



---

DATE: January 26, 2011

TO: Honorable Mayor and City Councilmembers

FROM: City Manager's Office

SUBJECT: **AMENDMENT 2 TO PROFESSIONAL SERVICES AGREEMENT WITH PFM GROUP AND BUDGET APPROPRIATION IN THE AMOUNT OF \$75,000 FOR A MANAGEMENT REVIEW OF CITY SERVICES**

**SYNOPSIS**

Staff recommends that the City Council approve Amendment 2 in an amount not to exceed \$75,000 to the professional services agreement with PFM Group for financial advising, strategic consulting, investment consulting, and investment management, adding to the scope of work the performance of a management review of City services; approve a budget appropriation in the amount of \$75,000 from the City's Unallocated General Fund Balance to fund the amendment; and authorization for the City Manager to execute the amendment.

**BACKGROUND**

With the ongoing budget challenges, it is staff's opinion that an independent assessment of the City's programs and services be considered as a means to evaluate and potentially improve, consolidate and evaluate additional efficiencies within City departments and programs.

The City had previously completed a comprehensive management review of the City's Development Services programs. That review resulted in a series of recommendations regarding departmental restructuring, efficiency improvements, and areas to reduce and consolidate staffing.

**ANALYSIS**

In June 2009 the City Council, following a comprehensive RFP process, selected four separate firms to provide advisory services. The PFM Group is on retainer as part of that RFP process. The PFM Group is a full-service firm providing financial advising, strategic consulting, investment consulting, and investment management.

On January 14, 2010, Amendment 1 in an amount not to exceed \$10,000 was administratively approved for development of a framework for addressing the City's Other Post-Employment Benefits liability.

Under Amendment 2, PFM will identify, analyze and recommend a set of initiatives that have the potential to reduce the cost of service delivery Citywide. The initiatives will include an assessment of potential impacts on service quality and will evaluate the City's effectiveness in allocating resources to performance goals and objectives. The evaluation will be completed by May 2011 in order to be considered as part of the FY 2011-12 budget process. A copy of the current PFM proposal is attached.

### **FISCAL IMPACT**

Amendment 2 for management review by PFM will not exceed \$75,000, to be funded from the City's Unallocated General Fund Balance. The \$75,000 will be appropriated to account number 150010101.5305 (Professional Services). It is anticipated and expected that the management review will generate ongoing cost savings well in excess of \$75,000.

### **INSURANCE REQUIREMENTS**

The City's standard insurance requirements have been and will continue to be met.

### **COMMISSION OR COMMITTEE REPORT**

Does not apply.

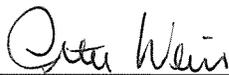
### **CITY ATTORNEY'S ANALYSIS**

The referenced document has been reviewed by the City Attorney and approved as to form.

**RECOMMENDATION**

Staff recommends that the City Council approve Amendment 2 in an amount not to exceed \$75,000 to the professional services agreement with PFM Group for financial advising, strategic consulting, investment consulting, and investment management, adding to the scope of work the performance of a management review of City services; approve a budget appropriation in the amount of \$75,000 from the City's Unallocated General Fund Balance to fund the Amendment; and authorization for the City Manager to execute the amendment.

PREPARED AND SUBMITTED BY:



\_\_\_\_\_  
Peter A. Weiss  
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager  
Teri Ferro, Financial Services Director



**ATTACHMENTS**

PFM Group's Proposal of December 17, 2010  
Amendment 2

Amendment 1, dated December 30, 2009

June 10, 2009, Staff Report and Professional Services Agreement



## The PFM Group

Public Financial Management, Inc.  
PFM Asset Management, LLC  
PFM Advisors

US Bank Tower  
633 West 5<sup>th</sup> Street, Suite 6700  
Los Angeles, CA 90071

213-489-4075  
213-489-4085 fax  
www.pfm.com

December 17, 2010

## Memorandum

**To:** Teri Ferro, City of Oceanside  
**From:** Craig Hoshijima, Public Financial Management  
Keith Curry, Public Financial Management  
**Re:** Proposal to Perform a Management Review of City Services

---

Upon your request, this memorandum represents a proposal from Public Financial Management ("PFM") to perform a management review of City of Oceanside ("the City") services. The review will involve a financial assessment of the City and the development of initiatives that can result in a sustainable budget.

PFM will work closely with the City to identify and develop management and productivity initiatives, including organizational changes and alternative service delivery methods, which can reduce the cost of government and maintain quality service delivery for City residents. The primary goal of the engagement is to provide City staff and the City Council with measures that have the potential to provide cost savings and revenue-enhancements, in order to help formulate the policy decisions needed to develop a multi-year plan that addresses the City's projected budget gap.

### PFM Work Plan and Deliverables

PFM will first assess the City's General Fund revenues and expenditures and identify the key drivers that cause the projected budgetary imbalance. As the City is well aware, the major drivers of its budget deficits in recent years are lower tax revenues and increasing personnel costs. PFM will review and validate the City's General Fund projections and, if needed, work with the City to refine its budget projection spreadsheet(s) to enhance the forecasts and provide the ability to calculate the budget impact of the various initiatives under consideration (as part of this review).

