



DATE: December 16, 2009
TO: Honorable Mayor and City Councilmembers
FROM: Water Utilities Department
SUBJECT: **AMENDMENT I TO THE AGREEMENT WITH THE FCS GROUP TO PROVIDE CONTINUING FINANCIAL ANALYSIS SERVICES AND TO PERFORM A CAPITAL ASSET REVIEW FOR THE WATER UTILITIES DEPARTMENT**

SYNOPSIS

Staff recommends that the City Council approve Amendment I in an amount not to exceed \$113,640 to a professional services agreement with the FCS Group of San Francisco (Exhibit A) to provide continuing financial analysis services, for the performance of a Governmental Accounting Standards Board Statement 34 (GASB 34) capital asset review for the Water Utilities Department and authorize the City Manager to execute the amendment.

BACKGROUND

On June 10, 2009, the City Council approved a five-year professional services agreement with the FCS Group to provide specialized utility finance and rate analysis services to the Water Utilities Department. The Water Utilities Department retained the FCS Group in July 2009 at a cost of \$49,960 to perform a rate analysis for the water and wastewater funds. This process included development of rate options for a Council workshop on August 20, 2009, a community forum on September 29, 2009, a public hearing on October 14, 2009 and a Council meeting on November 4, 2009. Because more work was required by the City to develop the water and wastewater rate increases, an additional proposal was requested from the FCS Group to continue providing financial services for the rest of the fiscal year (Exhibit B).

To comply with GASB 34 reporting requirements, the FCS Group was requested to submit a proposal to review the City's current process of identifying and documenting Water Utilities capital assets, as well as updating the asset valuations (Exhibit C).

ANALYSIS

The recent analysis performed by the FCS Group included more rate increase options for the City Council's consideration than were originally anticipated. The consultants were diligent in assuring that the rate options were as requested but still covered the revenue and debt coverage requirements. Because the process was more intensive than expected, the costs were higher and the original purchase order in the amount of

\$49,960 was depleted. In addition to continuing the financial services provided by the FCS Group, staff determined that the rate model first developed in 2005 is in need of enhancements to make it more user-friendly and responsive to the various rate scenarios required.

GASB 34 establishes requirements for the annual financial reports of state and local governments, including all capital assets. The FCS Group will assist the City in reviewing its current process for indentifying reportable assets and developing the necessary valuations for required GASB 34 reporting.

To accomplish the additional tasks required by the City, staff is requesting an amendment to the existing agreement with the FCS Group.

FISCAL IMPACT

The FCS Group has submitted a proposal in an amount not to exceed \$85,640 for financial services to include monitoring of water and wastewater revenues, expenditures, and fund balances for the remainder of the fiscal year to ensure that revenue requirements are being met and enhancing the financial model. The FCS Group has submitted a proposal in an amount not to exceed \$28,000 to perform a GASB 34 capital asset review. The total amount of the proposals is not to exceed \$113,640. The Water Miscellaneous Projects fund (908824000712.5305) has an available budget of \$803,772 so sufficient funds are available.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

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

INSURANCE REQUIREMENTS

The City's standard insurance requirements will be met.

RECOMMENDATIONS

Staff recommends that the City Council approve Amendment I in an amount not to exceed \$113,640 to a professional services agreement with the FCS Group of San Francisco (Exhibit A) to provide continuing financial analysis services, for the performance of a Governmental Accounting Standards Board Statement 34 (GASB 34) capital asset review for the Water Utilities Department and authorize the City Manager to execute the amendment.

PREPARED BY:



Greg Blakely
Administration Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Lonnie Thibodeaux, Water Utilities Director

Teri Ferro, Financial Services Director







- Exhibit A: Amendment to the Professional Services Agreement with FCS Group
- Exhibit B: Continuing Financial Services Proposal
- Exhibit C: GASB 34 Capital Asset Review Proposal

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

**PROJECT: CAPITAL ASSET PROCESS REVIEW AND ASSET LISTING FOR
GASB 34 REPORTING AND WATER UTILITIES CONTINUING SERVICES**

THIS AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT (hereinafter "Amendment"), dated December 16, 2009 for identification purposes, is made and entered into by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY", and FCS 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 Agreement will expire June 10, 2013;

WHEREAS, the parties desire to modify Section 1.0 (Scope of Work) and Section 7.0 (Compensation);

AMENDMENT

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

1. **SCOPE OF WORK.** CONSULTANT will provide continuing financial services to monitor water and wastewater funds; scope of work shall be completed by June 30, 2010. CONSULTANT will provide capital asset process review and asset listing for GASB 34 reporting; scope of work shall be completed by March 31, 2010.

2. **COMPENSATION.** CONSULTANT'S compensation for all work performed in accordance with this Amendment, shall not exceed the total contract price of \$113,640 which shall be broken down as follows:

Capital Asset Process Review (GASB 34)	\$28,000
Water Utilities Continuing Services	<u>85,640</u>
	\$113,640

PROJECT: CAPITAL ASSET PROCESS REVIEW AND ASSET LISTING FOR GASB 34 REPORTING AND WATER UTILITIES CONTINUING SERVICES

No work shall be performed by CONSULTANT in excess of the total contract price without prior written approval of the Financial Services Director.

3. 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.

FCS GROUP

By: *J. M. [Signature]* / PRINCIPAL
Name/Title

Date: 12/3/09

By: _____
Name/Title

Date: _____

911 417 946
Employer ID No.

CITY OF OCEANSIDE

By: _____
Peter Weiss, City Manager

Date: _____

APPROVED AS TO FORM:

[Signature]
City Attorney

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.



225 Bush Street
Suite 1825
San Francisco, California 94104
T: 415.445.8947 F: 415.398.1601

November 6, 2009

Mr. Lonnie Thibodeaux
Oceanside Water Utilities Department
300 N. Coast Highway
Oceanside, CA 92054

RE: WATER UTILITIES CONTINUING SERVICES PROPOSAL

Dear Mr. Thibodeaux:

Thank you for inviting FCS GROUP to submit a proposal to continue to provide utility rate and financial services to the City of Oceanside's Water Utilities Department.

