tasks, presentations, and project direction. Our proposed project managers have expertise and decades of experience in this exact type of work.

### COMPREHENSIVE FEE STUDY

The project goals for a Comprehensive Fee Study are to identify the full cost of service in fee-related activities and to facilitate the development of strategies/policy for recovery of those costs in user/regulatory fees. Departments and activities to be included in this study's scope primarily include, but are not limited to:

- ✓ Building
- ✓ Planning
- ✓ Engineering
- ✓ Fire

In general, the scope of services for each department and activity noted above includes all fees for service that can be analyzed on a time estimate per activity basis. Taxes, penalties, fines, and fees regulated or set by the State, as well as development impact fees and utility rates would be excluded from this analysis. Equipment and facility rental fees are also excluded from the cost of service analysis, but may be surveyed to obtain local market rate information.

### **COST ALLOCATION PLAN**

A Cost Allocation Study is an analysis – accompanied by supporting documentation – which distributes general governmental and support service costs to the direct municipal services and activities provided to the public. Common uses for the results of a cost allocation plan are:

- Application in the cost basis for governmental fees and charges.

### **Exhibit C. Comprehensive Fee Study Tasks Overview**



- A component in the derivation of fully-burdened hourly rates for agency personnel.
- Inter-fund charges for recovery to the General Fund of support provided to areas outside it, such as the Sewer Services Fund or Enterprise Funds.
- Rates applicable to cost accounting, such as charging labor time to capital projects.
- Mark-ups on costs directly passed-through to users.
- Recovery of costs from external funds such as grants or agreements with other agencies.

In the NBS approach, the Overhead Cost Allocation Plan encompasses the following analytical steps:

- Compiles actual cost data.
- Expresses costs according to the functions of service they provide.
- Assigns a factor to use as a basis for allocation.
- Performs a minimum of two-step series of allocations.
- Derives total assigned overhead amounts by public service/fund.
- Expresses rates that represent total indirect costs assigned by department and an overall Citywide rate.



Aside from accurately reflecting an organization's costs, the most important step in preparing a reasonable cost allocation study is the selection of allocation factors. These data sets should represent either:

- Actual or estimated workload of the function allocated; or,
- A reasonable and generally accepted means of apportioning benefit for the function allocated.

In this way, resulting cost allocations represent a reasonable component to establishing the full cost of providing services.

All NBS cost allocation studies comply with the requirements and guidelines of *Title 2, Code of Federal Regulations, Part 225, Cost Principles for State, Local, and Indian Tribal Governments (formerly known as OMB A-87)*. NBS can provide cost allocation outcomes that are either more or less restrictive in application of OMB A-87, depending on whether the primary intended use of the cost allocation study results are for reimbursement of overhead costs from State or Federal grants.

## **DETAILED WORK PLANS**

The following provides our detailed proposed Work Plan for completion of (1) a Comprehensive Fee Study and (2) a Cost Allocation Plan:

### **WORK PLAN 1: COMPREHENSIVE FEE STUDY**

#### *Task 1: Project Commencement*

NBS will acquire published or accessible data from the City, centering on adopted budgets, recent financial performance (revenues and expenditures), current labor cost detail and classifications, organizational structures, existing relevant policies, existing time-tracking and volumetric data, and other items of a more

global nature. NBS will then issue a consolidated data request to City staff for the balance of needed preliminary data requirements if additional sources are needed.

NBS will conduct an onsite administrative project commencement meeting with City staff members, including those who will manage the progress, completion, and implementation of the study's findings. This meeting will include a discussion of expectations and an overview of the process for conducting the analysis, including: coordination for onsite and remote interactions with City personnel in all divisions, timeline for project completion, and other topics.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>• Preliminary data collection list</li> <li>• Initial on-site kick off meeting to review goals, objectives, and project management</li> </ul>	4
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>• Package and send preliminary data needs to NBS</li> <li>• Attend Kick-off meeting</li> </ul>	Approx. 2 hours for response to preliminary data needs. 1 hour for each staff member attending the Kick-off meeting

***Task 2: Fee Structure Design and Organizational Analysis***

In combination with Task 1, conduct onsite project commencement events with individual divisions initially known to provide the fee-related services under review in this study. The chief purpose of these meetings is to acquire a broad understanding of each division's organization, performance of core services, functions of service, staffing structure/lines of command, current fee structures and systems, known

issues/deficiencies in current fees, known areas for new fees, and availability of existing time-tracking and volumetric data. Applying industry expertise, NBS consultants will recommend and develop fee structures (as opposed to amounts) for each area under review. Fee structures include flat fees, variable fees based on measurable service characteristics (e.g., project types, size, etc.), and variable fees based on staff time (e.g., hourly rates with deposits), etc. Fee structure can also mean rewriting fee categorical descriptions to retain flat fees for administrative ease but introducing variation in the applicable fee for an applicant or user.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>On-site meetings with departments under review</li> </ul>	33
Estimated Timeline (Hours)	
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>Attendance at meetings and follow up to action items determined via discussions</li> </ul>	<p>Approx. 1 - 2 hours of meeting attendance for both Director / Department Head, as well as one or two key staff from each department who will perform data collection and response.</p> <p>Approx. 2 hours of follow up related to meeting outcomes</p>

**Task 3: Time and Service Analysis**

Determine and communicate the subsequent steps to acquire and/or develop organizational, performance, and time information necessary for establishing costs of service for justifying fees. Consultants will also preliminarily identify any other divisions outside those immediately identified that are involved in the direct



provision of the services under review and will schedule comparable commencement events with those areas. Develop an approach and tools for acquiring and/or developing the organizational, performance, and time information necessary for justifying fees. For areas where simple remote questionnaires may suffice, develop and route the forms to key personnel within each division. For areas where onsite interviews will be necessary, coordinate scheduling and develop interview tools. Conduct onsite events with individual divisions – and potentially small groups within each division – to generate organizational, performance, and time information necessary for justifying fees.

After acquiring historically-tracked and/or currently-available time and volumetric data, as well as information developed through questionnaires and/or interviews, determine any necessary secondary course of action to continue and/or refine organizational, performance, and time data. Up to two iterations of the time and service analysis for each department are included to ensure that the cost of service analysis is defensible and reasonable. Iterative efforts will be manageable through the use of highly-concentrated/targeted remote follow-up email communication, questionnaires, and or phone conferences with appropriate divisional personnel. The product of this task will be a model of the complete organizational, performance, and time requirements for the services under review in this study.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>• Development of data collection materials and scheduling and attendance of subsequent on-site events</li> <li>• Up to two iterations of data modifications needed</li> </ul>	36

to produce defensible first draft results	
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>• Collection of time estimate and volumetric data in the format requested by NBS</li> <li>• Attendance of additional meetings for discussion of work processes or development of time and workload information</li> </ul>	Approx. 4 - 6 hours of effort to collect first pass of data, and additional 2 to 4 hours to revise and work with consultant. If meetings are required, additional 1 to 2 hours of staff time per meeting.

#### *Task 4: Time Valuation*

Prepare the analytical module that will perform a time valuation analysis. This module will determine the full cost of service on an annual basis for each division, for various functions of service, and on an hourly basis for the entire division, for core functions within a division, and as warranted, by classification of personnel. Consider the applicability of productive hours or direct-billed hours as the basis for the rate calculation, depending on the division or function in question. Integrate City financial/budget data, payroll/labor data, and established overhead charges or cost allocations, as follows:

- Define the **direct costs** of service for each division involved in each service under review in this study. Direct costs reflect those specifically related to the provision of service embodied by the activities reflected in the fee schedule, as well as any potential additions to that list.
- Define the **indirect costs** of service for each division involved in each service under review in this study. Indirect costs are those incurred to support the provision of direct service, and may be reflected in many functional forms, depending on the division and/or direct services in questions. Examples of indirect functions include administrative support, customer service/public information,

code/policy/standards maintenance, training, and management. Outside of discrete functions, indirect costs may also include tangible items, such as materials and supplies.

- Determine applicable **City-wide indirect costs**, such as those defined by the Cost Allocation Plan to determine appropriate shares of administrative, support services, and/or governance costs. (Scope Number 2).

	Estimated Timeline (Hours)
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>• Development of fully burdened hourly rate models for each department studied</li> </ul>	20
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>• Response to consultant questions related to budgeted expenditure, or overhead cost allocation information</li> </ul>	2-4 hours of departmental and/or Finance department staff time

### *Task 5: Cost of Service Analysis*

The full cost of service defined by NBS serves as the analytically-justified maximum amount that may be recovered through a user/regulatory fee adopted solely by the City Council. As part of the Microsoft Excel-based fee/cost of service model to be delivered to the City at the conclusion of the project, prepare the module that will perform the cost of service analysis. This module will determine the full cost of service at an activity level for each individual service currently associated with a fee or selected as a candidate for a new fee. Integrate applicable information developed in previous tasks to develop activity costs of service. Apply performance/time estimates at identified activity levels to the fully-burdened hourly rates developed in

the Time Valuation tasks to determine the full cost of service for each fee-related service. Add any discrete materials/services costs not reflected in the time valuation for specific activities, such as substantial equipment and incremental contract services. The outcome of this task will provide the following information in a draft of results for review:

- ✓ Total estimated cost of providing each fee for service included in the study. Once finalized, these amounts will represent the legal maximum the City could charge for each service.
- ✓ Comparison of the total estimated cost of each fee for service to the current fee charged by the City. Display of the current cost recovery percentage for each fee item.
- ✓ Projection of the annual current fee revenue collected for each department and comparison of that amount to the annual estimated total costs of providing fee related services. Display of the annual amount of potential additional revenue available, or current surplus collected in fee revenue.
- ✓ Placeholder tables for the recommended fee analysis, which will allow City staff and policy makers to suggest fee amounts at or below the maximum allowable fee level, and project the total annual revenue impacts of their recommendations.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
• Draft of analytical results for departmental review	25
<b>Brea Activity Requirements</b>	
• Response to consultant questions needed to produce draft results	Up to 2 hours of departmental and/or Finance department staff time

**Task 6: Draft Review and Revision**

Conduct review events by teleconference, with each individual department or division to review the draft results of the Study. Determine any necessary refinements to core assumptions and discuss applicability in current and/or alternative fee structures.

Discuss pricing objectives from the divisional perspective, i.e., the division’s comfort with full cost recovery or some alternative level of cost recovery. Consultants will facilitate this conversation by discussing public/private benefits or causation of each activity, potential market sensitivity, interaction with established City goals or policies, behavior modification influence, and other considerations. Based on review with City staff, revise core analytical modules and finalize the activity costs of service. Calculate the final unit costs of service that will serve as the foundation for any revised fee amounts and/or fee structure.