In the second component of our scope, PFM will identify, analyze, and recommend a preliminary set of initiatives that have the potential to reduce the cost of service delivery or increase revenues. Any initiative will include an assessment of the impact on service quality and existing City staff, and identify strategies that will mitigate the impacts. Our assessment



will evaluate the City's effectiveness in allocating its employees by comparing historical performance to goals and objectives articulated by the City Manager and the City Council. We will also compare the City's performance to other comparable local governments and the private sector. PFM will review the City's General Fund-supported departments and functions, with the exception of building, planning, engineering, and risk management, which the City has already reviewed. The review will also exclude the Water Utilities Department.

Some initiatives we identify will be able to be implemented within thirty to sixty days. Others will take longer, but most could be included as part of the City's fiscal year 2011-12 budget. During the initiatives identification phase, PFM will team with the City to further develop and cost-out strategies identified by City professionals, and also identify additional initiatives based on the City's existing set of services, organizational structure, and business processes. Cooperation and partnership with City forces is vital, and we will make every effort to thoroughly evaluate the impacts on existing City employees from the initiatives identified in this review and help identify strategies that can mitigate the impact.

It is important to state that several components of our analysis will be preliminary, and may warrant additional analysis in order to develop a more thorough strategy and implementation plan. Many of the City's services are relatively complex (e.g., fleet services and information technology), and it is not within the scope of the management review to provide a comprehensive audit of these services.

Given the immediate budget and management challenges now facing the City, our proposed scope includes the development of short-term corrective actions, but places such initiatives within a multi-year perspective that properly frames the tough decisions required to close the budget gap.

PFM proposes to conduct our initiatives assessment using the following general approach:

- We will identify the major operational and organizational issues facing the City, including best practice benchmarking in an attempt to streamline overall staffing. Our organizational assessment will also evaluate the City's effectiveness in allocating its personal resources in comparison to goals and objectives articulated by the City Manager and the City Council, and compare the City's performance and costs to other local governments and the private sector.
- We will lead a series of interviews with City operational managers. These interviews are intended to refine the understanding of issues including, but not limited to: intergovernmental mandates vs. discretionary services; existing service-level and



productivity metrics; ongoing and potential cost containment initiatives; known budgetary risks and pressures; and revenue enhancement opportunities (e.g., increases in fees for service and transfers from special purpose funds).

- We will evaluate the potential to implement cost-saving strategies that have been successful in other jurisdictions, including fleet reduction, overtime management, and service consolidation with surrounding cities and agencies (including the County and school district). We will also evaluate the privatization of such services.
- PFM will evaluate the potential for cost savings and greater overtime containment from privately delivered services, and estimate the savings resulting from any lower salary and pension costs. Our analysis of privatized service will discuss the risk of a loss in service quality and best practices that can mitigate this risk. We will also identify the impact on existing City employees and discuss strategies to mitigate the impact.
- PFM will derive preliminary cost savings for each initiative, and discuss the potential barriers to implementation and any impact on City employees. Any cost reductions related to City personnel (as a result of attrition or other potential reorganization) will address changes to the City's costs from salary, pension contributions, and the payout of any accrued vacation and sick leave. PFM will discount the expected cost savings from each initiative based on the difficulty in its implementation due to policy, institutional, or other risks.

Our primary deliverables will be draft and final reports that outline our research, analysis, findings, and recommendations. We will submit a draft report to the City in approximately 70 days from the start of the engagement. We will also be available to present our findings to the City and City Council.

#### **Estimated Schedule and Cost**

PFM's project team will be able to accomplish both the financial and initiatives assessment within a three-month period. Assuming PFM's work is started at the beginning of February 2011, we would be able to deliver our financial assessment and set of cost saving and revenue initiatives by the end of April 2011.

PFM's work will be billed at the following hourly rates, which are consistent with our existing financial advisory contract with the City.



<u>Title</u>	<u>Hourly Rate</u>
Managing Director	\$310
Sr. Managing Consultant	260
Consultant	200

PFM will complete the scope of work and produce the agreed-upon deliverables within a not-to-exceed amount of \$75,000, excluding any out-of-pocket expenses. We expect to dedicate an equivalent of one full-time position for the duration of the management review project.

### **Project Team**

PFM will bring together a team with strong experience in California local government, multi-year planning, financial recovery efforts, and a thorough understanding of the City. Craig Hoshijima, who works with PFM's Strategic Consulting group, will serve as project manager. Within California, he has led comparable engagements for the City of Chula Vista, City of Long Beach, City of Huntington Beach, County of Los Angeles Fire Department, and Riverside County Local Agency Formation Commission. Craig has worked as a financial advisor to the City since 1997, performing ad hoc financial analysis and assisting with the City's debt issues. Managing Director Keith Curry, who has served as the City's financial advisor since 1990, will assist in formulating our recommendations based on his insights and historical perspective of the City. Keith is also a current city councilman and brings this additional understanding and sensitivity of key public policy decisions. He will be available to attend project/City staff meetings as well as provide presentations to the City Council.

