



FINANCE COMMITTEE AGENDA

Tuesday, October 27, 2015

8:30 AM

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 28, 2015 Special Meeting

Attachments

Minutes

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

Attachments

Attachment 1
Attachment 2
Attachment 3

4. Audit Committee Recommendations

DISCUSSION

NOTE: This agenda is subject to amendments up to 72 hours prior to the meeting date.

5. Schedule Next Meeting: November 10, 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

FINANCE COMMITTEE COMMUNICATION

DATE: 10/27/2015

SUBJECT: Approval of Minutes of September 28, 2015 Special Meeting

Attachments

Minutes



SPECIAL FINANCE COMMITTEE MINUTES

Monday, September 28, 2015

4:00 PM

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, Ron Krause, Faith Madrazo, Jerry Mestas, Bill Smyser, Lee Squire, Alicia Brenner, Keri Bullock, Gillian Lobo and Mario Maldonado

OTHER ATTENDEES: Debbie Harper (Lance, Soll & Lunghard)

1. Matters from the Audience – *None*

CONSENT

2. Approval of Minutes of September 8, 2015 Meeting – *Approved.*
3. Award Annual Concrete Maintenance Contract to Minako America Corporation for the Removal and Replacement of Sidewalks, Curbs and Gutters – *Recommended for Council approval.*
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 – *Recommended for Council approval.*
5. Expenditure of the Supplemental Law Enforcement Services Fund for FY 2015-16 – *Recommended for Council approval.*
6. Procedures for Tracking Annual On-Call As-Needed Professional Services Agreements Engineering Service – *The Committee approved the recommended procedures and requested a memo outlining procedures be distributed to the City Council.*
7. Professional Services Agreement with NBS for User Fees and Charges Rate Study – *Recommended for Council approval as an Administrative Item.*
8. Amendment to the Professional Services Agreement with Raftelis Financial Consultants, Inc. for a Water Rate Study – *The Committee requested additional justification to clarify contract amendment.*

DISCUSSION

9. Continued Discussion of the Creation of an Oversight and Audit Committee – *The Committee discussed the options presented and recommend the following: (1) Finance Committee to continue serving as an Oversight Board and (2) Create an Audit Committee. Clarification is needed from the City Attorney regarding the legality of the membership composition of the Audit Committee and further discussion to take place at an upcoming meeting.*

Meeting adjourned: 5:24 PM

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

City of Brea

FINANCE COMMITTEE COMMUNICATION

TO: Honorable Chair and Committee Members

FROM: City Manager

DATE: 10/27/2015

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

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 for over a year 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; the change in rates and costs due to the new fiscal year; and additional information requested by the City Council. 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 (August 25, September 2, and October 6) and incurred additional preparation time associated with those meetings, totaling 40 hours;
3. Provided an additional 3-tier residential rate option. To make the necessary revenue requirements, the non-residential rate had to be adjusted as well.;
4. Analyzed usage data and calculated rates to meet the requirements of the San Juan Capistrano decision as well as Proposition 218 requirements. The San Juan Capistrano decision in April 2015 brought on additional requirements that were not included in the original proposal in October 2014;
5. Recalculating the fixed charges and corresponding tiered rates, as requested by City Council on October 6;
6. Review the possibility of tiered multi-family rates, as requested by City Council on October 5;
7. Additional review of greenbelt and outside Brea rates; and
8. Additional review and preparation of next Council Meeting. The date is yet to be determined.

The total cost for the 2015 Water Rate Study is \$93,103, of which \$41,340 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 \$41,340 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

Attachments

Attachment 1

Attachment 2

Attachment 3



201 S. Lake Avenue
Suite 301
Pasadena, CA 91101

Phone 626 . 583 . 1894
Fax 626 . 583 . 1411

www.raftelis.com

October 14, 2015

Mr. Bill Gallardo
City Manager
City of Brea
1 Civic Center Cir.
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. Some pieces of data crucial to the project required additional time to finalize. These data pieces includes water purchase rate information, and water purchase and sales totals. This information was important for RFC to accurately project the City's future expenses. Obtaining the water purchase and purchased water cost information, in particular, took quite a bit of time including multiple calls with Staff to resolve.
2. Three additional Staff/City Council meetings, about 4 hours per person, and associated preparation time. RFC traveled to meetings in Brea on March 2, May 5, August 25, September 2, and October 6. In addition, we have had many GoToMeeting meetings to discuss issues related to data as well as changes to the rates and rate structures.
3. Additional 3-tier rate options. RFC calculated drought surcharges for this 3 tier rate option as well. In addition to the 3 tier rate options, RFC calculated a uniform rate, and drought surcharges for the uniform rate.
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 a detailed report.
5. Recalculating the fixed charges and corresponding tiered rates. The fixed charges will be 17%, 20% and 25%.
6. Review multi-family rates. Combine with single family and revise rates for both.
7. Review rates for greenbelts in outside-city areas. This does not include budget-based rates as the City currently does not have the billing system set up to handle budget-based rates. Review average greenbelt usage to determine potential for tiered rates based on average use.
8. Additional Council Meeting preparing presentation and attending.