This task represents one planned iteration of the analytical work products.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>• Draft of analytical results for departmental review</li> <li>• Incorporation of one round of City comments and revisions to achieve final results</li> </ul>	8
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>• Review of draft results and provision of follow up data and comment required to finalize fee models.</li> </ul>	Up to 4 hours of departmental staff time

**Task 7: Conduct Comparative Fee Survey**

Policy makers often desire a comparison of current, full cost recovery, and recommended fee amounts to neighboring jurisdictions. Although an “apples to apples” comparison of cost recovery policy and fee structures between agencies is challenging, presence of a comparison will ensure a smoother implementation process and a sense of the “market” rate for various services. NBS will conduct a comparative fee survey of up to 5 jurisdictions of the City’s choice. Survey will be structured to include the most comparable items/project types for each department studied.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>Survey of surrounding agencies, detailing a comparison of current, full cost recovery, and recommended fee amounts</li> </ul>	20
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>Selection of 5 comparative agencies; review and feedback</li> </ul>	Up to 4 hours of departmental staff time

**Task 8: Documentation**

Prepare a written report describing the complete work and findings of the project. Include an executive summary, narrative sections detailing the Fee Structure Design, Organizational Analysis, Time Valuation, and Cost of Service Analysis. Issue the draft report in electronic form (portable document format) to City staff and management for review. Include one round of changes to the narrative draft final report, to reflect City management group input (includes narrative changes, no numerical/analytical revisions included).

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>• Issuance of Draft report for City staff review and comment</li> <li>• Incorporation of one round of changes to the narrative report</li> </ul>	17
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>• Review and comment to narrative draft final report document</li> </ul>	Approximately 2-4 hours of departmental and/or Finance Department staff time

**Task 9: Master Fee Schedule and Final Deliverables**

NBS will consolidate all fee items into one Master Fee Schedule file for use in public presentations, City Council meetings, policy discussions, implementation purposes, or other use. Issue the final report draft to City's Management staff. One round of minor revisions to the final report draft presented therein is included (includes narrative changes, no numerical/analytical revisions included).

Issue the final report to City staff and management in the following formats: ten (10) bound paper copies, one (1) unbound paper copy, and one (1) electronic copy in portable document format (PDF). Issue the final technical models and supporting information to the City in Microsoft Excel (XLS) format for future in-house use and modification.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>• Compilation of report results into Master Fee Schedule</li> </ul>	32

format for adoption <ul style="list-style-type: none"> <li>• One round of revisions to final report draft</li> <li>• Final Excel models and documentation</li> </ul>	
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>• Review and comment to Master Fee Schedule Document</li> </ul>	Approximately 2-4 hours of departmental and/or Finance Department staff time

***Task 10: Legislative Process Support***

NBS will actively support the City’s process to legislatively review, approve, and implement any changes to fees stemming from this study. In anticipation of additional community stakeholder, Council, or Council subcommittee review, NBS will prepare foundational presentation materials for use in public meetings. Prepare for and attend up to two (2) meetings or public hearings of the City choice to present study findings and respond to questions on behalf of or in support of Department staff.

***Task 11: Training in Use of Fee Models***

At the conclusion of the project, NBS will provide the City with the finalized fee model in Microsoft Excel. All formulas and data entry areas will be available to the City in this model for future in-house use and update of the files. As this model contains NBS’ proprietary approach to fee development, delivery of this model to the City is provided for the City’s internal use only by City staff, and not to be distributed to any third parties, including outside consultants or contractors. NBS also delivers this model as “complete” at the time of the Final Report, and does not take responsibility for subsequent edits made by City staff to the model, or decisions made by the City based on future versions of the model where edits were not performed by NBS professional staff.



Within this proposal, we include one half-day of on-site training to orient staff to key data entry areas, forms, and schedules of the user fee model. While the training will not guarantee that the City will be able to manipulate and update the model “error free” on an on-going basis, the training will provide basic orientation in how to update key data components and outcomes of the technical model in future years.

It is our experience that the majority of clients requesting ownership and training in the use of our software models call us for review of their work, or ask us to perform the update due to lack of staff resources. Delivery of our software tools and training in use of those tools at the end of a project is not a straightforward task. Our consultants typically require a minimum of 2 years of hands on training, while supervised and trained by an expert, to become proficient in application of data and use of these tools. If desired by the City, development of a comprehensive training program could be developed under a separate scope and pricing agreement from this project.

## **WORK PLAN 2: COST ALLOCATION PLAN**

The goals of the Full Cost Allocation Plan include acquisition of a documented and defensible plan that generates general/administrative allocation amounts that may be used in the City’s annual budget, indirect/overhead rates, and fully-burdened hourly rates for City personnel. NBS has included an OMB A-87 indirect overhead rate calculation for compliance with OMB Circular A-87, which calculates applicable cost allocation for federal and state grant reimbursement. The following provides our detailed proposed Work Plan for completion of a Cost Allocation Plan for the City of Brea:

### ***Task 1: Preliminary Data Collection***

The purpose of this task is to initiate the project on solid footing and establish common understanding. NBS will gather and review published City information and readily-available data and issue a

comprehensive data request to City staff, to include items such as detailed revenue and expense budgets for the current and last completed fiscal year, any timekeeping data currently recorded by City staff, and any relevant volume/activity statistics currently tracked by the City. (The latter two items will be requested in a more refined basis after project commencement and staff interviews are conducted.)

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>List of basic data requirements for the study</li> <li>Kick-off presentation to appropriate staff</li> <li>On-site initial meeting with executive staff to review goals, objectives, and project management plans</li> </ul>	3
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>Basic data requirements for the study as listed by NBS (staffing, salary, budget, etc.)</li> <li>Attendance at kick-off presentation and initial Executive staff meeting</li> <li>Designate City's project management representative (minimal involvement)</li> </ul>	2 hours for the Finance Department, and approximately 1 hour for each attendee of the kick off presentation and executive staff meeting.

***Task 2: Project Commencement and Organizational Review***

NBS will identify an initial list of indirect cost centers and recipients, which typically include, but is not limited to the following City Departments: City Council, City Manager, City Clerk, City Attorney, Finance,

Human Resources, Administrative Services, and Building or Facilities maintenance. In one series of on-site meetings:

- ✓ Meet with a gathering of participating City staff (e.g., Finance personnel) to kick-off the project, discuss initial ideas regarding cost allocation, and prepare for subsequent analytical review efforts.
- ✓ Conduct individual meetings with each indirect cost center to examine further the City's current organizational and financial structure, and identify functional service levels in which to summarize indirect costs.
- ✓ Discuss with City staff the recommended cost allocation detail and corresponding bases for apportioning costs City-wide. This step will include specific discussions regarding those support services which fluctuate to determine the most appropriate allocation basis with the goal to reduce the variance from year to year.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>• Review and analyze the organizational structure and financial format to prepare the plan model</li> <li>• Staff structure review/interviews</li> </ul>	12
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>• Provide consultant with data as requested</li> <li>• Attendance at interviews (if needed)</li> </ul>	Approx. 2 hours for each administrative department involved in the study

**Task 3: Data Collection**

With City staff buy-in and cooperation, embark on data collection to develop sets of information to be used as factors for cost allocation. (The study will seek to primarily use data sets already maintained for other purposes in order to minimize ongoing labor burdens in maintaining future cost allocations; however, new data sets may be developed where warranted.)

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>Data collection for the structure, functions, costs, and allocation basis needed to complete the first draft of the plan</li> </ul>	20
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>Review and discussion of consultant's initial interpretation of the data</li> <li>Provide consultant with data as requested</li> </ul>	Approx. 1 - 2 hours of support from finance

**Task 4: Cost Allocation Model Development**

Work with City staff to discuss the identified structure and ensure that the proposed direction will satisfy all City-wide requirements for overhead allocation. Develop an overhead cost allocation model in the Microsoft Excel spreadsheet environment. Reflect the City's organizational and financial structure and target a user-friendly, sustainable configuration for the City's future use. Include easily-identifiable and annotated data entry areas, the necessary computations to perform at least two levels and layers ("step-downs") of cost allocations City-wide, and summary reports identifying total annual costs allocated.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>Model development; Confirm and clarify any data or staff time allocations in the model</li> </ul>	19
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>Review and provide requests for changes or points of discussion to the consultant</li> </ul>	Approx. 1 hour for each administrative department involved in the study

***Task 5: Derivation of Outcomes – Full Cost Allocation Plan***

Compile associated costs and make any necessary adjustments to costs to ensure capture only of relevant support services costs. Input cost and allocation factor data into the overhead cost allocation model, and complete the functionality of the plan. Generate annual allocated costs by budget unit and fund. Meet with City staff via teleconference once during this process to review interim analysis/progress. Collect input and one-round of revisions to the draft plan results.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>One to two rounds of revisions to finalize the Cost Allocation Plan</li> <li>Copies of the Final Cost Allocation Plan and electronic version of the analytical model, as well as a final narrative report that explains the analysis</li> <li>Discussion and advice on implementation and uses of the plan</li> </ul>	13

Brea Activity Requirements	
<ul style="list-style-type: none"> <li>Review and approve final Cost Allocation Plan</li> </ul>	Approx. 1 hour for each administrative department involved in the Study-Review;  On-site training for all department staff throughout project

**Task 6: Cost Allocation Plan Documentation and Presentation of Outcomes**

Prepare a draft report documenting the Full Cost Allocation Plan. The draft will be issued to City staff in PDF format. The report includes an Executive Summary, Citation of data sources and key analytical assumptions, illustration of analytical methods; presentation of findings; narrative descriptions complying with the standards of OMB A-87; delineation of a proposed near- and long-term action plan related to implementation and maintenance of the plan's results; and, technical appendix showing the analysis and any relevant data sources. Participate in the presentation of the draft plan to select City staff and the City Council. Collect input, and make one round of revisions to the draft report. Provide the City with Word and PDF electronic copies of the final report, as well as 15 bound and one unbound copy of the final cost allocation plan. Include electronic copies of the final cost allocation plan model in Excel format.

Estimated Timeline (Hours)	
<b>NBS Project Deliverables</b>	
<ul style="list-style-type: none"> <li>Delivery and discussion of the Draft Cost Allocation Plan</li> <li>Draft narrative report that explains the analysis</li> <li>Copies of the Final Cost Allocation Plan and</li> </ul>	14

<p>electronic version of the analytical model, as well as a final narrative report that explains the analysis</p> <ul style="list-style-type: none"> <li>• Discussion and advice on implementation and uses of the plan</li> </ul>	
<b>Brea Activity Requirements</b>	
<ul style="list-style-type: none"> <li>• Review and provide requests for changes or points of discussion to the consultant</li> </ul>	Approx. 1 - 2 hours for each administrative department involved in the study

***Task 7: Software and Training***

The purpose of this task is to provide on-site training to enable staff to review and update the final analytical models on an annual basis. NBS will work with up to four City representatives at a half-day training workshop, to be held at the City, to learn how to update key data components and outcomes of the technical model in future years.