This continuing services request would address both existing needs by the City, as well as future financial services as deemed necessary through the completion of the current fiscal year. The current identified needs are as follows:

- ◆ Monitor Oceanside's water and wastewater revenues, expenditures, fund balances, and consumption levels in order to provide financial feedback and determine if revenue requirements are being met; and
- ◆ Provide financial model enhancements.

Recently, Oceanside's City Council voted to increase water and wastewater rates in order to recover costs associated with increased water purchase costs from the San Diego County Water Authority and in order to meet bond coverage obligations. Based on the adopted rates, it will be necessary for Oceanside to reduce its operations and management and capital budgets. Additionally, there is a factor of uncertainty due to conservation measures, weather variations, and other numerous factors that affect demands.

It is in Oceanside's best interest to monitor and audit water and wastewater revenues, expenditures, fund balances and consumption levels throughout the remainder of the fiscal year in order to determine if revenue requirements are being met. This will allow Oceanside to properly gauge its financial situation and help determine if legal obligations are being met.

FCS GROUP has worked with the Oceanside Water Utilities Department over the past years to develop financial models that evaluate revenues, expenditures, capital funding strategies and debt coverage factors. Based on the continual usage of these models, the desire for potential model enhancements has arisen.

These model enhancements include a capital scenario builder, graphical user interfaces, and automatic report generation tools. It is envisioned that these modules will promote the usability of the model by creating an intuitive update process. Additionally, allowing for multiple capital and financial scenarios to be stored in one location will allow Oceanside staff to easily evaluate numerous council generated hypothetical situations. Transparency will be addressed through report generation tools, which will allow for outputs from various areas within the financial models to be consolidated into one easy to understand report.

In order to tackle these issues, we have proposed an interactive approach with Oceanside staff. We will hold ongoing management meetings via phone and internet meetings to review study products and recommendations.

FCS GROUP has recently completed or will soon be finalizing similar services for clients including the cities of Carlsbad, Del Mar, Manhattan Beach, and San Jose, as well as the Orange County Sanitation District, the

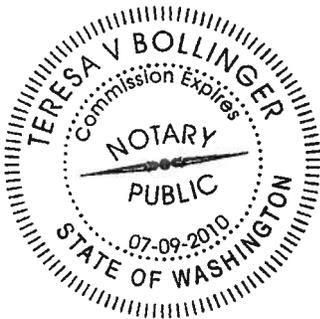
State of Washington

County of King

The foregoing instrument was acknowledged before me this 3rd day
of December, 2009, by John Ghilarducci.

Personally known or Produced _____

as identification.



Teresa V. Bollinger

Printed Name of Notary

November 6, 2009
Mr. Lonnie Thibodeaux
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Western Municipal Water District (Riverside County), and the Sacramento Regional County Sanitation District. Since our founding in 1988, FCS GROUP has performed more than 1,150 utility financial studies ranging from defining sound fiscal policies that enable good engineering practices to forming municipal utilities. Working for local governments on "cost of service" issues is our sole practice. One of the keys to our business success and reputation is our ability to listen to our clients and produce customized study results that can be easily implemented and understood by everyone.

With the FCS GROUP Team, you can look forward to:

- ◆ Responsive technical management from **Robert Grantham**, through execution of a thoughtful, coordinated approach and task plan. Robert leads our California practice and brings a breadth of knowledge, having provided utility financial and bond services to clients in 13 states. Robert has extensive knowledge of California statutory and case law requirements, including Proposition 218 rate requirements and CGCs \$54999 and \$66000 requirements for capital facility charges. Additionally, Robert has published extensively on utility rates, including recycled water, and is an author for the soon to-be-released AWWA M1 Water Rates Manual update. Finally, Robert is intimately familiar with San Diego County water issues, having provided ongoing rate and financial service for the City of Oceanside since 2005.
- ◆ Valuable advice and guidance from **Ed Cebron**, on creative approaches to resolving complex rate issues. As a founding principal at FCS GROUP, Ed is an industry leader and has worked extensively throughout the western United States since our firm's inception and is thoroughly familiar with regional issues. Ed is a water district commissioner and was a founding contributor to the Cascade Water Alliance, a water consortium in the Washington Puget Sound similar in nature to the San Diego County Water Agency.
- ◆ The analytical skills of **Matthew Mullen**. Matthew has worked with the City of Oceanside's Water Utilities Department as the lead analyst in three separate engagements to date. He has also recently completed a utility rate studies for the cities of Carlsbad, Del Mar, Santa Paula, Riverside, the Orange County Sanitation District, the Sacramento Regional County Sanitation District, and the Sacramento Area Sewer District.
- ◆ The organizational and efficiency expertise of **Pam Bissonnette** and **Wayne Griffith**. Pam recently completed the new strategic plan for King County, Washington (Seattle metropolitan area), where she is serving as the interim Assistant County Executive. Prior to joining FCS GROUP, Pam was the director of the County's Natural Resources (wastewater, stormwater, and transportation) and Parks Department. Wayne focuses on engineering management, having such agencies as the San Francisco Public Utilities Commission through its change management program.
- ◆ Access to 11 additional experienced financial and management analysts. This depth of resources will allow our team to meet the proposed schedule or accelerate the schedule as needed.

On behalf of our team, I want to thank you for the opportunity to submit this Proposal for Continuing Services and hope that we can continue to provide financial services to the City and the Water Utilities Department. Please feel free to contact me at 415-445-8947 or email at robbg@fcsgroup.com.

Sincerely,

FCS GROUP



Robert S. Grantham
Project Manager

PROPOSED SCOPE

The City of Oceanside (City) Water Utilities Department (Department) has requested that FCS GROUP submit a proposal to provide continuing services for financial and rate planning. Through a collaborative process with staff, we have collectively identified two tasks to work:

- ◆ Monitor revenue sufficiency and bond coverage requirements for the water and wastewater enterprise funds.
- ◆ Financial model enhancements.