Our original proposal was based on the methodology that allowed cost of service calculations by customer class based on the Pajaro Valley water Management Agency case. The San Juan case was decided in April 2015 and required not only cost of service analysis by customer class, but also for the individual tiers. This has a double impact, we need to perform more analysis on the water usage to identify peaking factors by tier and equally important prepare a much more detailed report to justify the nexus between costs and rates.

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 Fees &
			SP	VS	Total	
			\$290	\$135		
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
5	Fixed Charges and Corresponding Rates		4	16	20	\$3,520
6	Multi-family Review		4	16	20	\$3,520
7	Greenbelt Review		2	6	8	\$1,470
8	Additional Council Meeting	1	10	12	22	\$4,940
9	Attend Public Hearing	1	8	4	12	\$3,180
		5	62	116	178	
			\$17,980	\$15,660	\$33,640	
					Total Fees	\$33,640
					Total Expenses	\$2,780
					Total Fees & Expenses	\$36,420
9	Contingency	1	8	16	24	\$4,920

SP - Sudhir Pardiwala
 VS - Victor Smith

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

Sincerely,

Accepted by:
 City of Brea

By: _____

By: _____

Sudhir Pardiwala, PE

Name: _____

Executive Vice President

Title: _____

Date: _____



201 S. Lake Avenue
Suite 301
Pasadena, CA 91101

Phone 626.583.1894
Fax 626.583.1411

Attachement 2

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

Key:
 SP - Sudhir Pardiwala
 C - Consultant

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 20th 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.