***Task 8: OMB A-87 Compliant Cost Allocation Plan and ICR Calculation***

Prepare an OMB A-87 Complaint Cost Allocation Plan and Indirect Cost Rate. Make any necessary adjustments to the final version of the Full Cost Allocation Plan's structure, expenditure data, or allocation factor data to ensure compliance with OMB A-87 guidelines. Review Plan results with City staff. Collect input and one round of revisions to the draft plan and rate results. Note this task assumes no change in fiscal year expenditure data from the Full Cost Allocation Plan.

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**CITY OF NATIONAL CITY**

STACEY STEVENSON

DIRECTOR OF ADMINISTRATIVE SERVICES

*“Thank you for being in National City yesterday to work with staff and present the plan to Council. By the end of the meeting, the Council got the significance of the document and they are pleased. They also thought the money was well spent.”*

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## PROPOSED TIMELINE

It is important that the consultants and City project management work closely together to determine a reasonable schedule that balances the preferred date for project completion with City staff's existing workload and priorities. During the data collection tasks of the Technical Work Plan, NBS will proactively remind of agreed upon submittal dates, and strive to process submittals quickly to keep the project moving forward. Upon project commencement, a schedule and task plan will be developed for mutual acceptance by the City and consultants. The graphic below displays a sample timeline for project completion.

Exhibit B. Proposed Project Schedule

Task Description	Weeks from start														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>WORK PLAN 1. COMPREHENSIVE FEE STUDY</b>															
Task 1. Project Commencement	█	█	█												
Task 2. Fee Structure Design and Organizational Analysis			█	█											
Task 3. Time and Service Analysis					█	█									
Task 4. Time Valuation						█	█								
Task 5. Cost of Service Analysis								█	█						
Task 6. Draft Review and Revision										█	█				
Task 7. Conduct Comparative Fee Study										█	█				
Task 8. Documentation											█	█			
Task 9. Master Fee Schedule and Presentation of Results													█	█	
Task 10. Additional Legislative Process Support															█
Task 11. Training in Use of Fee Models	TBD by City														
<b>WORK PLAN 2. OVERHEAD COST ALLOCATION PLAN</b>															
Task 1. Preliminary Data Collection	█	█	█												
Task 2. Project Commencement and Organizational Review	█	█	█	█	█										
Task 3. Data Collection				█	█	█	█								
Task 4. Cost Allocation Model Development				█	█	█	█								
Task 5. Derivation of Outcomes - Full Cost Allocation Plan								█	█	█	█				
Task 6. Cost Allocation Plan Documentation and Presentation of Outcomes										█	█	█	█		
Task 7. Software and Training														█	█
Task 8. OMB A-87 Compliant Cost Allocation Plan													█	█	█

## D. EXCEPTIONS/DEVIATIONS

NBS has reviewed the City's RFP and Sample Contract and proposes the following modifications to the Contract language:

- **Add new paragraph:**

*City's Responsibilities. The City shall furnish Consultant with any pertinent information that is available to City and applicable to the Services. The City shall designate a person to act with authority on its behalf in respect to the Services. The City shall promptly respond to Consultant's requests for reviews and approvals of its work, and to its requests for decisions related to the Services. City understands and agrees that Consultant is entitled to rely on all information, data and documents (collectively, "Information") supplied to Consultant by City or any of its agents, contractors or proxies or obtained by Consultant from other usual and customary sources including other government sources or proxies as being accurate and correct and Consultant will have no obligation to confirm that such Information is correct and that Consultant will have no liability to City or any third party if such Information is not correct.*

## E. FEE PROPOSAL

Our professional fees are based on our understanding of the City's needs and the effort we believe is necessary to complete the scope of services/task plan described. We express this honestly and transparently through our price proposal. **Should the proposed project cost noted here fall outside of the City's expectations, please let us know so we can discuss a scope and project fee that are mutually agreeable.**

### HOURLY RATES

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NBS applied the following hourly rates to derive the overall not-to-exceed pricing for the requested scope of services. NBS' rates are inclusive of all costs associated with professional time, such as travel, document production, and incidentals. The rates will apply for the duration of our contract:

- NBS Director / Associate Director / Manager, \$190 per hour
- NBS Consultant / Analyst, \$120 per hour

### DETAILED PROJECT BUDGET

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NBS proposes a professional fee that is a fixed amount of **\$38,910 for the User Fee Study and \$14,310 for the Cost Allocation Plan**. At no time will we invoice for charges in excess of the fee to which the City and NBS mutually agree. Should the City specifically request additional services beyond those described in this document, we will discuss those requests and associated costs at that later time and only invoice for additional fees upon separate written authorization from the City. NBS proposes to invoice the City on a monthly basis, following recorded consultant time on the project, paralleling our completion of the work.

*See Exhibit C (Detailed Project Budget) on following page.*

## Exhibit C. Detailed Project Budget

PROJECT COST DETAIL CITY OF BREA	NBS Consultant Labor (Hours)			Grand Totals	
	Nicole Kissam	Davis / Shell	Kelly Gustafson / Ivan Velasco	Consultant Labor (Hours)	Consultant Costs (\$)
	Director	Associate Director / Manager	Analyst		
<i>Hourly Rate</i>	\$190	\$190	\$120		
<b>WORK PLAN 1. MASTER FEE STUDY</b>					
Task 1. Project Commencement	2.0	2.0	-	4.0	760
Task 2. Fee Structure Design and Organizational Analysis	1.0	12.0	32.0	45.0	6,310
Task 3. Time and Service Analysis	-	32.0	16.0	48.0	8,000
Task 4. Time Valuation	-	12.0	16.0	28.0	4,200
Task 5. Cost of Service Analysis	1.0	16.0	16.0	33.0	5,150
Task 6. Draft Review and Revision	-	6.0	8.0	14.0	2,100
Task 7. Conduct Comparative Fee Study	-	4.0	20.0	24.0	3,160
Task 8. Documentation	1.0	12.0	4.0	17.0	2,950
Task 9. Master Fee Schedule and Presentation of Results	4.0	20.0	8.0	32.0	5,520
Task 10. Additional Legislative Process Support		<i>(optional - per meeting)</i>		-	-
Task 11. Training in Use of Fee Models	-	4.0	-	4.0	760
<b>Subtotal</b>	<b>9.0</b>	<b>120.0</b>	<b>120.0</b>	<b>249.0</b>	<b>\$ 38,910</b>
<b>WORK PLAN 2. COST ALLOCATION PLAN</b>					
Task 1. Preliminary Data Collection	-	3.0	-	3.0	570
Task 2. Project Commencement and Organizational Review	-	4	8	12.0	1,720
Task 3. Data Collection	-	8	12	20.0	2,960
Task 4. Cost Allocation Model Development	1.0	6	12	19.0	2,770
Task 5. Derivation of Outcomes - Full Cost Allocation Plan	1.0	4	8	13.0	1,910
Task 6. Cost Allocation Plan Documentation and Presentation of Outcomes	2.0	8	4	14.0	2,380
Task 7. Software and Training	-	4	-	4.0	760
Task 8. OMB A-87 Compliant Cost Allocation Plan	-	4	4	8.0	1,240
<b>Subtotal</b>	<b>4.0</b>	<b>41.0</b>	<b>48.0</b>	<b>93.0</b>	<b>\$ 14,310</b>
<b>SUBTOTAL ALL PROJECTS</b>	<b>13.0</b>	<b>161.0</b>	<b>168.0</b>	<b>342.0</b>	<b>\$ 53,220</b>
Contingency				\$	1,780
<b>TOTAL ALL PROJECTS</b>				\$	<b>55,000</b>

## EDUCATION

- Bachelor of Science, Business Administration, California Polytechnic State University, San Luis Obispo

## PROFESSIONAL AFFILIATIONS

- Association of California Water Agencies (ACWA)
- American Public Works Association (APWA)
- California Society of Municipal Finance Officers (CSMFO)

## SPEAKING ENGAGEMENTS

- Revenue Remedies, Pre-Conference Workshop, CSMFO 2013
- Verdict on User Fees, Panel on User Fees, CSMFO 2013
- Strategies for Managing Your Building Department's Budget, CBOAC 2011

## BIOGRAPHY

Nicole Kissam is Director of Financial Consulting for NBS. She has over 10 years total work experience in public sector consulting, city government, marketing, and public relations.

Nicole has been a financial and management consultant to local government for the majority of her career, specializing in cost allocation plans, and user fee and rate studies for California agencies. She also spent several years performing management audits to improve the operational efficiency of various municipal services, including wastewater, community development, public works, recreation and human resources. She has supported, developed, and directed financial services consulting practices for three private consulting firms offering similar services to those proposed to be completed by NBS in this document.

Ms. Kissam has participated in, managed, and completed more than 100 separate consulting engagements throughout her career, from small jurisdictions with less than 10,000 population, to large jurisdictions such as the City/County of San Francisco's Building Inspection Department, and City of Los Angeles' Planning and Fire Departments.

## RECENT NBS PROJECT EXPERIENCE

Within the last three (3) years, as Director of NBS' Financial Consulting practice, Nicole has managed and completed the following relevant projects to the scope of services proposed in this document:

- Association of Bay Area Governments (ABAG), Indirect Cost Allocation Plan Review
- City of Chula Vista, *Cost Allocation Plan Review and User Fee Study Analysis*
- City of Clear Lake, *Cost Allocation Plan*
- Contra Costa County, *User and Regulatory Analysis Review*
- City of Dixon, *Cost Allocation Plan*
- City of East Palo Alto, *Cost Allocation Plan and Comprehensive Fee and Rate Study*
- City of Eastvale, *Development Impact Fee Study*
- City of Fresno, *Fire Prevention User Fee Analysis*
- City of Indio, *Cost Allocation Plan and User Fee Study*
- City of Los Angeles, *Expedited Review Fees for the Department of City Planning*
- City of Napa, *Cost Allocation Plan and User Fee Study*
- City of Petaluma, *Cost Allocation Plan and Internal Service Fund Rate Review*
- City of Portola Valley, *Community Development User Fee Analysis*
- City of Richmond, *User Fee Analysis for Engineering, Code Enforcement and Medical Marijuana.*
- City of San Luis Obispo, *Building Department User Fee Analysis*
- City of San Carlos, *Citywide User Fee Study, Police False Alarm Analysis, Sewer Financial Plan and Rate Update Recommendations*
- City of Sausalito, *User Fee Study (in progress)*
- City of Taft, *Cost Allocation Plan and User Fee Study*
- City of Turlock, *Building Fee Study*
- Sacramento Public Library Authority, *Cost Allocation Plan*
- Santa Clara County Environmental Health Department, *User Fee and Fund Balance Analysis*

## RESUME HIGHLIGHTS

- Seasoned Professional in Cost Allocation Plans, Cost of Service/User Fee Analysis and Building Nexus Fee Studies.
- Solid track record of implemented results in assisting public entities recover additional revenue to fund programs and services.
- *Over 25 years of experience.*

## EDUCATION

- Bachelor of Arts in Social Science; *Emphasis in Finance*, University of California, Irvine, 1990
- Risk Management Certificate, University of California, Riverside, 1992

## PROFESSIONAL AFFILIATIONS

- CSMFO – California Society of Municipal Finance Officers.
- MMASC – Municipal Management Association of Southern California.