As one additional service, but not included within this proposal, FCS GROUP is also available to provide management consulting services as requested by the City. These include performance audits, organizational assessments, and efficiency studies.

Monitoring Support for FY 2009/10 Revenue Sufficiency

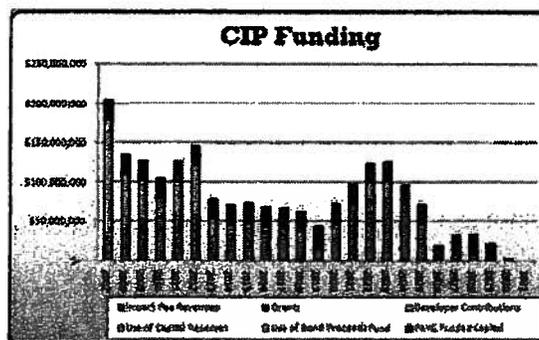
FCS Group will work with the City to monitor water and wastewater revenue sufficiency throughout the remainder of the fiscal year. This assistance includes, but is not limited to the following:

- ◆ Financial Scenarios – Evaluating the fiscal impacts of various operating requirements and capital funding scenarios, as well as monitoring bond coverages. A module will be constructed within the water and wastewater models that will allow tracking by month against financial targets.
- ◆ Information flow mapping – Develop a process flow map for intra- and inter-departmental information sharing. This process mapping is intended to facilitate communication between City staff and streamline the rate update process. Information transferred will include, among other items, fund balances, operating expenses, and capitalizable expenses.
- ◆ Communication Plan – FCS Group will work with the City to develop a communication plan to report monthly progress against revenue and coverage targets to the City management team.

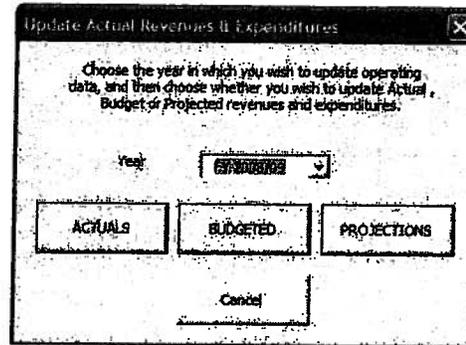
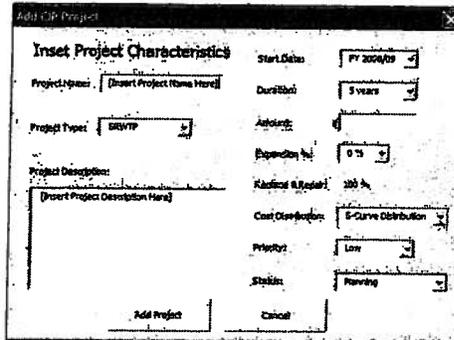
Financial Model Enhancements

Over the course of the past several years, we have worked collaboratively with the Department staff to customize the water and wastewater financial models. These models help the Department evaluate revenue needs, bond coverage requirements, and funding shortfalls and surpluses. Based on our work with staff, we are proposing to incorporate reporting enhancements and a CIP scenario builder.

The two screen captures below provide examples of the start menu and output graphs from the program that we developed for the Sacramento Regional County Sanitation District.



These Phase II model enhancements can build on the existing models, adding a more extensive interactive graphical user interface (GUI) and program modules. The GUI would allow the casual user to more easily run real-time “what-if” scenarios, reducing wasted time evaluating non-feasible or cost prohibitive projects. The “CIP Scenario Builder” will allow the user to evaluate and compare different capital projects as they assemble a CIP, including high and low priority projects. The module will also allow the user to evaluate capital needs, and the resulting user rates. Finally, these model enhancements can also provide the analytical tool to implement and/or monitor a comprehensive asset management program. Two examples of the user forms that could be included in a Phase II program are shown below.



The model updates will also enhance reporting capabilities to facilitate the ongoing revenue and bond coverage monitoring process. These features will include a report exporting function. This export function will automatically generate a report that can be distributed to the management team.

Organizational Effectiveness and Efficiency Evaluation (Optional)

The Department has undertaken several activities over the past decade to ensure that these enterprises are running efficiently and effectively. These activities included the AWWA benchmarking study, as well as the Information Technology Master Plan. As the Department believes additional outside support is necessary, FCS GROUP is available to assess and evaluate the business and management effectiveness and efficiency of the current organization including, but not limited to: finance, engineering, administration, capital program management, operation and maintenance, and customer services departments that are part of the water and wastewater utilities. The assessment activities could include a desk audit of available information, staff and management interviews, facilities and site reviews, supporting technology assessment, business practice or work process assessment, business driver and service levels as well as performance management review. Additional efforts may be made to develop business or management improvement programs contingent on and with the direction of the City. Improvement programs will consist of work plans, budgets, schedules, resource requirements, organizational capacity analysis, consulting resources strategy, services delivery and supporting business case.

PROJECT BUDGET

Our proposed budget for monitoring support and model enhancements is \$85,640. This budget is based on time and materials. Monthly invoices and progress reports will be provided to the City, delineating work performed.

Oceanside, CA
Department of Water Utilities Continuing Services
FCS Group Proposed Project Budget

FCS GROUP Proposed Project Budget	Workload by Consultant						
	Principal	Project Manager	Analyst	Admin Support	Total Labor Expenses	Direct Expenses	Total Expenses
Labor Effort & Expense by Task	\$240	\$200	\$140	\$70			
1. Revenue Sufficiency and Bond Coverage Monitoring	4.0	100.0	240.0	2.0	\$ 54,700	\$ 1,500	\$ 56,200
2. Financial Model Enhancements	0.0	32.0	160.0	2.0	\$ 28,940	\$ 500	\$ 29,440
Total Study Hours	4.0	132.0	400.0	4.0	\$ 83,640	\$ 2,000	\$ 85,640

FIRM PROFILE

FCS GROUP was formed in 1988 to meet a growing demand for independent, objective financial consulting to effectively address cost of service issues in the public sector. Since the firm's inception, FCS GROUP has delivered high-quality, cost-effective consulting services in over 1,600 engagements for over 375 municipal clients. Our staff of over 34 serves clients throughout the western states and Canada from our offices in San Francisco and Palm Springs, California; Seattle, Washington; and Portland, Oregon.