Other PFM staff with relevant subject matter expertise will also work on this project. PFM Managing Director Dean Kaplan, who co-heads PFM's Strategic Consulting group, will help determine areas of potential cost savings. Dean has led similar studies for the City of Pittsburg, City of Austin, Nassau County, and City of Colorado Springs. PFM Strategic Consulting team members Gordon Mann and Greg Butler will provide as-needed analytical support and help formulate and estimate cost saving for initiatives relating to labor costs, fleet services, and consolidation and reorganization.

Resumes for each of the project team members can be provided upon request.

I trust this proposal gives sufficient information on our scope of work, schedule, and cost. If you have any questions or require additional information, please let us know. We look forward to the opportunity of partnering with the City on this extremely important and challenging project, which we believe will help the City Council in its review and evaluation of the myriad of potential cost saving and revenue initiatives, and allow the City to formulate a well-defined and credible plan to address its budgetary gap.

**CITY OF OCEANSIDE**  
**AMENDMENT #2 TO**  
**PROFESSIONAL SERVICES AGREEMENT**

**PROJECT: Management Review of City Services**

THIS AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (hereinafter "Amendment"), dated January 26, 2011 for identification purposes, is made and entered into by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY", and THE PFM GROUP, hereinafter designated as "CONSULTANT."

**RECITALS**

WHEREAS, City and Consultant are the parties to that certain Professional Services Agreement dated June 10, 2009, hereinafter referred to as the "Agreement", wherein Consultant agreed to provide certain services to the City as set forth therein;

WHEREAS, City and Consultant entered into Amendment 1 to the Agreement on January 14, 2010; and

WHEREAS, the parties desire to amend the Agreement to provide for changes to the Statement of Work to include a management review of City services.

NOW, THEREFORE, as set forth herein, the parties hereto do mutually agree that the Agreement shall be amended as follows:

1. SCOPE OF WORK – assess the City's General Fund to identify the key drivers that cause the projected budgetary imbalances; identify, analyze and recommend a preliminary set of initiatives that have the potential to reduce the cost of service delivery or increase revenues as further defined in the proposal dated December 17, 2010.

2. COMPENSATION – CONSULTANT'S compensation for all work performed in accordance with this Amendment will be billed at the following hourly rates, which are consistent with the existing PSA terms:

Managing Director	\$310 per hour
Sr. Managing Consultant	\$260 per hour
Consultant	\$200 per hour

This assignment will require the dedication of an equivalent of one full-time position for the duration of the project, with a not-to-exceed amount of \$75,000, excluding any out-of-

**Management Review of City Services**

pocket expenses. Any out-of-pocket expenses must be preapproved by the City Manager.

3. **TIMING REQUIREMENTS** – timing is of the essence in the performance of work under this Amendment and the timing requirements shall be strictly adhered to unless otherwise modified in writing. All work shall be completed in every detail to the satisfaction of the City Manager by April 30, 2011.

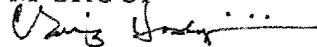
Except as expressly set forth in this Amendment and Amendment 1, the Agreement shall remain in full force and effect and is hereby ratified and reaffirmed.

**SIGNATURES.** The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Amendment on behalf of the respective legal entities of the CONSULTANT and the CITY.

IN WITNESS WHEREOF the parties hereto being duly authorized on behalf of their respective entities to execute this Amendment, do hereby agree to the covenants contained in the Agreement, including this Amendment and have caused this Amendment to be executed by setting hereunto their signatures on the dates set forth below.

THE PFM GROUP

CITY OF OCEANSIDE

By:   
Name/Title

By: \_\_\_\_\_  
Peter Weiss, City Manager

Date: 1/18/11

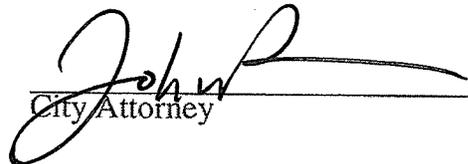
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name/Title

APPROVED AS TO FORM:

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

23-1992164  
Employer ID No.

  
City Attorney

**NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.**

*See attached acknowledgment*

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

State of California

County of Orange

On 1-18-11

Date

before me,

Truely St Bonore, Notary

Here Insert Name and Title of the Officer

personally appeared

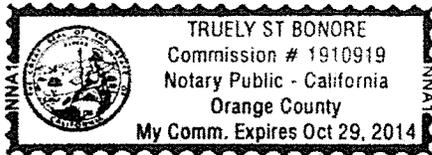
Craig A. Hashigima

Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature

Truely St Bonore

Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document:

City of Oceanside Amendment #2 to Professional Services Agreement

Document Date:

1-26-11

Number of Pages:

3

Signer(s) Other Than Named Above: \_\_\_\_\_

Capacity(ies) Claimed by Signer(s)