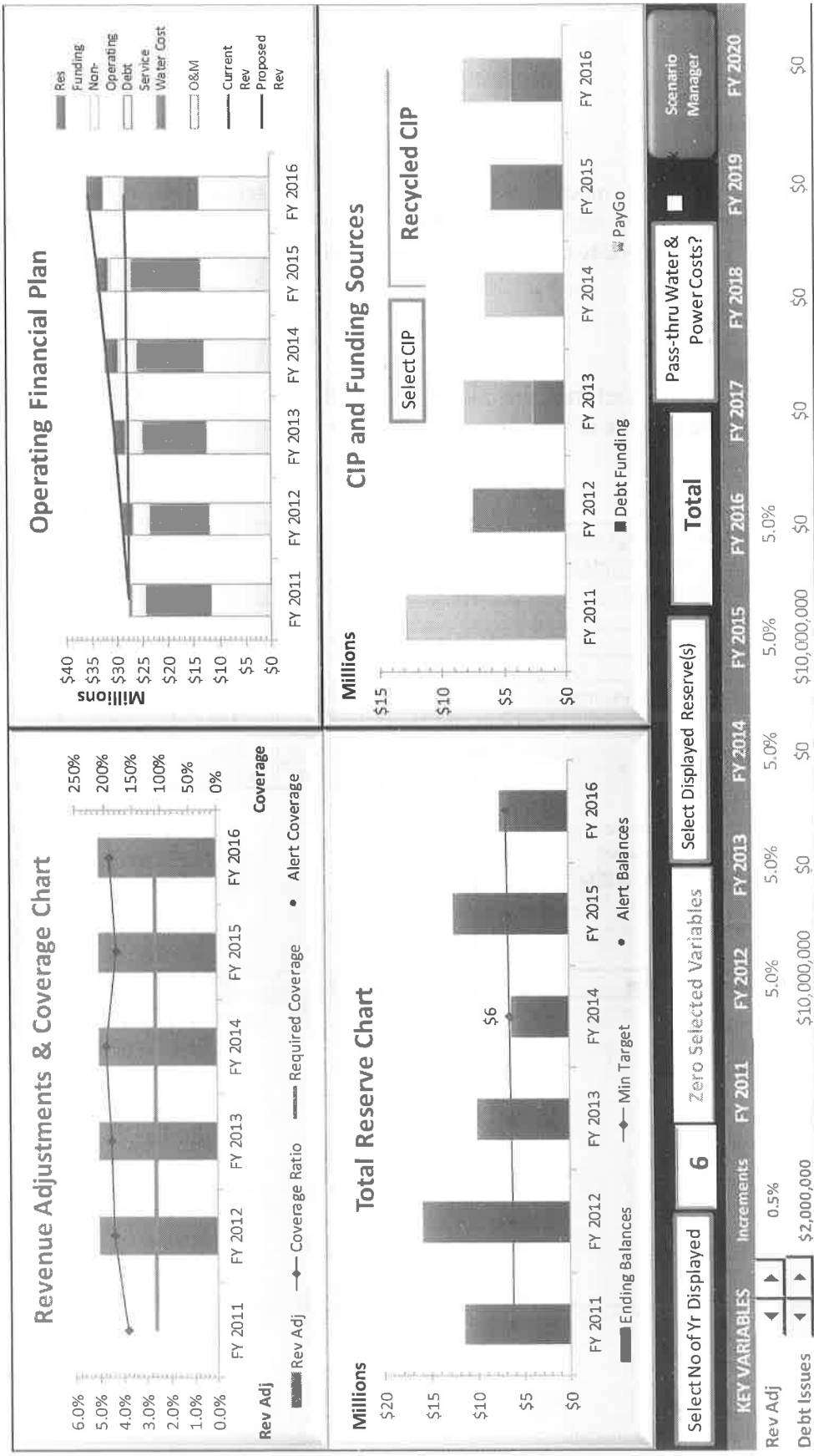


Exhibit A Scope of Services

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 15th so that the City can implement new rates on July 1st, 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	
1. Project Initiation and Management *	12	8	6	\$ 5,460
2. Develop Revenue Requirements and Usage Analysis	2	18		\$ 4,090
3. Cost of Service Allocations	2	8		\$ 2,140
4. Develop Rates*	8	20		\$ 6,220
5. Develop Drought Rates	10	16		\$ 6,020
6. Develop Model	2	10		\$ 2,530
8. Report Preparation and Presentation *	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

7. Calculate Connection Fees	8	24		\$ 7,000
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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

10/3/2014

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Bear Insurance Service 173 North Second Street Albemarle NC 28001	CONTACT NAME: Pamela Morton PHONE (A/C, No, Ext): (704) 982-1156 FAX (A/C, No): (704) 982-7012 E-MAIL ADDRESS: pmorton@bearinsurance.com														
INSURED Raftelis Financial Consultants, Inc. 1031 S Caldwell St Suite 100 Charlotte NC 28203	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: center;">INSURER(S) AFFORDING COVERAGE</th> <th style="text-align: center;">NAIC #</th> </tr> <tr> <td>INSURER A: Cincinnati Insurance Company</td> <td></td> </tr> <tr> <td>INSURER B: Philadelphia Indemnity Ins. Co.</td> <td></td> </tr> <tr> <td>INSURER C:</td> <td></td> </tr> <tr> <td>INSURER D:</td> <td></td> </tr> <tr> <td>INSURER E:</td> <td></td> </tr> <tr> <td>INSURER F:</td> <td></td> </tr> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: Cincinnati Insurance Company		INSURER B: Philadelphia Indemnity Ins. Co.		INSURER C:		INSURER D:		INSURER E:		INSURER F:	
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INSURER C:															
INSURER D:															
INSURER E:															
INSURER F:															

COVERAGES

CERTIFICATE NUMBER: 2014-CA/FL

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATION MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY		CAP5124411 No Liability Deductible	1/21/2014	1/21/2015	EACH OCCURRENCE \$ 1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY					DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR					MED EXP (Any one person) \$ 5,000
	<input checked="" type="checkbox"/> Contractual Liability					PERSONAL & ADV INJURY \$ 1,000,000
GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE \$ 2,000,000
<input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC						PRODUCTS - COMP/OP AGG \$ 2,000,000
A	AUTOMOBILE LIABILITY		CAP5124411 No Liability Deductible	1/21/2014	1/21/2015	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
	<input checked="" type="checkbox"/> ANY AUTO	<input type="checkbox"/> SCHEDULED AUTOS				BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS	<input checked="" type="checkbox"/> NON-OWNED AUTOS				BODILY INJURY (Per accident) \$
	<input checked="" type="checkbox"/> HIRED AUTOS					PROPERTY DAMAGE (Per accident) \$
						\$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB	<input checked="" type="checkbox"/> OCCUR	CAP5124411	1/21/2014	1/21/2015	EACH OCCURRENCE \$ 3,000,000
	<input type="checkbox"/> EXCESS LIAB	<input type="checkbox"/> CLAIMS-MADE				AGGREGATE \$ 3,000,000
	DED <input checked="" type="checkbox"/>	RETENTION \$ 5000				\$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY		WC1921777	1/21/2014	1/21/2015	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N				E.L. EACH ACCIDENT \$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below	N/A				E.L. DISEASE - EA EMPLOYEE \$ 1,000,000
						E.L. DISEASE - POLICY LIMIT \$ 1,000,000
B	Professional Liability Claims Made Policy		PHSD793804	1/21/2014	1/21/2015	\$2,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 City of Brea, CA, its elected officials, officers, employees, attorneys, agents & any other parties, including subcontractors specified by the city are named as additional insureds atima.