We've made it our mission to facilitate sound decision-making and management by public officials and stakeholders by providing a solutions-oriented analytical approach to public sector financial and management issues and programs. At FCS GROUP, we understand that every municipal agency faces its own unique challenges. One of the keys to our business success and reputation is our ability to listen to our clients and produce customized study results that can be easily implemented and understood by everyone.

Our Utility Rates & Finance practice serves water, wastewater/sewer, storm and surface water, reclaimed/recycled water, solid waste, electric, and transportation clients. We have performed more than 1,100 utility rate studies ranging from mergers and acquisitions to complete cost of service rate analyses. Further, our management consultants specialize in helping local and state governments address and solve issues involving policy analysis, public finance, and organizational performance. Our combination of strong utility and management consulting expertise provides a unique combination of skills and knowledge about public sector financial operations and the services supported by those finances.

FCS GROUP provides complementary services in Utility Rates & Finance and Management Consulting

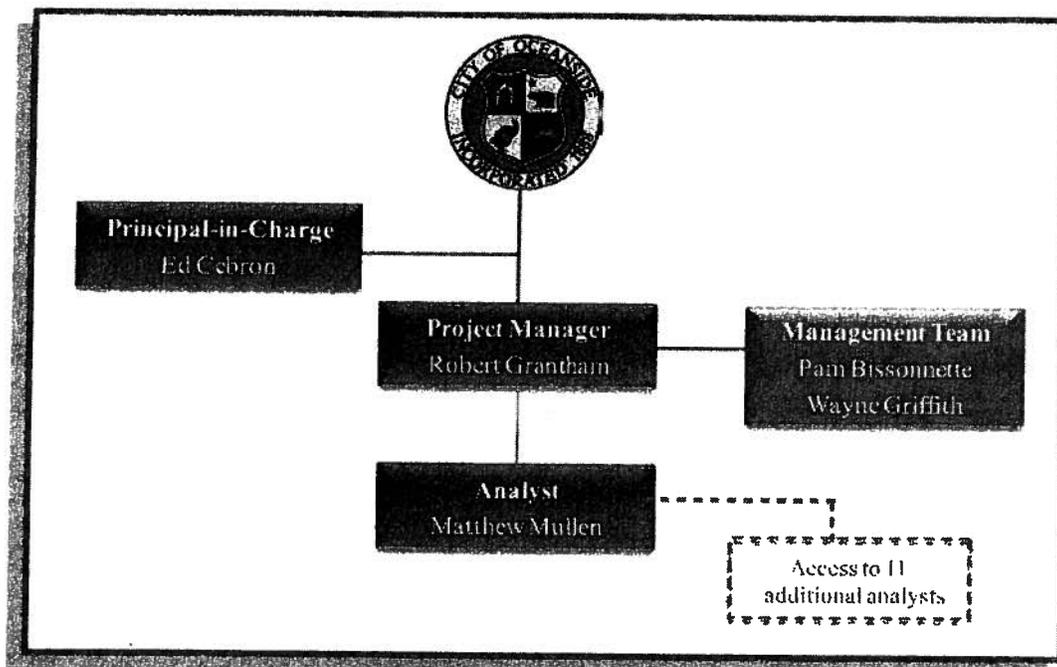
- Founded in 1988
- 34 Employees
- Offices in CA, OR, WA
- Over 375 Clients
- Over 1,600 Projects

ORGANIZATION AND KEY PERSONNEL QUALIFICATIONS

FCS GROUP is a firm specializing in financial and management consulting services for the public sector. Within our 34-person firm, we retain a diverse skills set and have the needed expertise available in-house to fulfill the City's entire scope of work. We take an attentive and creative approach to projects, emphasizing active roles for our principals and senior managers to ensure the value of their experience, expertise and insight is delivered on every assignment. We have assembled a team of consultants possessing both the depth and breadth of related experience to bring forth innovative, yet practical solutions for the City. In this section, we introduce the members of our Project Team, describe their primary roles on the project, and provide a resume for each. An organizational chart of our team is shown in the following exhibit:

TEAM ORGANIZATION

The following team chart illustrates our proposed study team.



ROBERT GRANTHAM – STUDY MANAGER

B.S., Government and History, Franklin and Marshall College

Post Baccalaureate, Engineering Science, Rutgers University College of Engineering

Managing the day-to-day work efforts of our project team and communicating directly with the City will be Robert Grantham, an FCS GROUP senior project manager and manager of our San Francisco branch office. As project manager, he will be responsible for the ongoing execution and completion of our work plan, matching our analyses and deliverables with your needs, goals, schedule, and project budget. He will continue to be actively involved in the study and fully conversant in our progress, findings, and recommendations. Mr. Grantham will lead our onsite data collection efforts, direct the development of our technical models, provide senior-level financial analysis, review progress and work products with your staff, lead our documentation efforts, and take the primary role in presenting findings to staff, Committees and City Council.

Mr. Grantham specializes in financial and management analyses for water, sewer, reclaimed water, stormwater, solid waste, and transportation utilities. He is an expert on California water and wastewater rates and connection fees, including Proposition 218 and Government Codes §54999 and §66000 statutory requirements. He is active in industry associations including being an active member of the AWWA National Rates Committee (a contributing author of the organizations AWWA M1 Rates and Charges Manual) and has served on the WaterReuse Association's Project Advisory Committee. He has also published an article with the Underground Infrastructure Management Magazine on recycled water rates and cost of service allocations. His analytical skills include performing revenue requirement and rate development analyses, financial forecasting, economic feasibility studies, engineering financial chapters, capital facilities charge/connection fee development, bond parity certification, utility formations, facility valuations, unit price analyses, and indirect cost and management studies. He is currently completing or has recently completed rate consulting services for the cities of Oceanside, Carlsbad, Riverside, Del Mar, and the Orange County Sanitation District and Western Municipal Water District.