Signer's Name: \_\_\_\_\_

Signer's Name: \_\_\_\_\_

Corporate Officer — Title(s): \_\_\_\_\_

Corporate Officer — Title(s): \_\_\_\_\_

Individual

Individual

Partner —  Limited  General

Partner —  Limited  General

Attorney in Fact

Attorney in Fact

Trustee

Trustee

Guardian or Conservator

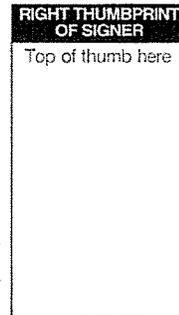
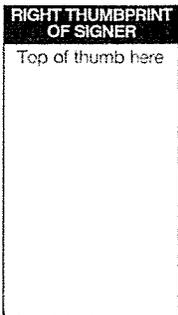
Guardian or Conservator

Other: \_\_\_\_\_

Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_



**CITY OF OCEANSIDE  
AMENDMENT TO  
PROFESSIONAL SERVICES AGREEMENT**

**PROJECT: Other Post-Employment Benefits Analysis**

THIS AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (hereinafter "Amendment"), dated December 30, 2009 for identification purposes, is made and entered into by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY", and THE PFM GROUP, hereinafter designated as "CONSULTANT."

**RECITALS**

WHEREAS, City and Consultant are the parties to that certain Professional Services Agreement dated June 10, 2009, hereinafter referred to as the "Agreement", wherein Consultant agreed to provide certain services to the City as set forth therein;

WHEREAS, the parties desire to amend the Agreement to provide for changes to the Statement of Work to include an analysis of Other Post-Employment Benefits (OPEB).

NOW, THEREFORE, as set forth herein, the parties hereto do mutually agree that the Agreement shall be amended as follows:

1. SCOPE OF WORK – develop a framework for addressing the City's OPEB liability as further defined in the proposal dated December 16, 2009.

2. COMPENSATION – CONSULTANT'S compensation for all work performed in accordance with this Amendment will be billed at the following hourly rates, which are consistent with the existing PSA terms:

Managing Director	\$310 per hour
Sr. Managing Consultant	\$260 per hour
Consultant	\$200 per hour

This assignment will require 20-40 hours of billable work, with a not-to-exceed amount of \$10,000, excluding any out-of-pocket expenses. Any out-of-pocket expenses must be preapproved by the Financial Services Director.

3. TIMING REQUIREMENTS – timing is of the essence in the performance of work under this Amendment and the timing requirements shall be strictly adhered to unless otherwise modified in writing. All work shall be completed in every detail to the

**Other Post-Employment Benefits Analysis**

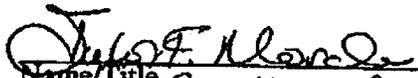
satisfaction of the Director of Financial Services by May 14, 2010.

Except as expressly set forth in this Amendment, the Agreement shall remain in full force and effect and is hereby ratified and reaffirmed.

**SIGNATURES.** The individuals executing this Amendment represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Amendment on behalf of the respective legal entities of the CONSULTANT and the CITY.

IN WITNESS WHEREOF the parties hereto being duly authorized on behalf of their respective entities to execute this Amendment, do hereby agree to the covenants contained in the Agreement, including this Amendment and have caused this Amendment to be executed by setting hereunto their signatures on the dates set forth below.

THE PFM GROUP

By:   
Name/Title Senior Managing Consultant  
Date: January 11, 2010

By: \_\_\_\_\_  
Name/Title

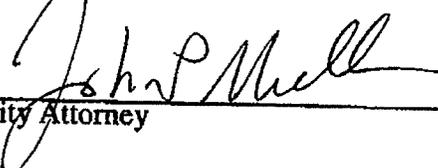
Date: \_\_\_\_\_

23-199164  
Employer ID No.

CITY OF OCEANSIDE

By:   
Name/Title Teri Ferro, Finance Director  
Date: 1-14-10

APPROVED AS TO FORM:

  
City Attorney

**NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.**



DATE: June 10, 2009

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

SUBJECT: **APPROVAL OF PROFESSIONAL SERVICES AGREEMENTS FOR FINANCIAL ADVISORY SERVICES WITH THE PFM, FCS GROUP, KEYSER MARSTON ASSOCIATES, AND CSG ADVISORS**

**SYNOPSIS**

Staff recommends that the City Council and Community Development Commission establish a pool of financial advisors, approve five-year professional services agreements with four firms (The PFM Group of Newport Beach, FCS Group of San Francisco, Keyser Marston Associates of San Diego, and CSG Advisors of San Francisco) and authorize the City Manager to execute the agreements.

**BACKGROUND**

The City of Oceanside and the Oceanside Community Development Commission periodically issue municipal debt instruments to finance the acquisition and construction of real property, facilities, related operating equipment, and other infrastructure improvements. Long-term debt is not used for operating expenditures. While no specific financing need has been identified at this time, future requirements may include Community Facilities and Assessment Districts, Certificates of Participation, Tax Increment Debt, Lease Revenue Bonds, and Mortgage Revenue/Housing Bonds.