## SPEAKING ENGAGEMENTS

- League of CA Cities Annual Conference, “Fire Department EMS Cost Recovery”, September 2013.
- NBS Workshop Extreme Revenue (And Cost) Makeover, May 2012.
- League of CA Cities Financial Management Seminar, “Setting User Fees in the Current Legal Environment”, December 2007.

## BIOGRAPHY

Ms. Davis offers over 25 years of experience in all facets of government financial, organizational and operational consulting for local government clients. A dedicated professional and industry professional with a solid track record of implemented results in assisting public entities recover additional revenue to fund programs and services. Recent projects include working with local agencies to become financially stable by re-aligning fees and increase service delivery of reduced or eliminated programs and community

services. Ms. Davis continues efforts in evaluation of cost of service delivery of services and programs and establishment of realistic fee recovery policies to assist local governments with the organizational strategic and business goals and objectives.

Ms. Davis has over 25 years of experience in local government services. Her range of experience includes the following: Project Management; Training and Quality Assurance, Indirect Cost Rate Studies/Federal OMB A-87 Indirect Cost Allocation Plans, Cost of Service/User Fee Studies/Activity Based Cost Studies, Federal/State Jail Rates, Federal IV-D Indirect Cost Reimbursement Agreements, Revenue Maximization, Process Re-engineering and Process Improvement, Budget Analysis and Program Management, Consultation and Advice, Government audit liaison on audits of indirect cost rates and cost eligibility.

#### **RECENT NBS PROJECT EXPERIENCE**

Within the last three (3) years, as a Project Manager and Lead Consultant with NBS' Financial Consulting practice, Greta has managed and completed the following relevant projects to the scope of services proposed in this document: City of Alameda, *User Fee Study*, City of Bell, *Cost Allocation Plan*, City of Belmont, *Indirect Cost Allocation Plan and ICRP*, City of Camarillo, *User Fee Study*, City of Concord, *Cost Allocation Plan and User Fee Study (in progress)*, City of Chula Vista, *Cost Allocation Plan Review and User Fee Study Analysis*, City of Dixon, *Cost Allocation Plan*, City of Escondido, *OMB A-87 Cost Allocation Plan and Federal GEMT Cost Reporting*, City of Fountain Valley, *Cost Allocation Plan and User Fee Study (in progress)*, City of Huntington Beach, *Cost Allocation Plan and User Fee Study (in progress)*, City of Lincoln, *Cost Allocation Plan and User Fee Study (in progress)*, City of Napa, *Cost Allocation Plan and 911 Indirect Cost Allocation Plan*, City of National City, *Full and OMB Cost Allocation Plan*, City of Moreno Valley, *Full and OMB Cost Allocation Plan and ICR Proposal*, City of Palmdale, *Cost Allocation Plan and Fully Burdened Hourly Rates*, City of Riverside, *Cost Allocation Plan*, City of Seaside, *User Fee Study*.



## RESUME HIGHLIGHTS

- Experienced project manager of Cost Allocation Studies and User and Regulatory Fee Analysis.
- Extensive background in providing consulting and project management support to federal, state and local government in the subject areas of development services, public safety, public works, health and human services, information technology, project planning and implementation, public program administration, finance and state mandated reimbursement.

## EDUCATION

- Master in Business Administration, California State University Sacramento, 2009
- Bachelor of Science, Finance; HRM; Risk Management California State University Sacramento, 2002
- Project Management Professional Certification, 2011 and 2014

## BIOGRAPHY

Stacey Shell is a Manager in the Financial Consulting Group at NBS. Ms. Shell has nine years of project management experience, seven years dedicated to Cost Allocation Plan, User Fee Analysis, and State-level public health program implementation projects. Additionally, Ms. Shell has recently returned from twenty-seven months of service in the Peace Corps as a Community Economic Development Volunteer in Azerbaijan, where her primary project assignments were in the local municipality's "city hall". As an NBS employee, she provides professional expertise in the areas of project management, consulting, facilitation, public speaking, document development and analysis for cost allocation plan and user fee study engagements.

## RELEVANT PROJECT EXPERIENCE

The following list provides a sampling of user fee study, cost allocation plan and SB 90 projects that Stacey Shell has participated in, or managed over the life of her consulting career. The bold projects included an analysis of Fire fees: City of Alameda, *User Fee Study and SB 90*, City of Bakersfield, *SB 90*, City of Berkeley, *SB 90*, City of Chico, *SB 90*, City of Clovis, *Fire Department User Fee Study*, City of Corcoran, *SB 90*, City of Covina, *User Fee Study*, City of Cupertino, *User Fee Study*, City of Danville, *Cost Allocation Plan, SB 90*, City of Delano, *SB 90*, City of Diamond Bar, *Cost Allocation Plan and User Fee Study*, City of Dinuba, *SB 90*, City of East Palo Alto, *SB 90*, City of El Cerrito, *SB 90*, City of Emeryville, *SB 90, User Fee Study*, City of Fairfield, *Fire Department User Fee Study*, City of Fontana, *Cost Allocation Plan*, City of Hayward, *User Fee Study*, City of Lathrop, *User Fee Study*, City of Los Altos, *SB 90*, City of Los Gatos, *SB 90*, City of Millbrae, *SB 90*, City of Modesto, *User Fee Study*, City of Mountain View, *User Fee Study*, City of Moreno Valley, *User Fee Study*, City of Morgan Hill, *Development Services Fee Study*, City of Napa, *User Fee Study*, City of National City, *User Fee Study*, City of Ojai, *SB 90*, City of Ontario, *User Fee Study*, City of Paradise, *SB 90*, City of Porterville, *SB 90*, City of Rancho Cucamonga, *User Fee Study*, City of Riverside, *User Fee Study and Cost Allocation Plan*, City of Rohnert Park, *User Fee Study*, City of Sacramento, *Code Enforcement User Fee Study*, Sacramento County, *Overhead Calculation*, City of San Jose, *SB 90*, City of San Leandro, *SB 90*, City of San Luis Obispo, *User Fee Study*, City of Sausalito, *User Fee Study*, City of Sunnyvale, *User Fee Study*, City of Turlock, *Cost Allocation Plan*, City of Ventura, *User Fee Study*, City of Victorville, *User Fee Study and Cost Allocation Plan*, City of Woodland, *SB 90*, City of Yucaipa, *User Fee Study*, County of Imperial, *Cost A*.



## RESUME HIGHLIGHTS

- Experienced financial analyst in support of cost allocation studies, cost of service studies, and user and regulatory fee analysis.
- Working knowledge of public finance and governmental accounting practices.
- Extensive experience working with analytical software, databases, and spreadsheets.

## EDUCATION

- Bachelor of Science in Business Administration, Finance Concentration, California State University Sacramento, Cum Laude 2012

## BIOGRAPHY

Mr. Wahidi is a Financial Analyst for the Financial Consulting Group at NBS. Under the direction of our senior management personnel, Khalid provides support for Overhead Cost Allocation Plans, Cost of Service Studies, and User Fee Studies. As an NBS employee, Mr. Wahidi has provided assistance as a Financial Analyst for several California public agencies, ranging from Citywide studies to specialized analysis for Fire Districts and Parks and Recreation Departments.

In addition to his experience at NBS, Khalid offers many years of undergraduate studies in market analysis, economic analysis, cost/expense analysis, asset allocation, risk and portfolio management, and project based profit and loss statements.

## RECENT RELEVANT PROJECT EXPERIENCE

The following NBS engagements relevant to the proposed scope of work were supported by Khalid Wahidi: City of Riverside, *Cost Allocation Plan and User Fee Study*, City of Culver City, *Cost Allocation Plan and User Fee Study*, City of Carlsbad, *Community and Economic Development Department User Fee Study*,

*City of Clovis, Fire Department User Fee Study, City of Concord, Citywide User Fee Study, City of Half Moon Bay, Cost Allocation Plan and Citywide User Fee Study, City of Indio, Cost Allocation Plan and User Fee Study, City of Los Angeles, Department of City Planning User Fee Study, City of Moreno Valley, Citywide User Fee Study, City of Emeryville, Cost Allocation Plan and User Fee Study, City of Sacramento, Code Compliance Fees and Penalties Study, City of Santa Clara, Cost Allocation Plan and User Fee Study, City of San Juan Capistrano, Cost Allocation Plan and User Fee Study, City of San Luis Obispo, Citywide User Fee Study, City of Fairfield, Fire Department User Fee Study, City of Morgan Hill, Planning Department User Fee Study, City of Martinez, Cost Allocation Plan and Citywide User Fee Study, City of Napa, Development Impact Fee Study, County of Santa Clara, Department of Environmental Health User Fee Study, San Ramon Valley Fire Protection District, Fire Department User Fee Study, Solano Irrigation District, OMB A-87 Cost Allocation Plan*

**City of Brea**

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**FINANCE COMMITTEE COMMUNICATION**

**TO:** Honorable Chair and Committee Members

**FROM:** City Manager

**DATE:** 09/28/2015

**SUBJECT:** AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT WITH RAFTELIS FINANCIAL CONSULTANTS, INC. FOR A WATER RATE STUDY

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**RECOMMENDATION**

Approve the second amendment to the Professional Services Agreement with Raftelis Financial Consultants, Inc.

**BACKGROUND/DISCUSSION**

The City Manager is allowed to sign professional services agreements up to \$25,000; however, it is allowable for him to sign up to double that amount when it is deemed in the best interest of the City. The City's Purchasing Code—Section 3.24.210---Contracting for Purchase-Exemption, states: "The Purchasing Agent, with the approval of the City Manager, may contract for supplies, **services**, and equipment without observing the procedure required by SS 3.24.090 through 3.24.160 (COMPETITIVE BIDDING) when the best interests of the City would be served thereby and the amount of the contract does not exceed twice the formal bidding policy limits.

In 2005, staff went out to bid for a water rate consultant. The successful bidder was Raftelis Financial Consultants, Inc. (RFC). Since then, the City has used RFC as its water rate consultants for water rate studies in 2006, 2008, and 2011. In order to maintain consistency and to ensure that the City was adequately charging adequate rates, in October 2014, the City Manager signed a professional services agreement with RFC for \$42,897 to perform another water rate study.