Mr. Grantham's Recent Relevant Experience:

- ◆ City of Oceanside, Integrated Water Utilities Master Plan, Financial Master Plan (Water and Wastewater)
- ◆ City of Carlsbad/Carlsbad Water District, Rate and Connection Fee Study (Water, Wastewater, and Recycled Water)
- ◆ City of Del Mar, Rate and Connection Fee Study (Water, Wastewater, and Recycled Water)
- ◆ Orange County Sanitation District (OCSD), Fountain Valley, CA, Wastewater Rate Study
- ◆ City of Santa Paula, CA, Financial Assistance for the Development of a Joint Powers Authority
- ◆ City of Riverside, CA, Wastewater Master Plan, Financial Plan
- ◆ Sacramento Regional County Sanitation District, CA, Sewer Rate and Fee Study
- ◆ Sacramento County Water Agency, CA, Utility Rate Study
- ◆ Santa Ana Water Project Authority, CA, SARI Financial Model
- ◆ San Francisco Public Utilities Commission, CA, Water and Wastewater Rate and Financial Plan and Wastewater Commercial Paper Certificate
- ◆ City and County of Honolulu, HI, Wastewater Bond Engineer's Reports
- ◆ City of Scottsdale, AZ, Water Resources Department Comprehensive Asset Management Program
- ◆ City of Reedley, CA, Wastewater Rate Study
- ◆ Sweetwater Authority, Chula Vista, CA, Sewer Facilities Plan Financial Analysis
- ◆ City of Milwaukie, OR, Water, Sewer, and Stormwater System Development Charge Study
- ◆ City of Poulsbo, WA, Water, Sewer, and Stormwater Revenue Requirement Study
- ◆ City of Austin, TX, Travis Water Treatment Plant, Financial Feasibility Analysis
- ◆ City of Wenatchee, WA, Water, Sewer, and Stormwater Rate and Capital Facilities Charge Study
- ◆ King County, WA, Storm Drain Financial Model Development
- ◆ King County, WA, Recycled Water Feasibility Study
- ◆ City of Mesa and Towns of Gilbert and Queen Creek, AZ, Greenfield Water Reclamation Plant Cost Allocation Study
- ◆ City of Goodyear, AZ, Annexation Feasibility Analysis (Water Resources)

Mr. Grantham's Recent Speaking Engagements:

- ◆ Asset Management: A Financial Perspective, ACWA Spring Conference, Monterey, CA, 2008; NWEA Annual Conference, Sparks, NV, 2008
- ◆ City of Scottsdale, AZ Asset Management Program, 80th Annual AWPCA Conference, Mesa, AZ, 2007
- ◆ Greenfield Water Reclamation Plant Committee, 80th Annual AWPCA Conference, Mesa, AZ, 2007
- ◆ Greenfield Water Reclamation Plant Cost of Service Study, WEF 77th Annual Conference, Washington, DC, 2005
- ◆ Allocation of Recycled Water Costs, WEF 77th Annual Conference, Washington, DC, 2005; WaterReuse Association Annual Conference, San Diego, CA, 2005

- ◆ Discussion of Asset Management Practices, Paper presented at the Carollo Engineers Technology Transfer Seminar: Cloth Media (DISK) Tertiary Filtration and Asset Management Seminar, Mesa, AZ, 2004
- ◆ Alternative Funding Sources for Recycled Water Programs, Paper presented at the WaterReuse Association 19th Annual Symposium, Phoenix, AZ, 2004
- ◆ AWWARF's MANAGER: A One-Stop Shop for Conducting Multi-Discipline WTP Infrastructure Assessments and GASB 34 Financial Audits, Paper presented at the AWWA 2004 Information Management and Technology Conference, Baltimore, MD, 2004



MATTHEW MULLEN – ANALYST

B.S., Managerial Economics, University of California, Davis

B.A., Communications, University of California, Davis

Matthew Mullen is a senior analyst with experience providing cost-of-service studies for various utilities throughout the western United States. His expertise includes cost allocations; developing retail, wholesale, drought, and recycled water rates; developing capacity charges; performing supply analyses and bond feasibility analyses; and, incorporating VBA programming to develop intuitive, user-friendly financial models.

Matthew has worked extensively throughout California, including his most recent work as the lead analyst on the Oceanside water utilities rate update and drought rates development; the Sacramento Regional County Sanitation District and Sacramento Area Sewer District revenue program development and cost-of-service studies; the Carlsbad water, wastewater, drought, recycled water and capacity charge cost-of-service study; the Orange County Sanitation District utility rate study; and the Del Mar water, drought, wastewater and capacity charge study. Matthew has a bachelor's of science degree in managerial economics and a bachelor's of arts degree in communications from the University of California, Davis.

Mr. Mullen will continue to serve as the lead analyst in support of this study. As the current analyst working with the City, he is intimately familiar with the Department's finances and rates.

Mr. Mullen's Recent Relevant Experience:

- ◆ City of Oceanside, CA ,Drought Emergency Water Rates
- ◆ City of Oceanside, CA, Water and Wastewater Rate Updates (2009)
- ◆ City of Oceanside, CA, Supply Options Feasibility Analysis
- ◆ City of Carlsbad/Carlsbad Municipal Water District, CA, Water, Wastewater, and Recycled Water Cost of Service Study (2009); Drought Rates; and Connection Fee Study
- ◆ City of Del Mar, CA, Water and Wastewater Cost of Service Study; Drought Rates; and Connection Fee Study
- ◆ Orange County Sanitation District, CA, 2008 Revenue Program and Rate Update
- ◆ Orange County Sanitation District, CA, Wholesale User Rates for the Santa Ana Regional Interceptor
- ◆ Sacramento Regional County Sanitation District, CA, Revenue Program Development (2009)
- ◆ Sacramento Area Sewer District, CA, Revenue Program Development (2009)
- ◆ Sacramento Regional County Sanitation District, CA, Sewer Rates Cost of Service Study (2009)
- ◆ Sacramento Area Sewer District, CA, Sewer Rates Cost of Service Study (2009)
- ◆ City of Westminster, CO, Water and Wastewater Rate Updates
- ◆ City of Westminster, CO, Utility Financial Modeling (2009)
- ◆ City of Riverside, CA, Bond Feasibility Analysis and Rate Update
- ◆ City of Santa Paula, CA, Continuing Services - DBOF Negotiation Support
- ◆ Santa Ana Water Project Authority, CA, SARI Financial Model (2009)
- ◆ City of Garden Grove, CA, Billing Cycle Evaluation
- ◆ City of Tulare, CA, Wastewater Connection Fee Study