The Financial Advisor is a key member of the City's financing team. While the specific scope of services are detailed in the individual contracts, they can generally be summarized as follows: (1) assist on a case-by-case basis for debt financings by providing specialized marketing and technical skills that cannot reasonably be provided by City staff; (2) provide on-going advice and technical assistance on capital planning, policy development, revenue forecasting and evaluation, resource allocation, specialized financial reports, analyses and financial modeling.

**ANALYSIS**

In March 2009 a Request for Qualifications for Financial Advisor Services was sent to fourteen firms throughout California and resulted in eight responses. Two firms that responded did not meet the minimum RFQ requirements. Staff from Finance, Economic and Community Development, Neighborhood Services/Housing, Treasury and Water Utilities interviewed the remaining six firms on April 6, 2009, and is recommending the

establishment of a pool of four firms to provide both general and specialized financial advisory services.

The PFM Group has served as the City's financial advisor since 1990, assisting the City with the issuance of 23 debt transactions, including lease revenue/certificates of participation, pension obligation bonds, tax allocation bonds, water and sewer revenue bonds, and land-secured debt. In addition, they have assisted with financial modeling/forecasting and planning during the initial phases of several projects. The PFM Group is a full-service firm providing financial advising, strategic consulting, investment consulting, and investment management. The contract will not include investment management or consulting services. Based on the City's positive experience with The PFM Group, along with their wealth of expertise and resources, staff is recommending continuance of a contract with The PFM Group for financial advisory services.

The FCS Group has a long-standing working relationship with the City in the role of a specialized financial advisor for utility finances and rates. They prepared the Water Utilities Financial Plan and the recent Drought Emergency Water Rates. Based on the City's positive experience with FCS Group, along with their experience in utility financing and knowledge of water issues in San Diego County, staff is recommending continuance of a contract with FCS Group for specialized financial advisory services for utility finances and rates.

Keyser Marston Associates is a real estate economic consulting firm that provides a broad range of financial and economic consulting services. KMA has assisted the City and Commission on numerous assignments including developer selection and transaction structuring for the proposed Pier Resort Hotel, tax increment projections for the Downtown Redevelopment Project "Area", economic impact analysis of the proposed Pavilion shopping center, financial analysis of the Shadow Way Housing acquisition and rehabilitation project, and feasibility analyses of alternative build-out scenarios for Oceanside Airport. Based on the City's positive experience with KMA, along with their expertise in redevelopment law as pertains to real estate and housing activities, and familiarity of local and regional market conditions, staff is recommending continuance of a contract with KMA for specialized financial advisory services for redevelopment and housing.

CSG Advisors provides a broad range of financial advisory services, but their area of specialized expertise pertains to public finance, real estate and community development. As such, they will be a valuable asset to the City on complex development projects, real estate-related public assets, and financings for housing and economic development. This firm came highly recommended from municipal references. Staff is recommending a contract with CSG for specialized financial advisory services for redevelopment, economic development, and housing.

**FISCAL IMPACT**

There is no fiscal impact at this time by entering into the professional service agreements for financial advisory services. When specific financings come forward, staff will negotiate the terms for that specific financing and bring the recommendations to Council for approval. The financial advisor will be paid from the bond proceeds upon the successful sale of those bonds. Special projects and analyses will be brought forth to Council for funding on an as-needed basis from departmental operating budgets, developer deposits, or project funds.

**COMMISSION/COMMITTEE REPORT**

Does not apply.

**CITY ATTORNEY'S ANALYSIS**

The referenced documents have been reviewed by the City Attorney and approved as to form.

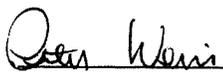
**RECOMMENDATION**

Staff recommends that the City Council and Community Development Commission establish a pool of financial advisors, approve five-year professional services agreements with four firms (The PFM Group of Newport Beach, FCS Group of San Francisco, Keyser Marston Associates of San Diego, and CSG Advisors of San Francisco) and authorize the City Manager to execute the agreements.

PREPARED BY:

  
\_\_\_\_\_  
Teri Ferro  
Director of Financial Services

SUBMITTED BY:

  
\_\_\_\_\_  
Peter A. Weiss  
City Manager

REVIEWED BY:

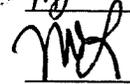
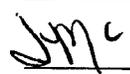
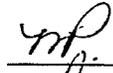
Michelle Skaggs-Lawrence, Deputy City Manager

Michele Lund, Treasury Manager

Jane McVey, Economic Development and Redevelopment Director

Margery Pierce, Neighborhood Services Director

Lonnie Thibodeaux, Water Utilities Director

  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_

**CITY OF OCEANSIDE**

**PROFESSIONAL SERVICES AGREEMENT**

THIS AGREEMENT is made and entered into this 10<sup>th</sup> day of June 2009, by and between the CITY OF OCEANSIDE, a municipal corporation, and OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION (OCDC), a municipal corporation, hereinafter collectively designated as "CITY", and The PFM Group, hereinafter designated as "CONSULTANT".