## **AMENDMENTS**

Staff has worked several months with RFC gathering consumption history, water purchases, maintenance costs, etc. to determine the appropriate rate structure for Brea. The rate study was originally set to be completed in April 2015; however, multiple factors led to the delay. These include: the San Juan Capistrano case decision; increased drought conditions; recording of water shares and new costs associated with those shares; and the change in rates and costs due to the new fiscal year. Such factors have led to additional costs. An amendment to the agreement of \$8,872 was processed in April 2015 to cover the cost of the Pricing Objective Workshop on May 5, 2015. Since then, RFC has:

1. Spent additional time processing multiple data sets of sales and purchased water costs to update the model;
2. Conducted three staff/City Council meetings and incurred additional preparation time associated with those meetings;
3. Provided an additional 3-tier rate option; and
4. Analyzed usage data and calculated rates to meet the requirements of the San Juan Capistrano decision as well as Proposition 218 requirements.

The total cost for the 2015 Water Rate Study is \$76,479, of which \$24,710 is related to this second amendment.

## **SUMMARY/FISCAL IMPACT**

The initial water rate study was budgeted in the FY 2014-15 budget; however, this amendment of \$24,710 was not included in either the FY 2014-15 or FY 2015-16 budget. Staff anticipates overall savings in the FY 2015-16 Water Utility Fund (420) budget to cover the additional expense of this agreement. However, if additional savings are not realized, staff will ask for a budget adjustment during the last round of quarterly budget adjustments for FY 2015-16. The Water Utility Fund (420) has available funding to cover this expense. There is no General Fund Impact.

**RESPECTFULLY SUBMITTED**

William Gallardo, City Manager

Prepared by: Faith Madrazo, Revenue & Budget Manager

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**Attachments**

Attachment 1 - Amendment 2

Attachment 2 - Amendment 1

Attachment 3 - Agreement

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August 31, 2015

Mr. Bill Gallardo  
City Manager  
City of Brea  
1 Civic Center Circle  
Brea, CA 92821

**Subject:** Budget for Water Rate Study

Dear Mr. Gallardo:

As we have discussed, this letter is to inform you of the current budget status. Throughout the study, we have incurred costs in addition to the budgeted amounts. Below is a list of the different tasks and associated time estimates exceeding our budget.

1. Time spent processing multiple data sets of sales and purchased water costs to update the model.
2. Three Staff/City Council meetings, about 4 hours per person, and associated preparation time.
3. Additional 3-tier rate option.
4. Time to analyze usage data and calculate rates to meet the requirements of San Juan Capistrano decision to meet Proposition 218 requirements and provide detailed report.

The table below shows the additional costs in detail. We have included a contingency of approximately \$5,000 in the event that the Council would like additional work on the rates.

Task	Task Descriptions	No of Meetings	Hours Requirements			Total	Total Fees &
			SP	FC	Admin		
			\$290	\$135	\$70		
1	Data Processing		4	10		14	\$2,650
2	Staff/City Council Meetings	3	20	20		40	\$9,500
3	Additional Rate Options		4	12		16	\$2,940
4	San Juan Capistrano Requirements		6	20		26	\$4,700
		4	34	62	0	96	
			\$9,860	\$8,370	\$0	\$18,230	
						Total Fees	\$18,230
						Total Expenses	\$1,560
						<b>Total Fees &amp; Expenses</b>	<b>\$19,790</b>
5	Contingency	1	8	16		24	\$4,920

Please let us know if you have any questions. Thank you.

Sincerely,  
Raftelis Financial Consultants Inc.

Accepted by:  
City of Brea

By: \_\_\_\_\_  
Sudhir Pardiwala, PE  
Executive Vice President

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_





201 S. Lake Avenue  
Suite 301  
Pasadena, CA 91101

Phone 626.583.1894  
Fax 626.583.1411

[www.raftelis.com](http://www.raftelis.com)

April 1, 2015

Mr. Bill Gallardo  
Assistant City Manager  
1 Civic Center Circle  
Brea, CA, 92821

**Subject: Amendment to RFC Agreement for Pricing Objectives Workshop**

Dear Mr. Gallardo:

Raftelis Financial Consultants, Inc. (RFC) is pleased to submit this amendment to our proposal to assist the City of Brea with a Pricing Objectives Workshop. The objectives of this workshop are twofold, first to first inform the City Council about the signals that rate structures send, and second to ascertain the goals of the Council in implementing new rates. After this meeting RFC will have a clear idea of what objectives to prioritize while setting rates. The section below outlines our proposed scope of services for completing this task.

### Task 1: Pricing Objectives Workshop with Elected Officials

Based on the discussion with City staff during the kick-off meeting, RFC will prepare a presentation to City Council to conduct the Policy and Rate Setting Framework Workshop. The Workshop will begin with a review of the evolution of rate structures and the benefits and challenges associated with each structure, including uniform rate, seasonal rates, inclining tiered rates, and water budget rate structures. The goal of this discussion and the 'Pricing Objective Overview', below, is for the City to share with RFC its understanding of available rate structures and for RFC to provide the City an overview of all applicable alternatives according to the City's priorities and currently observed best management practices.

#### *Pricing Objectives Overview*

Once rate structure alternatives and the City's preliminary preferences have been discussed, RFC will present an overview of pricing objectives. Pricing objectives could include but not limited to those listed in the score card above. Those criteria have been recapitulated below.

- Promotion of efficient water use;
- Reduction in total water use;
- Affordability for essential use;
- Need for an effective drought management tool;
- Financial sufficiency;
- Revenue stability;
- Rate stability;
- Reduction in peak demand;
- Simplicity and ease of implementation;
- Customer understanding; and
- Minimization of customer impacts.

RFC will provide the workshop presentation materials and pricing objectives exercise to City staff for distribution to the Council 48 hours prior to the workshop. Taking the time to cover these foundational topics builds the framework for informed collaboration as the Study progresses. As a part of the workshop, RFC will work closely with the Council to discuss pricing objectives and policy framework for the Study. This mechanism of identifying and ranking pricing objectives serves to promote stakeholder ownership and subsequent buy-in of the final results. It is important to note that several of these pricing objectives can conflict with each other, especially with conservation rate structures. For example, a rate philosophy focused on improving revenue stability may conflict with minimizing customer impacts. RFC will discuss the implications so that stakeholders can make informed decisions.

As a result of conducting this type of workshop with numerous other clients, RFC has developed a process that allows workshop participants to review the results of the prioritization process prior to the end of the workshop such that the results can be discussed and revised if so desired.

The end product of this workshop would be a matrix prioritizing the City’s objectives and ranking alternative rate structures against the pricing objectives. This matrix would ultimately serve as a framework for evaluating alternative utility rate philosophies and structures. The table below shows a sample pricing objective scorecard. The scores and ranks will be determined based on the pricing objectives exercise. Alternative rate structures are then compared based on the pricing objectives and a couple of alternatives investigated in detail for implementation at the City. This approach allows the project to be efficiently completed through an early buy-in.

Criteria	Overall Scores
Promote Efficiency	13
Drought Management Tool	13
Targeting Outdoor Water Use	13
Equitable in Allocating Capital Costs	12
Promoting Conservation	11
Easy to Administer	10
Funding Mechanism for Alternative Water Supply & Conservation	10
Affordability for Essential Use	9
Easy to Implement	8
Minimize Customer Impacts	7
Revenue Stability	7
Customer Understanding	6

**Water Budget Based Rate Structures meet these requirements**

**Inclining Tiered Rate Structures meet these requirements**

**Meeting(s)/Conference(s):** Two meetings with City Council/Elected Officials

**Deliverable(s):** Meeting materials

## Fees and Hours

RFC will complete the task outlined above on a time and materials basis of \$8,872. The breakdown of hours and fees is provided below for your reference.

	Hours			Task Subtotal
	SP	C	Admin	
<b>Task 1: Pricing Objectives Workshop with Elected Officials</b>				
<b>Sub-task 1: Pricing Objectives Workshop Preparation</b>	4	4		\$ 1,700
<b>Sub-task 2: Pricing Objectives Workshop</b>	6	6		\$ 2,550
<b>Sub-task 3: Pricing Objectives Workshop Results Presentation</b>	8	10		\$ 3,670
Total estimated hours	18	20	0	
Hourly rates	\$290	\$135	\$70	
Professional Fees	\$5,220	\$2,700	\$0	
<b>Key:</b>	Subtotal			\$7,920
SP - Sudhir Pardiwala	Estimated Expenses			\$952
C - Consultant	Total			\$8,872

We appreciate the opportunity to continue serving the City. If you have any questions or need additional information, please contact me at (626) 583-1894.

This amendment may be used to form an agreement by signing and returning a copy for our records.

Respectfully submitted,  
Raftelis Financial Consultants, Inc.

Accepted by:  
City of Brea

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

Sudhir Pardiwala, PE  
Executive Vice President

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

Title: City Manager

Date: April 2, 2015

## PROFESSIONAL SERVICES AGREEMENT

This Agreement is entered into this 20<sup>th</sup> day of October 2014, between the City of Brea, a Municipal Corporation (hereinafter referred to as "CITY") and Raftelis Financial Consultants, Inc. (hereinafter referred to as "CONSULTANT").

### A. Recitals

(i) CITY has heretofore requested the performance of professional services with respect to a Water Rate Study Update ("Tasks" hereafter).

(ii) CONSULTANT has submitted its cost proposal to complete said Tasks, a full, true and correct copy of which cost proposal is attached hereto as Exhibit "A" and by this reference made a part hereof.

(iii) CITY desires to retain CONSULTANT to perform professional services necessary to render advice and assistance to CITY, CITY's City Council and staff to complete said Tasks.

(iv) CONSULTANT represents that it is qualified to perform such services and is willing to perform such professional services as hereinafter defined.

NOW, THEREFORE, it is agreed by and between CITY and CONSULTANT as follows:

### B. Agreement

1. Definitions: The following definitions shall apply to the following terms, except where the context of this Agreement otherwise requires:

(a) Tasks: The provision of professional consulting advice and assistance as described in Exhibit "A" hereto including, but not limited to, the preparation of maps, surveys, reports, and documents, the presentation, both oral and in writing, of such plans,

## Exhibit A Scope of Services

maps, surveys, reports and documents to CITY as required and, as directed, attendance at any and all work sessions, public hearings and other meetings conducted by CITY with respect to said services.

(b) Services: Such professional services as are necessary to be performed by CONSULTANT in order to complete the assigned Tasks.

(c) Completion of Tasks: The date of completion of all assigned Tasks, including any and all procedures, plans, maps, surveys, plan documents, technical reports, meetings, oral presentations and attendance by CONSULTANT at public hearings.

2. CONSULTANT agrees as follows:

(a) CONSULTANT shall forthwith undertake and complete assigned Tasks in accordance with Exhibit "A" hereto and all in accordance with Federal, State and CITY statutes, regulations, ordinances and guidelines, all to the reasonable satisfaction of CITY.