- ◆ City of Scottsdale, AZ, Paradise Valley Water District Feasibility Study
- ◆ City of Mesa and Towns of Gilbert and Queen Creek, AZ, Greenfield Water Reclamation Plant Cost Allocation Study



EDWARD CEBRON – PRINCIPAL-IN-CHARGE

M.S., Infrastructure Planning & Management, Stanford University

B.S., Engineering Science, Harvard University

Ed Cebron is vice president and principal of FCS GROUP and has over 26 years of professional experience, serving municipalities on more than 600 financial, rate and economic studies for water, sanitary sewer, reclaimed water, storm water, and solid waste utilities. As director of the firm's Utility Rates and Finance practice, and Officer-in-Charge of the California consulting practice, his work covers all aspects of utility finance, rates and charges. His specialty focus is providing innovative solutions to complex regional supply/treatment issues, unique wholesale arrangements, and special pricing mechanisms. His work focuses on both traditional and innovative solutions to designing rates and charges. He regularly performs rate studies, impact fee /system development charge (SDC) analyses, economic and feasibility studies, cost of service analyses, indirect cost plans, financing plans, and utility valuations. Mr. Cebron's work experience in California extends over more than 20 years.

Actively involved with regional water and sewer issues, Mr. Cebron has managed numerous citizen advisory committees as elements of his engagements, has sat on a number of regional or purveyor committees and is currently a water district commissioner. He has lectured on utility rate and financial issues in numerous professional forums. He maintains active memberships in the American Water Works Association and Washington Finance Officers Association.

Mr. Cebron's Recent Relevant Experience:

- ◆ City of Manhattan Beach, CA, Sewer Rate and Fee Study
- ◆ City of Santa Paula, CA, Financial Assistance for the Development of a Joint Powers Authority
- ◆ City of Barstow, CA, Sewer Utility Rate Study
- ◆ Sacramento County Water Agency, CA, Utility Rate Study
- ◆ Sacramento Regional County Sanitation District, CA, Sewer Rate and Fee Study
- ◆ City of Redmond, WA, Water, Sewer, and Stormwater Rates & Capital Connection Charges
- ◆ Lake Arrowhead Community Services District, CA, Comprehensive Financial Master Plan
- ◆ City of Westminster, CO, Water, Wastewater & Reclaimed Water Long-Range Fiscal Planning Model & Cost-of-service Study
- ◆ City of Sunnyvale, CA, Water, Wastewater & Reclaimed Water Cost-of-Service Rate Study
- ◆ Mammoth Community Water District, CA, Water and Wastewater Financial Planning Study
- ◆ City of Brisbane, CA, Water and Sewer Rate Update
- ◆ City of Riverside, CA, Water Development Fees and Charges Review and Design
- ◆ City of Stockton, CA, Various Utility Rates and Finance Projects Since 1986
- ◆ Washoe County, NV, Various Utility Rates and Finance Projects Since 1989

Mr. Cebron's Recent Speaking Engagements:

- ◆ Asset Management: A Financial Perspective, ACWA Spring Conference, Monterey, CA, 2008; NWEA Annual Conference, Sparks, NV, 2008
- ◆ Sustainability of Your Utilities, Colorado Municipal League, 2007
- ◆ Using Cost of Service Studies to Set Water and Wastewater Utility Rates, CSMFO 2007
- ◆ Water & Sewer Cost of Service Rates: What, Why and How, CSMFO 2007
- ◆ Top 10 Ways to Save Your Ratepayers Money, WFOA 2006
- ◆ What, Why and How of Utility Rate Setting, WFOA Regional Workshop, 2006

- ◆ Evaluating Automated Meter Reading, AWWA 2005
- ◆ Water & Sewer Rate Structures: What, Why & How, WOW Spring 2005
- ◆ Basic Cost of Service Wastewater Rates, Municipal Engineering: A Primer for Non-Engineers in Washington, 2004
- ◆ Special Districts Roundtable, WFOA 2003
- ◆ Non-Rate Utility Revenues, Washington Finance Officers Association Annual Conference, 2002
- ◆ Large and Unique Customers: Defining Costs and Structure, Pacific Northwest Clean Water Association, 2004
- ◆ Basics of Cost of Service Rates, Washington Finance Officers Association Regional Workshop, 2003
- ◆ Basic Costs of Service Wastewater Rates, Pacific Northwest Clean Water Association, 2004
- ◆ Evaluating Automated Meter Reading, Washington Finance Officers Association Annual Conference, 2003
- ◆ Water and Sewer Rate Structures: "What, Why, and How," Washington Finance Officers Association Annual Conference, 2003
- ◆ Tailoring Water Rates to Northwest Needs, PNWS-AWWA Annual Conference, Boise, ID, 2003



WAYNE GRIFFITH – UTILITIES MANAGEMENT CONSULTING LEAD

M.S., Environmental Engineering, Michigan State University

B.S., Environmental Engineering Technology, Temple University

Wayne Griffith is a senior project manager in FCS GROUP's California office and leads our Utility Management Consulting practice. He has 24 years of experience in the industry assessing, planning, and implementing programs with water and wastewater utilities to address the strategic, management and operational challenges facing these organizations. Mr. Griffith develops close working relationships with the executive level and senior management teams of city governments, special water districts, and private utility operators and is sensitive to the business needs of California clients. He is particularly adept at strategic planning, information technology master planning, organizational capabilities and work process improvement projects, workforce development and knowledge management programs, and asset management program development and implementation. Mr. Griffith is an active member of American Water Works Association (AWWA) in the California-Nevada and the Pacific Northwest sections, and the Water Environment Federation (WEF) in California.