**RECITALS**

- A. CITY desires to obtain professional financial advisory services from an independent contractor for the City of Oceanside and the Oceanside Community Development Commission.
- B. CONSULTANT has submitted a proposal to provide financial advisory services for the CITY in accordance with the terms set forth in this Agreement.
- C. CITY desires to contract with CONSULTANT as an independent contractor and CONSULTANT desires to provide services to CITY as an independent contractor.
- D. CONSULTANT has demonstrated its competence and professional qualifications necessary for the satisfactory performance of the services designated herein by virtue of its experience, training, education and expertise.

**NOW, THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:**

- 1.0 **SCOPE OF WORK.** The project is more particularly described as follows: assist the CITY on an as-needed basis in connection with any financings or projects that the City may undertake.
- 1.1 **PROFESSIONAL SERVICES PROVIDED BY CONSULTANT.** The professional services to be performed by CONSULTANT shall consist of but not be limited to the following:
  - 1.1.1 **Debt Financing**
    - a. Assist in the formation of the financing team.
    - b. Assist with the risk analysis of various financing structures and strategies.
    - c. Financing structure validation.
    - d. Assist with the preparation of financial documents.
    - e. Assist with Rating Agency package for City presentation.

- f. Assist in negotiations with bond insurers.
- g. Assist in the establishment of selling rules for the syndicate.
- h. Assist with research and analyses for pricing including assessing marketplace timing.
- i. Evaluate finance team performance and bond sale results.
- j. Assess bond market conditions at time of sale of bonds as part of syndicate performance evaluation.

#### 1.1.2 Redevelopment

- a. Verify tax increment revenue for the latest fiscal year
- b. Calculate and project tax increment revenue for the next three years
- c. Review and analyze five (5) years of historical assessed value and tax revenue receipts for the Project Area, evaluate the impact of development agreement for Agency financings
- d. Compile and analyze the Project Area's base year assessed value, including adjustments made by the County Auditor-Controller
- e. Complete analysis of the Project Area's redevelopment plan, including number of plan years remaining, and any restrictive covenants
- f. Thorough review of existing pass-thru agreements, disposition and development agreements, and owner participation agreements for the Project Area, including subordination and other restrictive language
- g. Proforma analysis on RDA projects
- h. Redevelopment negotiations with developers or others to meet the goals of the Redevelopment Plan
- i. Develop the 5-Year Implementation Plan and updates to the Plan, and other reports as required by Redevelopment Law
- j. Analyze the potential for new redevelopment project areas
- k. Review, analyze, evaluate, plan and attend meetings regarding new redevelopment legislation or challenges to City processes or calculations

#### 1.1.3 Housing

- a. Assist in identifying policy issues and developing policies related to affordable housing debt financing and administration
- b. Assist City staff in estimating housing set-aside bonding capacity
- c. Advise on low and moderate income housing activities, including analysis of alternative strategies, development of relationships with affordable housing developers, and assist in structuring financing for projects (which may also utilize forms of tax-exempt financing)

#### 1.1.4 Financial Management/Advisory Services

- a. Assist in development of long-term financial plan
- b. Financial modeling
- c. Review and analyze legislation that may have a financial impact on the City

d. Other projects and activities as requested by CITY

2.0 **INDEPENDENT CONTRACTOR.** CONSULTANT'S relationship to the CITY shall be that of an independent contractor. CONSULTANT shall have no authority, express or implied, to act on behalf of the CITY as an agent, or to bind the CITY to any obligation whatsoever, unless specifically authorized in writing by the Finance Director. CONSULTANT shall be solely responsible for the performance of any of its employees, agents or subcontractors under this agreement.

CONSULTANT shall report to the CITY any and all employees, agents and consultants performing work in connection with this project, and all shall be subject to the approval of the CITY.

CONSULTANT is not acting as a fiduciary to the CITY in carrying out the professional services described in Section 1.1 hereof.

3.0 **WORKERS' COMPENSATION.** Pursuant to Labor Code section 1861, the CONSULTANT hereby certifies that the CONSULTANT is 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 the CONSULTANT will comply with such provisions and provide certification of such compliance as a part of this Agreement.

4.0 **LIABILITY INSURANCE.**

4.1 CONSULTANT shall, throughout the duration of this Agreement, maintain comprehensive general liability and property damage insurance, or commercial general liability insurance, covering all operations of CONSULTANT, its agents and employees, performed in connection with this Agreement including, but not limited to, premises and automobile.

4.2.1 CONSULTANT shall maintain liability insurance in the following minimum limits:

Comprehensive General Liability Insurance  
(bodily injury and property damage)

Combined Single Limit Per Occurrence	\$ 1,000,000
General Aggregate	\$ 2,000,000*

Commercial General Liability Insurance

(bodily injury and property damage)

General limit per occurrence	\$ 1,000,000
General limit project specific	\$ 2,000,000

<u>Automobile Liability Insurance</u>	\$ 1,000,000
---------------------------------------	--------------

\*General aggregate per year, or part thereof, with respect to losses or other acts or omissions of CONSULTANT under this Agreement.