(b) CONSULTANT shall supply copies of all maps, surveys, reports, plans and documents, including all supplemental technical documents (hereinafter collectively referred to as "documents"), as described in Exhibit "A" to CITY within the time specified by CITY's written notice to proceed with any assigned Tasks. Copies of documents shall be in such numbers as are required by CITY. CITY may thereafter review and forward to CONSULTANT comments regarding said documents and CONSULTANT shall thereafter make such revisions to said documents as are deemed necessary. CITY shall receive revised documents in such form and in the quantities determined necessary by CITY. The time limits set forth in said written notice to proceed may be extended upon written approval of CITY.

## Exhibit A Scope of Services

(c) CONSULTANT shall, at CONSULTANT's sole cost and expense, secure and hire such other persons as may, in the opinion of CONSULTANT, be necessary to comply with the terms of this Agreement. In the event any such other persons are retained by CONSULTANT, CONSULTANT hereby warrants that such persons shall be fully qualified to perform services required hereunder. CONSULTANT further agrees that no subcontractor shall be retained by CONSULTANT except upon the prior written approval of CITY.

3. CITY agrees as follows:

(a) To pay CONSULTANT pursuant to the provisions of Exhibit "B" Services required hereunder. Said sum(s) shall cover the cost of all staff time and all other direct and indirect costs or fees, including the work of employees, consultants and subcontractors to CONSULTANT, except as may otherwise be set forth in Exhibit "B." Payment to CONSULTANT, by CITY, shall be made in accordance with the schedule set forth below.

(b) Payments to CONSULTANT shall be made by CITY in accordance with the invoices submitted by CONSULTANT, on a monthly basis, and such invoices shall be paid within a reasonable time after said invoices are received by CITY. All charges shall be in accordance with CONSULTANT's proposal either with respect to hourly rates, time and materials, or lump sum amounts for individual tasks, as approved, in writing, by CITY.

4. CITY agrees to provide to CONSULTANT:

(a) Information and assistance as set forth in Exhibit "A" hereto.

(b) Photographically reproducible copies of maps and other information, if available, which CONSULTANT considers necessary to complete assigned Tasks.

## Exhibit A Scope of Services

(c) Such information as is generally available from CITY files applicable to assigned Tasks.

(d) Assistance, if necessary, in obtaining information from other governmental agencies and/or private parties. However, it shall be CONSULTANT's responsibility to make all initial contact with respect to the gathering of such information.

5. Ownership of Documents: All documents prepared by CONSULTANT pursuant to this Agreement shall be considered the property of CITY and, upon payment for services performed by CONSULTANT, such documents and other identified materials shall be delivered to CITY by CONSULTANT. CONSULTANT may, however, make and retain such copies of said documents and materials as CONSULTANT may desire.

6. Termination: This Agreement may be terminated by CITY upon the giving of a written "Notice of Termination" to CONSULTANT at least fifteen (15) days prior to the date of termination specified in said Notice. CONSULTANT shall not be compensated for any work performed after receipt of the Notice of Termination. CONSULTANT shall provide to CITY any and all documents, whether in draft or final form, prepared by CONSULTANT as of the date of termination. CONSULTANT may not terminate this Agreement except for cause.

7. Notices and Designated Representatives: Any and all notices, demands, invoices and written communications between the parties hereto shall be addressed as set forth in this Section 7. The below named individuals, furthermore, shall be those persons primarily responsible for the performance by the parties under this Agreement:

CITY REPRESENTATIVE

Bill Gallardo  
Assistant City Manager/

CONSULTANT REPRESENTATIVE

Sudhir Pardiwala  
Exec Vice President

## Exhibit A Scope of Services

Administrative Services Director  
1 Civic Center Circle  
Brea, California 92821

Raftelis Financial Consultants  
201 S. Lake Ave, Suite 301  
Pasadena, California 91101

Any such notices, demands, invoices and written communications, by mail, shall be deemed to have been received by the addressee forty-eight (48) hours after deposit thereof in the United States mail, postage prepaid and properly addressed as set forth above.

8. Insurance: The CONSULTANT shall not commence work under this contract until it has obtained all insurance required hereunder in a company or companies acceptable to CITY nor shall the CONSULTANT allow any subcontractor to commence work on its subcontract until all insurance required of the subcontractor has been obtained. The CONSULTANT shall take out and maintain at all times during the life of this contract the following policies of insurance:

(a) Compensation insurance: Before beginning work, the CONSULTANT shall furnish to the CITY a certificate of insurance as proof that it has taken out full compensation insurance for all persons whom the CONSULTANT may employ directly or through subcontractors in carrying out the work specified herein, in accordance with the laws of the State of California. Such insurance shall be maintained in full force and effect during the period covered by this contract. Further, such policy of insurance shall provide that the insurer waives all rights of subrogation against CITY and its elected officials, officers, employees and agents.

In accordance with the provisions of Section 3700 of the California Labor Code, every contractor shall secure the payment of compensation to his employees.

CONSULTANT, prior to commencing work, shall sign and file with the CITY a certification as follows:



## Exhibit A Scope of Services

“I am aware of the provisions of Section 3700 of the Labor Code which require every employer to be insured against liability for workers’ compensation or to undertake self insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of work of this contract.”

(b) For all operations of the CONSULTANT or any subcontractor in performing the work provided for herein, insurance with the following minimum limits and coverage:

(1) Commercial General Liability (occurrence) - for bodily injury, death and property damage for products/completed operations and any and all other activities undertaken by the CONSULTANT in the performance of this Agreement - - or

(2) (Alternative to Commercial General Liability) - Comprehensive, broad form General Public Liability (occurrence) - for bodily injury, death and property damage arising out of any activities undertaken by CONSULTANT in the performance of this Agreement.

(3) Comprehensive Automobile Liability (occurrence) - for bodily injury, death and property damage insuring against all liability arising out of the use of any vehicle.

(4) Professional Errors and Omissions Liability - insuring against all liability arising out of professional errors and/or omissions, providing protection of at least \$1,000,000 for errors and/or omissions (“malpractice”) of CONSULTANT in the performance of this Agreement . Such policy may be subject to a deductible or retention in an amount acceptable to CITY and shall further be subject to the provisions of subsections (2) and (6) of Section c, below. If a “claims made” policy is provided, such policy shall be maintained in effect from the date of performance of work or services on CITY’s behalf until three (3) years after the date the work or services are accepted as

## Exhibit A Scope of Services

completed. Coverage for the post-completion period may be provided by renewal or replacement of the policy for each of the three (3) years or by a three (3) year extended reporting period endorsement which reinstates all limits for the extended reported period. If any such policy and/or policies have a retroactive date, that date shall be no later than the date of first performance of work or services on behalf of CITY. Renewal or replacement policies shall not allow for any advancement of such retroactive date. Each such policy or policies shall include a standard "notice of circumstances" provision.

(5) Other required insurance, endorsements or exclusions as required by the Request for Proposal.

(6) The policies of insurance required in this Section 8(b) shall have no less than the following limits of coverage:

- (i) \$2,000,000 (Two Million Dollars) for bodily injury or death;
- (ii) \$1,000,000 (One Million Dollars) for property damage;
- (iii) The total of the limits specified in subsections (i) and (ii), above, where a combined single limit is provided.

(c) The policies of insurance required in subsections (1), (2) and (3) of Section 8(b), above shall:

- (1) Be subject to no deductible amount unless otherwise provided, or approved in writing by CITY;
- (2) Be issued by an insurance company approved in writing by CITY, which is admitted and licensed to do business in the State of California and which is rated B+ VII or better according to the most recent A.M. Best Co. Rating Guide;

## Exhibit A Scope of Services

(3) Name as additional insureds the CITY, its elected officials, officers, employees, attorneys and agents, and any other parties, including subcontractors, specified by CITY to be included;

(4) Specify that it acts as primary insurance and that no insurance held or owned by the designated additional insureds shall be called upon to cover a loss under said policy;

(5) Specify that it applies separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

(6) Contain a clause substantially in the following words:

“It is hereby understood and agreed that this policy may not be canceled nor the amount of coverage thereof reduced until thirty (30) days after receipt by CITY of written notice of such cancellation or reduction of coverage as evidenced by receipt of a registered letter.”

(7) Specify that any failure to comply with reporting or other provisions of the required policy, including breaches of warranty, shall not affect the coverage required to be provided;

(8) Specify that the insurer waives all rights of subrogation against any of the named additional insureds; and

(9) Specify that any and all costs of adjusting and/or defending any claim against any insured, including court costs and attorneys' fees, shall be paid in addition to and shall not deplete any policy limits.

(10) Otherwise be in form satisfactory to CITY.

(d) Prior to commencing performance under this Agreement, the CONSULTANT shall furnish the CITY with original endorsements, or copies of each required policy, effecting and evidencing the insurance coverage required by this Agreement. The endorsements shall be signed by a person authorized by the insurer(s) to

## Exhibit A Scope of Services

bind coverage on its behalf. All endorsements or policies shall be received and approved by the CITY before CONSULTANT commences performance. If performance of this Agreement shall extend beyond one (1) year, CONSULTANT shall provide CITY with the required policies or endorsements evidencing renewal of the required policies of insurance prior to the expiration of any required policies of insurance.

9. Indemnification: Other than in the negligent performance of professional services and to the fullest extent permitted by law, CONSULTANT shall indemnify, defend and hold CITY, its employees, agents and officials harmless from and against their tort liability, (including liability for claims, suits, actions, expenses or costs of any kind, whether actual, alleged or threatened, actual attorney's fees incurred by CITY, court costs, interest or defense costs including expert witness fees), where the same arise out of, in whole or in part, the performance of the Agreement by CONSULTANT (or any individual or entity that CONSULTANT shall bear the legal liability thereof) and which result in bodily injury or property damage to any individual or entity, including the employees or officials of CONSULTANT.

In addition to the foregoing, CONSULTANT shall indemnify, defend and hold harmless CITY and its officials and employees from and against any and all losses, liabilities, damages, costs and expenses, including reasonable attorney's fees and costs to the extent the same are caused by the professional negligence of CONSULTANT (or any entity or individual that CONSULTANT shall bear the legal liability thereof) in the performance of professional services pursuant to this Agreement.

10. Assignment: No assignment of this Agreement or of any part or obligation of performance hereunder shall be made, either in whole or in part, by CONSULTANT without the prior written consent of CITY.

## Exhibit A Scope of Services

11. Damages: In the event that CONSULTANT fails to complete an assigned Task, together with all documents and supplemental material required hereunder, in form to the reasonable satisfaction of CITY, within the time set forth in the notice to proceed, or as may be extended by written consent of the parties hereto, CONSULTANT shall pay to CITY, as liquidated damages and not as a penalty, the sum of one hundred dollars (\$100.00) per day for each day CONSULTANT is in default, which sum represents a reasonable endeavor by the parties hereto to estimate a fair compensation for the foreseeable losses that might result from such a default in performance by CONSULTANT, and due to the difficulty which would otherwise occur in establishing actual damages resulting from such default, unless said default is caused by CITY or by acts of God, acts of the public enemy, fire, floods, epidemics, or quarantine restrictions.