Mr. Griffith's Recent Relevant Experience:

- ◆ Jurupa Community Services District, CA, Organizational Structure Analysis
- ◆ Western Municipal Water District, CA, Water Scenario Planning Improvement
- ◆ Western Municipal Water District, CA, Strategic Information Technology Master Plan & Implementation
- ◆ City of Woonsocket/Eisenhardt Group, Inc., RI, Contract Operations Procurement
- ◆ City of Roseville, CA, Asset Management Program Development
- ◆ Novato Sanitary District, CA, Alternative Service Delivery
- ◆ San Francisco Public Utility Commission, CA, Asset Management Program Development
- ◆ Veolia Water Operating Services North America (USFilter Operating Services), TX, Asset Management and Underground Infrastructure Management Program Development
- ◆ City of Phoenix, AZ, Performance Improvement Program for the Water Services Department,
- ◆ City of Airway Heights, WA, Fairchild AFB Utility Service Feasibility Study
- ◆ Portland Water Bureau, OR, Implementing a New Inventory Management System
- ◆ City of Albuquerque, NM, Pilot O&M Improvement Program for the Water Services Department

PAM BISSONNETTE – TECHNICAL MANAGER

M.S., Fisheries (Minor in Business Administration), University of Washington
Post Graduate Study: Civil Engineering, University of Washington
B.S., Chemistry (with Honors), and Microbiology, University of Washington

Pam Bissonnette, has over 30 years of experience in public works, utilities and environmental protection at the most senior level. Ms. Bissonnette is currently serving as the Assistant County Executive for King County, Washington (Seattle metro area), where she led the development of the County's newly adopted strategic plan. Her current assignment is scheduled to end at the beginning of 2010. Prior to her work with FCS GROUP, Ms. Bissonnette served as Director of the Department of Natural Resources and Parks for King County, Washington, as well as the Director of Utilities and Deputy Manager (i.e. Chief Operations Officer) for the City of Bellevue, Washington. Ms. Bissonnette served as one of the 24 members of the state negotiating team that generated the "Chelan Agreement," what was then a new process for allocation of water within the state. This involved collaboration with 26 Native American Tribes, state and local governments, and special environmental, business, fisheries, recreation and agricultural interests. Along with the other members of the team, she received an award from the Governor of the State of Washington for this work. During Ms. Bissonnette's 18 years in the City of Bellevue she led the creation of the first comprehensive Drainage Utility in the nation, including defending it against multiple lawsuits. She developed and refined over a period of years the rate structure which became the model for the development of drainage utilities across the nation. For this work, Ms. Bissonnette received the national Charles Walter Nichols Award from the American Public Works Association.

225 Bush Street
Suite 1825
San Francisco, California 94104
T: 415.445.8947 F: 415.398.1601

Redmond Town Center
7525 166th Ave. NE, Suite D-215
Redmond, Washington 98052
T: 425.867.1802 F: 425.867.1937

4380 SW Macadam Ave.
Suite 220
Portland, Oregon 97239
T: 503.841.6543 F: 503.841.6573



September 30, 2009

Ms. Teri Ferro
Financial Services Director
City of Oceanside
300 North Coast Highway
Oceanside, CA 92054

**RE: CAPITAL ASSET PROCESS REVIEW AND ASSET LISTING FOR GASB 34
REPORTING**

Dear Ms. Ferro:

Thank you for the opportunity to submit a proposal to perform a review of the City of Oceanside's (the City) process for identifying and documenting its capital assets. Based on our conversations with you, the City would like to retain an outside firm to review this process and to recommend improvements, as necessary. Further, the study will include the development of a database of existing capital assets to facilitate the City's required reporting. We believe that we have the necessary experience and understanding to perform this review for the City.

The Government Accounting Standards Board (GASB) Statement 34 establishes requirements for the annual financial reports of state and local governments. Among its requirements is that the government-wide Statement of Net Assets include all capital assets, including infrastructure. Further, the assets must be depreciated and the depreciation expense will be reported in the Statement of Activities. However, GASB 34 indicates that infrastructure assets do not need to be depreciated under certain conditions. We will assist the City in reviewing its current process for identifying reportable assets and in developing the necessary systems for its required GASB 34 documentation.

On behalf of our team, I want to thank you for the opportunity to submit this proposal and hope that we can provide our services to the City's Financial Services Department. Please feel free to contact me at 415-445-8947 or email at robbg@fcsgroup.com.

Sincerely,

FCS GROUP

A handwritten signature in black ink, appearing to read "Robert S. Grantham".

Robert S. Grantham
Project Manager

PROPOSED TASK PLAN

Based on our conversations with you and our understanding of the City of Oceanside's (the City) needs, we are proposing a task plan to review the current process for identifying and documenting capital assets across departments; recommend changes; and compile a listing of the City's existing capital assets. The task plan will include a thorough review of background documentation; interviews with staff to gain clarification of the current process; and collection and compilation of a listing of capital assets across departments.

Task 1: Project Management and Kick-off Meeting with City Staff

FCS GROUP will organize, schedule and facilitate a project kick-off meeting with City staff. The purpose of this kick-off meeting will be to refine the scope of work and proposed methodologies; discuss any background information; and coordinate data collection efforts and the availability of data. We will submit a data request prior to the meeting so that any challenges with obtaining the requested information can be discussed and resolved. After the kick-off meeting and a review of background documentation, we will present a revised scope of work and detailed audit task plan that accounts for any work plan and schedule refinements.