- 4.2.2 If coverage is provided through a Commercial General Liability Insurance policy, a minimum of 50% of each of the aggregate limits shall remain available at all times. If over 50% of any aggregate limit has been paid or reserved, the CITY may require additional coverage to be purchased by the CONSULTANT to restore the required limits. The CONSULTANT shall also notify the CITY'S Project Manager promptly of all losses or claims over \$25,000 resulting from work performed under this contract, or any loss or claim against the CONSULTANT resulting from any of the CONSULTANT'S work.
- 4.3 Insurance company providing General Liability insurance to the CONSULTANT for the purposes of this Section shall add the City of Oceanside as "additional insured" under the designated insurance policy for all work performed under this Agreement. Insurance coverage provided to the CITY as an additional insured shall be primary insurance and other insurance maintained by the CITY, its officers, agents and employees shall be excess only and not contributing with insurance provided pursuant to this Section.
- 4.4 All insurance companies affording coverage to the CONSULTANT pursuant to this Agreement shall be insurance organizations authorized by the Insurance Commissioner of the State of California to transact business of insurance in the state or be rated as A-X or higher by A.M. Best.
- 4.5 All insurance companies affording coverage shall provide thirty (30) days written notice to the CITY should the policy be cancelled before the expiration date. For the purposes of this notice requirement, any material change in the policy prior to the expiration shall be considered a cancellation.
- 4.6 CONSULTANT shall provide evidence of compliance with the insurance requirements listed above by providing a Certificate of Insurance, in a form satisfactory to the City Attorney, concurrently with the submittal of this Agreement.
- 4.7 CONSULTANT shall provide a substitute Certificate of Insurance no later than

thirty (30) days prior to the policy expiration date; or immediately upon receipt. Failure by the CONSULTANT to provide such a substitution and extend the policy expiration date shall be considered a default by CONSULTANT and may subject the CONSULTANT to a suspension or termination of work under the Agreement.

4.8 Maintenance of insurance by the CONSULTANT as specified in this Agreement shall in no way be interpreted as relieving the CONSULTANT of any responsibility whatsoever and the CONSULTANT may carry, at its own expense, such additional insurance as it deems necessary.

5.0 **PROFESSIONAL ERRORS AND OMISSIONS INSURANCE.** Throughout the duration of this Agreement and four (4) years thereafter, the CONSULTANT shall maintain professional errors and omissions insurance for work performed in connection with this Agreement in the minimum amount of One Million Dollars (\$1,000,000).

CONSULTANT shall provide evidence of compliance with these insurance requirements by providing a Certificate of Insurance.

6.0 **CONSULTANT'S INDEMNIFICATION OF CITY.** CONSULTANT shall indemnify and hold harmless the CITY and its officers, agents and employees against all claims or lawsuits for damages to persons or property arising out of the conduct, negligent acts, errors, omissions or wrongful acts of conduct of the CONSULTANT or its employees, agents, subcontractors or others in connection with the execution of the work covered by this Agreement, except for those claims arising from the willful misconduct, sole negligence or active negligence of the CITY, its officers, agents or employees. CONSULTANT'S indemnification shall include any and all costs, expenses, expert fees, attorneys' fees and liability assessed against or incurred by the CITY, its officers, agents or employees in defending against such claims or lawsuits, whether the same proceed to judgment or not. Further, CONSULTANT, at its own expense, shall, upon written request by the CITY, defend any such suit or action brought against the CITY, its officers, agents or employees resulting or arising from the tortious acts or omissions of the CONSULTANT.

CONSULTANT'S indemnification of CITY shall not be limited by any prior or subsequent declaration by the CONSULTANT

7.0 **COMPENSATION.**

7.1 General financial advisory projects and services will be billed based on an hourly billing rate:

<u>Professional</u>	<u>Hourly Rate</u>
Managing Director	\$310
Senior Managing Consultant	\$260
Consultant	\$200

7.2 A flat-fee schedule for services related to bond issuance varies depending on the nature and complexity of each transaction. CONSULTANT and CITY will negotiate mutually acceptable fees for service.

Par Value	Lease Revenue COPs	Water and Wastewater	Land Secured Debt *	Tax Allocation Bonds	Pension Obligation Bonds	Housing Bonds
\$0-\$10 million	\$20,000-\$30,000	\$20,000-\$30,000	\$20,000-\$30,000	\$25,000-\$35,000	\$25,000-\$35,000	\$25,000-\$35,000
\$10-\$25 million	\$30,000-\$40,000	\$30,000-\$40,000	\$30,000-\$40,000	\$35,000-\$45,000	\$35,000-\$45,000	\$35,000-\$45,000
\$25-\$40 million	\$40,000-\$50,000	\$40,000-\$50,000	\$40,000-\$50,000	\$45,000-\$55,000	\$45,000-\$55,000	\$45,000-\$55,000
*Does not include district formation costs for land-secured financings (ADs & CFDs) which are billed on an hourly basis.						