12. Independent Contractor: The parties hereto agree that CONSULTANT and its employers, officers and agents are independent contractors under this Agreement and shall not be construed for any purpose to be employees of CITY.

13. Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of California.

14. Attorneys' Fees: In the event any legal proceeding is instituted to enforce any term or provision of the Agreement, the prevailing party in said legal proceeding shall be entitled to recover attorneys' fees and costs from the opposing party in an amount determined by the court to be reasonable.

15. Entire Agreement: This Agreement supersedes any and all other agreements, either oral or in writing, between the parties with respect to the subject matter herein. Each party to this Agreement acknowledges that no representation by any party which is not embodied herein nor any other agreement, statement, or promise not

Exhibit A Scope of Services

contained in this Agreement shall be valid and binding. Any modification of this Agreement shall be effective only if it is in writing signed by all parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above:

CONSULTANT



SUDHIR PARDIWALA  
EXEC VICE PRES

CITY



Tim O'Donnell  
City Manager

ATTEST:

  
City Clerk

## Exhibit A Scope of Services

### EXHIBIT A

### SCOPE OF SERVICES

#### Water Rate Study Update

#### Task 1-Project Initiation, Administration, and Data Collection

One purpose of this task is to provide for the successful administration of the project from beginning to completion. We will conduct a start-up meeting with City representatives to confirm or finalize study guidelines, goals and objectives, project scope, roles and responsibilities, project schedules and milestones, and the establishment of approval procedures and other administrative processes.

A second objective of this task is to gather and review relevant information, documents, and analyses required to update the water rate study. As part of this task, we will prepare a detailed data request list for the City so all appropriate data can be forwarded to RFC prior to the start-up meeting.

Examples of the types of information included in the data request list are shown below:

- Most recent water Capital Improvement Plan (“CIP”);
- Operating budget for next fiscal year;
- Annual customer usage information for the past year segregated by customer class;
- Current water rate schedule;
- Legal documents such as bond resolutions and any other local agreements or regulations affecting the water utility; and
- Recent master plans and engineering studies, etc.

Our project fees for this task assume one trip by RFC team members to the City for the start-up meeting. In addition, although we perform project management throughout each of the project tasks, all of our project management efforts are included and priced as part of this task.

#### Task 2 – Develop Revenue Requirements

The purpose of this task is to determine the revenue requirements for water service and to identify and resolve any additional revenue requirement issues or concerns. We will examine revenue needs based on several criteria such as: financial sufficiency, revenue stability, current versus future customer impacts, capital improvement program, and “pay-as-you-go” versus debt financing.

The RFC Team will then update the Rate Model to forecast annual revenue requirements, water rates, and revenues over a five-year planning period. Our focus in this task will be the determination of the appropriate annual revenue requirements necessary to sustain operating

## Exhibit A Scope of Services

needs, maintenance needs, capital improvement needs, reserve requirements, and future water purchases. Also included will be the projected level of operation and maintenance (O&M) expenses, including cash funded capital outlays for capital maintenance and repair, to ensure that total revenue requirements adequately address the “full cost” of providing utility service to achieve long-term cost effective operation. In addition, RFC will evaluate the impact of reserve fund contributions that appropriately balances the City’s liquidity objectives with its capital funding requirements. Revenue requirements will be calculated for each year in the forecast period and adjusted, where possible, to provide for a smooth forecast of revenue adjustments. For example, changes in the timing of capital expenditures and the use of reserve funds to mitigate short-term impacts are two ways that smoothing could be addressed. The objective is to minimize the magnitude of customer impacts while still achieving long-term revenue objectives.

The RFC Team will review all potential sources of revenue to be used as offsets to ensure that the level of these revenues are reasonable and that each revenue source is used to offset an appropriate category of revenue requirements. However, our pricing for this task does not include a level of effort to recalculate the City’s various service charges.

### **Task 3 – Cost of Service Allocations**

RFC will review the cost of service allocations since the rates were last updated. RFC will examine the current rate structure to meet Proposition 218 requirements. We will focus on evaluating the City’s existing cost basis for water rates, determining if existing rates are appropriately recovering costs from different customer classes based on appropriate industry guidelines, and ensuring that the utility is recovering its “full cost” of operations.

### **Task 4 – Develop Rates**

After evaluating the existing cost allocation base and assessing the impact of any proposed adjustments, we will develop rates based on the City’s existing rate structures.

The rate recommendations will address as many of the City’s objectives as possible. In particular, we will focus on maintaining water conservation goals and the equitable recovery of costs associated with the water system. We will also consider the potential financial impacts on certain customers that may result due to any adjustments in the rate structure. The Rate Model will include a series of schedules or tables that show projected cost impacts on different types of customers and different levels of usage. These schedules provide a valuable tool for evaluating whether the rate recommendations are impacting targeted customer groups and/or levels of usage to ensure that conservation and other pricing objectives are being addressed effectively.

### **Task 5 – Develop Drought Rates**

Brea has declared a Stage 1 drought which requests customers to reduce water consumption by 10%. RFC will calculate drought rates based on the a 10% and 20% drought stage as defined in the City’s Water Conservation Ordinance. The drought rates will also include the cost of recent local water purchases.

Our project fees for this task assume that RFC team members will travel to Brea to present the



## Exhibit A Scope of Services

preliminary water rate calculations and review the preliminary rate schedules with staff.

### Task 6 - Develop User Friendly Model Features

RFC has developed user friendly features in our newest rate models shows as a “dashboard”. RFC’s Dashboard is a powerful tool that allows users to view the overall financial health of the City in a graphical representation. More importantly, the Dashboard allows scenario analysis at the click of a button by changing key assumptions, such as revenue adjustments, levels of capital projects and financing sources, changes in demand, cost escalation factors, etc. The user can see the results and the impacts on the City’s operating and reserve cash flows instantaneously. The Dashboard can also be customized based on the City’s unique needs. The following page presents a screenshot of the Dashboard.

### Task 7 – Connection Fees (optional)

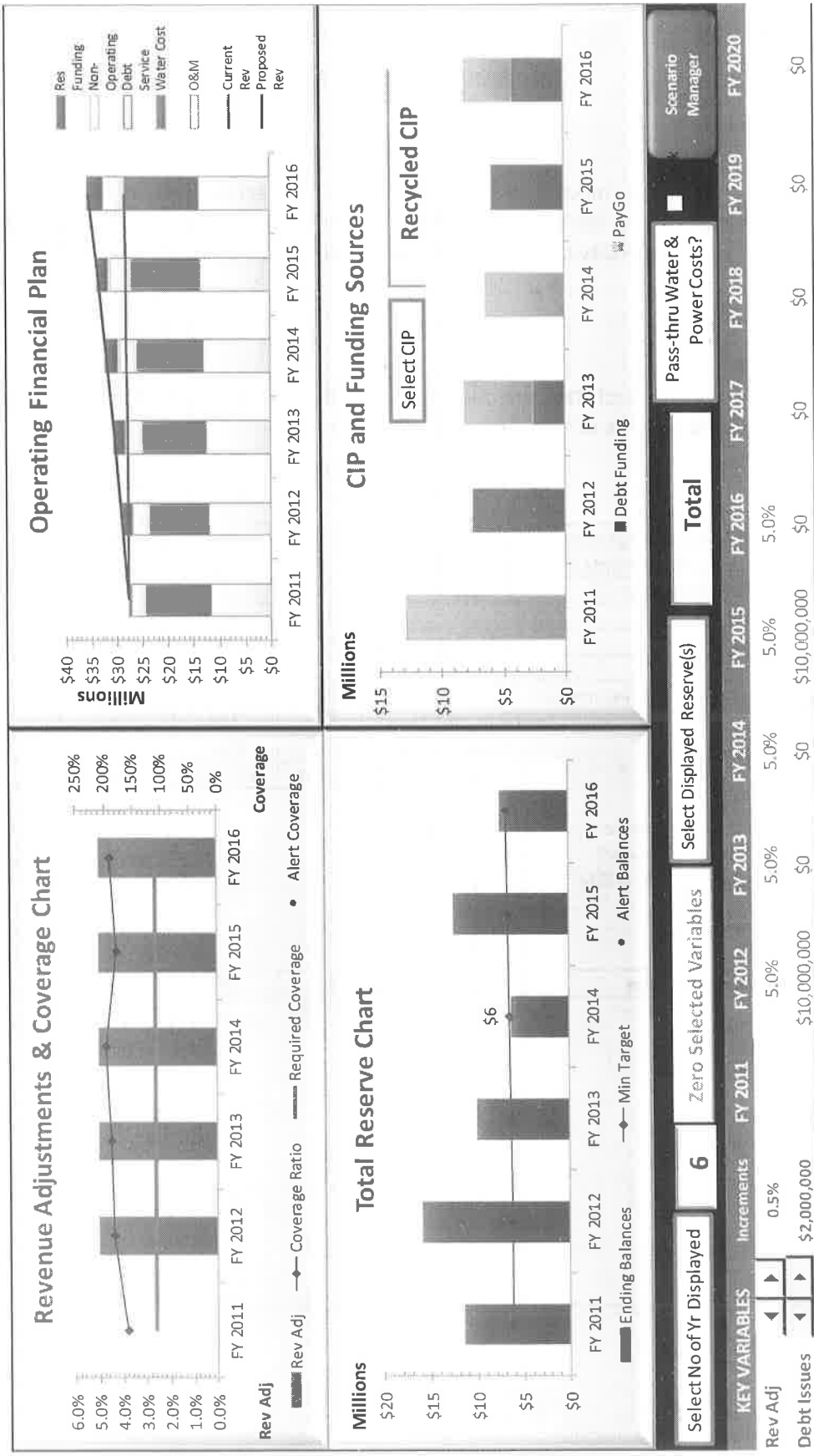
RFC can also update the City’s connection fees to reflect recent capital investment in the water system. RFC will discuss with City staff the appropriate connection fee methodology (buy-in, incremental or hybrid method) that best fits the City’s needs. Newly proposed connection fees may better offset capital costs than using the Construction Cost Index to escalate current connection fees.

### Task 8 – Report Preparation and Presentation

RFC will prepare a draft report for staff review and a final report incorporating staff comments. RFC will present the study results, assumptions, rationales, and summarize forecasted revenue requirements, rates, and customer impacts to City staff.

**RFC Dashboard**

The RFC Dashboard is a powerful financial planning tool that presents the financial status of the Utility in a graphical format. The tool allows the user to make incremental changes to key assumptions to see the results or to target certain results, such as reserve levels or coverage requirements.