Task 2: Document the Current Process and Recommend Changes

This task will focus on documenting the current flow of information related to the identification and documentation of capital assets. Data collection as part of this review will include the following:

- ◆ **Document Review** – We will work with the City to identify and collect existing documentation related to its process for identifying capital assets. This information will be used to develop a process flow map for review with staff during interviews.
- ◆ **Interviews with staff** – We will interview select staff involved in the process of developing the City's inventory of capital assets. These interviews will likely include staff across departments, including Finance, Water Utilities, and Development Services, and will be limited to one day of interviews. The intent of these interviews will be to further develop an understanding of the City's process for compiling asset records. We intend that the interviews will help to clarify and validate information gathered from the document review. We also anticipate that the discussion will provide new information on the process taken by staff.
- ◆ **Memorandum on the Current Process and Recommended Changes** – Following the collection of information through document review and interviews, we will develop a process flow diagram and a memorandum documenting our understanding of the City's current process for recording assets. This memorandum will be shared with City staff to confirm the accuracy of the documented process and will also include recommendations for improving the process, if necessary. Recommendations will focus on identifying opportunities for process efficiencies and gathering information necessary for GASB 34 reporting.

Task 3: Develop Engineering Estimates for the La Salina Wastewater Treatment Plant

Carollo Engineers will develop a planning level cost estimate for the La Salina Wastewater Treatment Plant. This cost estimate will be developed on a unit process basis using Carollo's Cost Curves, comparing the construction costs for similar sized and equipped systems. The result of this work will be a brief memorandum delineating the method and results and will provide a planning level 5 cost estimate.

Task 4: Collect Existing Asset Information and Compile into a Listing for the City's GASB 34 Reporting

Concurrent with gaining an understanding of the City's process for recording its capital assets, we will also request existing asset records from each department related to the process. We will review the collected asset records to identify overlapping asset listings and gaps in documentation. From the documentation provided, we will develop a comprehensive listing of capital assets for the City. The asset listing will be stored in a Microsoft Excel spreadsheet (database) for use in its reporting for GASB 34.

PROPOSED SCHEDULE

After receiving the requested data, the data collection, review, and compilation of the asset records can occur within a six weeks. Depending on the needs of the City, this approximate timeframe can be negotiated.

PROPOSED BUDGET

Based on the proposed task plan, we estimate a budget of \$28,000. All work will be performed on a time and materials basis.

CITY OF OCEANSIDE

PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT is made and entered into this 10th 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 Financial Consulting Solutions Group, Inc. 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 **Water Utilities**
 - a. Review funding for long-range capital requirements and explore alternative financing sources and scenarios in selecting optimal financing strategy
 - b. Review current charges including capacity charges and proposed charges to ensure recovery of actual costs associated with services provided
 - c. Perform water and wastewater rate analysis and financial modeling

1.1.2 **Financial Management/Advisory Services**

- a. Compile feasibility analyses based on market conditions and assumptions provided by the CITY's financing team
- b. Review and analyze legislation that may have a financial impact on the City
- c. 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
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*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 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 Financial advisory projects and services will be billed based on an hourly billing rate:

<u>Professional</u>	<u>Hourly Rate*</u>
Principal	\$240
Senior Project Manager	\$200
Project Manager	\$185
Project Consultant	\$160
Analyst	\$140

<u>Administrative & Technical Support</u>	<u>Hourly Rate*</u>
Public Relations	\$125
Technical Writer/Graphic Artist	\$100
Administrative Support	\$ 70

*Hourly rates may be adjusted annually on January 1 with CITY approval

CONSULTANT will be paid by CITY on a time and material basis in accordance with the standard billing rates shown in Section 7.1. Payment to CONSULTANT shall be made monthly within 30 days of receipt and approval of CONSULTANT's invoice.

7.2 Expenses for air travel, ground travel including rental cars and/or mileage (at actual expense) and lodging will be charged at cost plus 5%. Other expenses will not be directly charged. For any client-requested extraordinary expenses, specific terms will be established prior to expenditure and billing. When applicable, subconsultants will be charged on an actual cost basis. Appropriate documentation and third party receipts will be provided for all expenses.

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. This contract may be terminated by the CITY by giving CONSULTANT written notice of such termination no fewer than fifteen (15) days in advance of the effective date of said termination. CONSULTANT shall be entitled to terminate this agreement only in the case of a material breach by the CITY, and upon failure of the CITY to remedy said breach within fifteen (15) days of said notice. In the event that the contract is terminated before completion, CONSULTANT shall be

paid for the services to date.

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:
Robert Grantham
FCS Group
7525 166th Ave NE, Suite D-215
Redmond, WA 98052

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

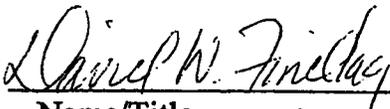
- b. Three (3) working days following the deposit in the United States mail of registered or certified mail, postage prepaid, return receipt requested, addressed to the offices of the party to whom the communication is to be sent, as designated above.

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:

FCS GROUP

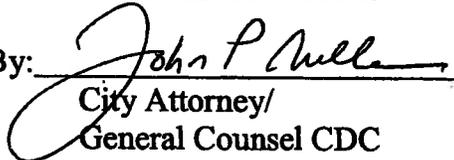
By: 
Name/Title *Edward Cobran, Principal*

By: 
Name/Title *David W. Finckley
Principal*

CITY OF OCEANSIDE

By: _____
Peter Weiss, City Manager/
Executive Director CDC

APPROVED AS TO FORM:

By: 
City Attorney/
General Counsel CDC

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.

CITY OF OCEANSIDE
PROFESSIONAL SERVICES AGREEMENT

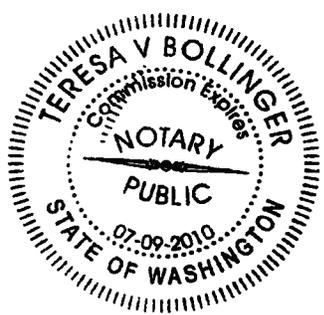
State of: Washington

County: King

The foregoing instrument was acknowledged before me this 4th day of May, 2009,

By Edward Lebrun and David Findlay

Personally know or _____ Produced _____ as identification.



[Handwritten Signature]
Notary Public