CERTIFICATE HOLDER**CANCELLATION**

City of Brea Financial Services Director Gill Gallardo 1 Civic Center Circle Brea, CA 92821	<p>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.</p> <hr/> AUTHORIZED REPRESENTATIVE Pamela Morton/APRIL
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ACORD 25 (2010/05)

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City of Brea

FINANCE COMMITTEE COMMUNICATION

TO: Honorable Chair and Committee Members
FROM: City Manager
DATE: 10/27/2015
SUBJECT: Audit Committee Recommendations

RECOMMENDATION

Direct staff to work with the City Attorney to clearly define the role and functions of the Finance Committee which would include audit related duties.

BACKGROUND/DISCUSSION

The Statement on Auditing Standards (SAS) No. 114 require that the auditor communicate, either orally or in writing, certain information to an audit committee or **another designated party that performs oversight of the financial reporting and auditing process**. SAS No. 114 identifies specific matters to be communicated and provides guidance on the communication process, in particular, the principal purposes of communication and the importance of effective two-way communication.

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. In relation to the City of Brea, the functions 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. Most

importantly, an audit committee or its equivalent enhances fiscal accountability.

Traditionally, some of the duties of the audit committee were performed by the City's Finance Committee. However in hind sight, staff believes that clear directions and adequate education were not provided to the members. Finance Committee Members may not have been aware they could meet with the City's independent auditors without staff being present (but in an open forum meeting); nor did they establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; furthermore, they did not provide a written report to the City Council of how it discharged its duties and met its responsibilities.

Finance Committee has discussed this matter on a number of occasions, and on September 28, 2015, Debbie Harper, the audit partner from the City's external auditing firm, Lance, Soll & Lunghard, was present to discuss the possible formation of an audit committee. One of the concerns was the legalities of the two members meeting in private as this may prompt a Brown Act Violation. The City Attorney has deemed such a meeting would be in violation. Thus, to meet the requirements of SAS No. 114, the audit committee or its equivalent would need to request staff to leave the room, but the meeting would be open to the general public OR one member of the committee, if needed, could meet privately with the auditors.

Staff recommends maintaining the structure of the Finance Committee but clearly defining the roles of the committee to include audit duties. By doing this, the City meets the needed requirements and recommendations without having to create a separate standing committee with its own meeting time, place, agenda, and minutes. The Finance Committee has been a long standing committee for a number of years; however, a recent inquiry of the formation of the committee came back void. Staff is requesting to work with the City Attorney to formally adopt the Finance Committee which, again, would include audit committee duties clearly defined in its function.

It is recommended by the Government Finance Officers Association (GFOA) that collectively members of the audit committee or its equivalent have a strong background in governmental accounting and

auditing and that the voting members should be members of the governing body. Ideally, all members of the audit committee or its equivalent should possess or obtain a basic understanding of governmental financial reporting and auditing. 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. Therefore, the Finance Committee will continue to consist of:

- The two (2) Council members assigned annually (both members must be present)
- The Administrative Services Director (non-voting)
- The Financial Services Manager (non-voting)
- Revenue and Budget Manager (non-voting)
- Senior Management Analyst, assigned to the Finance Division OR Senior Accountant (non-voting)

City staff will not be members, but will serve to coordinate the activities of the the Committee.

At least once per year the Finance Committee will meet with the City Auditors. The Finance Committee, acting as an audit and oversight committee, will meet on its regular day, time, and place, and all audit discussion items will be clearly identified.

With a clearer definition of its duties, the Finance Committee meets the recommended guidelines of the GFOA and the Orange County Grand Jury. Furthermore, it meets the requirement of SAS No. 114. The formation of the Finance Committee needs to be memorialized regardless and this an ideal opportunity to do so.

SUMMARY/FISCAL IMPACT

There is no fiscal impact. However, should the Finance Committee, while performing the duties of an audit committee, request additional financial services, legal counsel, training, and other appropriate specialists to fulfill its responsibilities, a budget adjustment to the City's Accounting and Auditing Division may need to be made.

RESPECTFULLY SUBMITTED

Respectfully submitted: Bill Gallardo, City Manager

Prepared by: Faith Madrazo, Revenue & Budget Manager

Concurrence: Lee Squire, Financial Services Manager