## Exhibit A Scope of Services

## EXHIBIT B

## SCHEDULE OF SERVICES and FEES

## SCHEDULE

The update of the rate model, drought rates and connection fees if desired, will be substantially completed by April 15, 2015. RFC will present draft results and a draft report prior to April to 15<sup>th</sup> so that the City can implement new rates on July 1<sup>st</sup>, 2015.

## FEES

The hours and fees for each task are shown below. RFC will complete the tasks presented in Exhibit A on a lump sum fee or time and materials basis.

	Hours			Task Subtotal
	SP	SC	Admin	
<b>1. Project Initiation and Management *</b>	12	8	6	\$ 5,460
<b>2. Develop Revenue Requirements and Usage Analysis</b>	2	18		\$ 4,090
<b>3. Cost of Service Allocations</b>	2	8		\$ 2,140
<b>4. Develop Rates*</b>	8	20		\$ 6,220
<b>5. Develop Drought Rates</b>	10	16		\$ 6,020
<b>6. Develop Model</b>	2	10		\$ 2,530
<b>8. Report Preparation and Presentation *</b>	20	40	2	\$ 13,740
Total estimated hours	56	120	8	
Hourly rates	\$290	\$195	\$70	
Professional Fees	\$16,240	\$23,400	\$560	
Subtotal				\$40,200
Estimated Expenses				\$2,697
Total				\$42,897

Key:  
 SP Sudhir Pardiwala  
 SC Senior Consultant  
 \* Includes Trip to City

<b>7. Calculate Connection Fees</b>	8	24		\$ 7,000
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City of Brea

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**FINANCE COMMITTEE COMMUNICATION**

**FROM:** City Manager

**DATE:** 09/28/2015

**SUBJECT:** Continued Discussion of the Creation of an Oversight and  
Audit Committee

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**Attachments**

Memorandum 8/11/2015  
GFOA Best Practices

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## CITY OF BREA

### ADMINISTRATIVE SERVICES DEPARTMENT

### Memorandum

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Date: August 11, 2015

To: Finance Committee

From: Bill Gallardo, City Manager

By: Lee Squire, Financial Services Manager  
Faith Madrazo, Revenue & Budget Manager

Subject: Creation of an Oversight and Audit Committee

At the July 14, 2015 Finance Committee Meeting, Council Member Hupp expressed an interest in the possible creation of an Oversight and/or Audit Committee as recommend by the Orange County Grand Jury. **Currently, the Finance Committee serves as the quasi oversight and audit committee for the City.**

The Finance Committee members consists of:

Two (2) Council Members (two members must be present at every meeting)

1. Chair – Council Member Hupp
2. Council Member Vargas

The alternate is Mayor Simonoff

3. Administrative Services Director (non-voting)
4. Financial Services Manager (non-voting)
5. Revenue and Budget Manager (non-voting)
6. Senior Management Analyst, assigned to the Finance Division OR Senior Accountant (non-voting)

It is past practice for the Finance Committee to be involved in the selection of the City auditors, and it is customary that the City auditors report out to the Committee prior to Finance Committee's recommendation to receive and file the City's audited financials. Also, it typically reviews City financial transactions such as bids, contracts, budget adjustments, etc.

Provided below are alternatives for each of the following recommended by the Grand Jury:

## **OVERSIGHT COMMITTEE**

The intent of the oversight committee would be to review the annual operations of the various Mello-Roos community facilities districts throughout the City.

The Oversight Committee would serve in an advisory capacity to either the

- City Council **OR**
- Finance Committee

Members could consist of:

- Finance Committee members ONLY
- Finance Committee members AND city staff
- Finance Committee members, city staff, AND one or more members of the public (preferably a member who resides in the Mello-Roos district)
- City staff AND one or more members of the public (preferably a member who resides in the Mello-Roos district)
- All public members

## **AUDIT COMMITTEE**

The intent of the audit committee would be to review and monitor the financial reporting processes/issues applicable to the entire City of Brea and any of its other entities, such as Successor Agency, Brea Public Financing Authority and Brea Community Benefit Financing Authority. Included would be other ancillary audits that may occur such as Measure M, Gas Tax, other financial reporting triggered by the State Controller's Office, etc.

An Audit Committee would serve in an advisory capacity to either the

- City Council **OR**
- Finance Committee

Members could consist of:

- Finance Committee members ONLY
- Finance Committee members AND city staff
- Finance committee members, city staff, AND one or more members of the public
- All public members

It is recommended that collectively members of the audit committee have a strong background in governmental accounting and auditing. Unfortunately, most Certified Public Accountants (CPAs) and other persons with financial backgrounds (with only private sector experience) do not truly understand the governmental accounting and reporting processes.

Should it be decided that an audit committee be created, staff recommends that the City auditors provide additional information and input. Attached is the Government Finance Officers Association (GFOA) Best Practice for the establishment of an audit committee or its equivalent.



In summary, the following four (4) options are available:

1. Status Quo – The Finance Committee will continue to serve as an Oversight and Audit Committee.
2. Create an Oversight and Audit Committee
3. Create an Oversight Committee ONLY
4. Create an Audit Committee ONLY

Attachment



[Return to Agenda](#)

## GFOA Best Practice

### Audit Committees

**Background.** Three main groups are responsible for the quality of financial reporting: the governing body,<sup>1</sup> financial management, and the independent auditors. Of these three, the governing body must be seen as “first among equals” because of its unique position as the ultimate monitor of the financial reporting process.<sup>2</sup> An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government’s financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management’s practices, and that the independent auditors, through their own review, objectively assess the government’s financial reporting practices.<sup>3</sup>

**Recommendation.** GFOA makes the following recommendations regarding the establishment of audit committees by state and local governments:

- The governing body<sup>4</sup> of every state and local government should establish an audit committee or its equivalent;
- The audit committee should be formally established by charter, enabling resolution, or other appropriate legal means and made directly responsible<sup>5</sup> for the appointment, compensation, retention, and oversight of the work of any independent accountants engaged for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services.<sup>6</sup> Likewise, the audit committee should be established in such a manner that all accountants thus engaged report directly to the audit committee. The written documentation establishing the audit committee should prescribe the scope of the committee’s responsibilities, as well as its structure, processes, and membership requirements. The audit committee should itself periodically review such documentation, no less than once every five years, to assess its continued adequacy;<sup>7</sup>
- Ideally, all members of the audit committee should possess or obtain a basic understanding of governmental financial reporting and auditing.<sup>8</sup> The audit committee also should have access to the services of at least one financial expert, either a committee member or an outside party engaged by the committee for this purpose. Such a financial expert should through both education and experience, and in a manner specifically relevant to the government sector, possess 1) an understanding of generally accepted

accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals, and reserves; 4) experience with internal accounting controls; and 5) an understanding of audit committee functions;<sup>9</sup>

- All members of the audit committee should be members of the governing body. To ensure the committee's independence and effectiveness, no governing body member who exercises managerial responsibilities that fall within the scope of the audit should serve as a member of the audit committee;
- An audit committee should have sufficient members for meaningful discussion and deliberation, but not so many as to impede its efficient operation. As a general rule, the minimum membership of the committee should be no fewer than three;<sup>10</sup>
- Members of the audit committee should be educated regarding both the role of the audit committee and their personal responsibility as members, including their duty to exercise an appropriate degree of professional skepticism;
- It is the responsibility of the audit committee to provide independent review and oversight of a government's financial reporting processes, internal controls and independent auditors;<sup>11</sup>
- The audit committee should have access to the reports of internal auditors, as well as access to annual internal audit work plans;
- The audit committee should present annually to the full governing body a written report of how it has discharged its duties and met its responsibilities. It is further recommended that this report be made public and be accompanied by the audit committee's charter or other establishing documentation;
- The audit committee should establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters. Such procedures should specifically provide for the confidential, anonymous submission by employees of the government of concerns regarding questionable accounting or auditing matters.<sup>12</sup> The audit committee also should monitor controls performed directly by senior management, as well as controls designed to prevent or
  - detect senior-management override of other controls<sup>13</sup>;
- The audit committee should be adequately funded and should be authorized to engage the services of financial experts, legal counsel, and other appropriate specialists, as necessary to fulfill its responsibilities<sup>14</sup>; and
- In its report to the governing body, the audit committee should specifically state that it has discussed the financial statements with management, with the independent auditors in private,<sup>15</sup> and privately among committee members,<sup>16</sup> and believes that they are fairly presented, to the extent such a determination can be made solely on the basis of such conversations.

#### Notes.

- 1 For the purposes of this recommended practice, the term "governing body" should be understood to include any elected officials (e.g., county auditor, city

- controller) with legal responsibility for overseeing financial reporting, internal control, and auditing, provided they do not exercise managerial responsibilities within the scope of the audit. The term “governing body” also is intended to encompass appointed bodies such as pension boards.
- 2 *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*, “Overview and Recommendations.”
  - 3 Securities and Exchange Commission (SEC) Regulation 33-8220, “Background and Overview of the New Rule and Amendments.”
  - 4 For the purposes of this recommended practice, the term “governing body” should be understood to include any other elected officials (e.g., county auditor, city controller) with legal responsibility for overseeing financial reporting, internal control, and auditing, provided they do *not* exercise managerial responsibilities within the scope of the audit. The term “governing body” also is intended to encompass appointed bodies such as pension boards.
  - 5 Nothing in this recommended practice should be interpreted so as to limit the full governing body from exercising ultimate authority.
  - 6 Sarbanes Oxley Act, Section 301.
  - 7 *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*, Recommendation 4.
  - 8 *Report and Recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees*, Recommendation 3. Continuity typically is a positive factor in achieving this goal, a fact that should be kept in mind when considering the appropriate length of service for audit committee members.
  - 9 Sarbanes-Oxley Act, Section 407.
  - 10 In certain limited instances, as noted later, the audit committee will need to meet privately to achieve its goals. If the audit committee constitutes a majority of the governing body, such private meetings may be hampered by “sunshine” laws and similar “open meetings” legislation.
  - 11 SEC Regulation 330-8220, “Background and Overview.”
  - 12 Sarbanes Oxley Act, Section 301.
  - 13 *Internal Control - Integrated Framework: Guidance on Monitoring Internal Control Systems* (Discussion Document of the Committee of Sponsoring Organizations—COSO, 2007), page 10.
  - 14 Nothing in this recommended practice should be interpreted so as to limit the full governing body from exercising ultimate authority.
  - 15 It is important that the audit committee be able to meet privately with the independent auditors, as needed, to ensure a full and candid discussion. Governments are urged to amend “sunshine” laws and similar “open meetings” legislation to permit such encounters in these limited circumstances.
  - 16 It is important that audit committee members be able to meet privately among themselves, as needed, to ensure a full and candid discussion. Governments are urged to amend “sunshine” laws and similar “open meetings” legislation to permit such an encounter in these limited circumstances.