7.3 Expenses will be capped at \$2,500 per transaction, and will include items such as travel, parking, meals, postage, express mail delivery services, telephone, photocopying, outside graphic fees, etc. Out-of-pocket expenses will be on an actual cost basis and appropriate documentation and third party receipts will be provided.

8.0 **TERM OF AGREEMENT.** CONSULTANT has been retained as one of four firms to provide financial advisory services to the CITY for five years from the date of this agreement.

9.0 **TERMINATION OF AGREEMENT.** The CITY may terminate this Agreement for any reason by providing thirty (30) days written notice to the CONSULTANT.

10.0 **ENTIRE AGREEMENT.** This Agreement comprises the entire integrated understanding between CITY and CONSULTANT concerning the work to be performed for this project and supersedes all prior negotiations, representations or agreements.

11.0 **INTERPRETATION OF THE AGREEMENT.** The interpretation, validity and enforcement of the Agreement shall be governed by and construed under the laws

of the State of California. The Agreement does not limit any other rights or remedies available to CITY.

The CONSULTANT shall be responsible for complying with all local, state and federal laws whether or not said laws are expressly stated or referred to herein.

Should any provision herein be found or deemed to be invalid, the Agreement shall be construed as not containing such provision, and all other provisions, which are otherwise lawful, shall remain in full force and effect, and to this end the provisions of this Agreement are severable.

12.0 **AGREEMENT MODIFICATION.** This Agreement may not be modified orally or in any manner other than by an Agreement in writing, signed by the parties hereto.

13.0 **NOTICES.** All notices, demands, requests, consents or other communications which this Agreement contemplates or authorizes, or requires or permits either party to give to the other, shall be in writing and shall be personally delivered or mailed to the respective party as follows:

**TO CITY:**  
City of Oceanside  
Finance Director  
300 North Coast Highway  
Oceanside, CA 92054

**TO CONSULTANT:**  
The PFM Group  
Keith D. Curry, Managing Director  
660 Newport Center Drive, Suite 710  
Newport Beach, CA 92660

Either party may change its address by notice to the other party as provided herein.

Communications shall be deemed to have been given and received on the first to occur:

- a. Actual receipt at the offices of the party to whom the communication is to be sent, as designated above, or
- b. Three (3) working days following the deposit in the United States mail of registered or certified mail, postage prepaid, return receipt requested, addressed to the offices of the party to whom the communication is to be sent, as designated above.

14.0 **SIGNATURES.** The individuals executing this Agreement represent and warrant that they have the right, power, legal capacity and authority to enter into and to execute this Agreement on behalf of the respective legal entities of the CONSULTANT and the CITY.

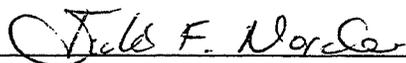
**IN WITNESS WHEREOF** the parties hereto for themselves, their heirs, executors, administrators, successors and assigns do hereby agree to the full performance of the covenants herein contained and have caused this Professional Services Agreement to be executed by setting hereunto their signatures:

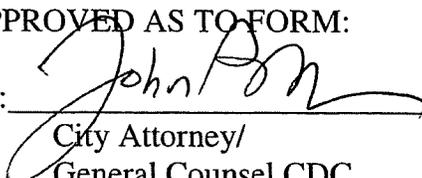
THE PFM GROUP

CITY OF OCEANSIDE

By:   
Keith D. Curry  
Managing Director

By: \_\_\_\_\_  
Peter Weiss, City Manager/  
Executive Director CDC

By:   
Julio Morales  
Sr. Managing Consultant

APPROVED AS TO FORM:  
By:   
City Attorney/  
General Counsel CDC

**NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.**

**ACKNOWLEDGMENT**

State of California  
County of Orange )

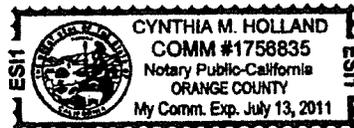
On Wednesday, April 29, 2009 before me, Cynthia M. Holland, Notary Public  
(insert name and title of the officer)

personally appeared -----Keith D. Curry-----,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/she/they executed the same in  
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the  
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing  
paragraph is true and correct.

WITNESS my hand and official seal.

Signature *Cynthia M. Holland* (Seal)



**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California

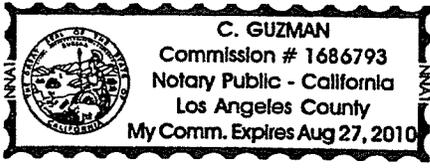
County of Los Angeles } ss.

On May 01, 09, before me, C. GUZMAN, Notary Public  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Julio Morales  
Name(s) of Signer(s)

personally known to me

proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies); and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



Place Notary Seal Above

WITNESS my hand and official seal.

*[Handwritten Signature]*  
Signature of Notary Public

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: Professional Services Agreement

Document Date: May 01, 2009 Number of Pages: 8

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

RIGHT THUMBPRINT OF SIGNER  
Top of thumb here

Signer Is Representing: \_\_\_\_\_

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

RIGHT THUMBPRINT OF SIGNER  
Top of thumb here

Signer Is Representing: \_\_\_\_\_