



DATE: April 7, 2010

TO: Honorable Mayor and City Councilmembers

FROM: Water Utilities Department

SUBJECT: **PROFESSIONAL SERVICES AGREEMENT WITH FINANCIAL CONSULTING SOLUTIONS GROUP, INC. OF SAN FRANCISCO IN THE AMOUNT OF \$67,830 FOR THE CITY OF OCEANSIDE WATER UTILITIES DEPARTMENT EFFICIENCY STUDY PROJECT**

SYNOPSIS

Staff recommends that the City Council approve a professional services agreement in the amount of \$67,830 with Financial Consulting Solutions Group, Inc., of San Francisco for the City of Oceanside Water Utilities Department Efficiency Study project; and authorize the City Manager to execute the agreement.

BACKGROUND

On November 12, 2009, Council adopted an ordinance amending Oceanside City Code, Chapter 37, establishing water and wastewater user rate and external water provider charge increases, with direction to the City Manager to start a management and organizational assessment to find future savings in the water and wastewater divisions.

ANALYSIS

The purpose of this study is to identify opportunities to improve the productivity, efficiency and cost-effectiveness of the operations in the Water, Wastewater and Administrative Divisions.

The primary objectives of this project are:

Evaluate the efficiency of the Water Utilities Department operations and make recommendations that result in improving those operations in the following areas:

- Management staffing efficiency review.
- Operations staff efficiency review.
- Benchmarking comparison to similar cities with utilities in Southern California.

- Utilization of existing and/or new technology.
- Keeping rates competitive while maintaining reliable services and financial stability.

The key objective is to define the most effective management structure and identify key targets of opportunity to achieve cost and time efficiencies. The work plan for the study involves the collection and review of data for department policies and procedures, organizational structure, financial plans, technology, staff responsibilities and other relevant documents. There will be 5 onsite progress meetings and presentations combined with Web conferencing project review meetings and a visioning and planning workshop to facilitate the involvement of department staff. Current levels of service and organizational structure will be examined and compared to similar agencies in Southern California and industry standards, including best practices. Current technology in use and its efficiency will be evaluated. A draft and final report will be developed. Meetings with the Utilities Commission and its subcommittees will be held and a presentation to City Council will be given. The project will identify weakness and milestones for improvement, allowing the department and the future director to take ownership over implementation and future action.

Once approved by Council, it is anticipated that the project would start in late April and take approximately 6 months to complete. The results of the study with recommendations will be presented to Council.

On December 18, 2009, Requests for Proposals were sent to seven consulting firms (Exhibit A). On January 14, 2010, staff received proposals from 3 consulting firms. In accordance with the City's procedure, a panel was selected to evaluate the proposals (Exhibit B). The panel unanimously recommended that Financial Consulting Solutions Group, Inc., be selected to provide consulting services for this project.

FISCAL IMPACT

The Miscellaneous Water Projects fund (908824000712) has an available balance of \$2,463,040. The consultant's cost associated with developing the City of Oceanside Water Utilities Department Efficiency Study is \$67,830. Therefore, adequate funds are available.

INSURANCE REQUIREMENTS

The City's standard insurance requirements will be met.

COMMISSION OR COMMITTEE REPORT

The Utilities Commission rejected staff's recommendation at its regularly scheduled meeting on March 16, 2010. Their decision was based on not having enough information regarding each proposer's experience and understanding of the expected project results. Staff advised the Commission that the item would continue on to the Council agenda because Council had directed staff to have a study conducted.

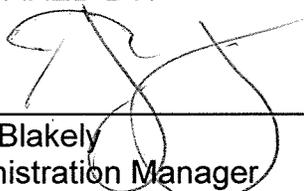
CITY ATTORNEY'S ANALYSIS

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

RECOMMENDATION

Staff recommends that the City Council approve a professional services agreement in the amount of \$67,830 with Financial Consulting Solutions Group, Inc., of San Francisco for the City of Oceanside Water Utilities Department Efficiency Study project; and authorize the City Manager to execute the agreement.

PREPARED BY:



Greg Blakely
Administration Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manger

Lauren M. Wasserman, Interim Water Utilities Director

Teri Ferro, Financial Services Director







- Exhibit A: Request for Proposal Mailing List
- Exhibit B: Consulting Rating Form
- Exhibit C: Professional Services Agreement

City of Oceanside
 Water Utilities Department Efficiency Study
 RFP Mailing List

Company	Address	City	State	Zip	First	Last
KPMG, LLP	355 No. Grand Avenue, #2000	Los Angeles	CA	90071-1568	Mark	Hutchins
The HDL	1340 Valley Vista Drive, #200	Diamond Bar	CA	91766	Lloyd	de Llamas
FCS Group	225 Bush Street, #1825	San Francisco	CA	94104	Robb	Grantham
Citygate Associates, LLC	2250 East Bidwell, #100	Folsom	CA	95630	David	Deroos
Management Partners, Inc.	3107 North First Street, #470	San Jose	CA	95131	Andrew	Belknap
MGT of America	455 Capitol Mall, #600	Sacramento	CA	95814	Richard	Pearl
ICMA Consulting Services	777 North Capitol Street, NE #500	Washington	DC	20002-4201	Charles J.	Schwabe

CONSULTANT PROPOSAL - RATING FORM

NAME OF FIRM: A) FCS B) Management Partners C) PFM
 PROJECT: Water Utilities Department Efficiency Study

DATE: 3-Feb-10
 PROJECT NO.: 908824000712

ITEM	POINTS	CONSULTANT'S RATING				
		A	B	C	D	E
I. QUALIFICATIONS OF FIRM AND MEMBERS:						
A. Specialized expertise of members	15	14.5	11.5	10		
B. Adequacy of staff and resources.	15	14.5	12	11		
II. PERFORMANCE OF WORK SIMILAR IN CHARACTER:						
A. Comparable work (local area preferred).	10	9.5	6	5.5		
B. Proposal submitted by Oceanside firm.	6	0	0	0		
C. Proposal included an Oceanside firm as part of a consulting team.	4	0	0	0		
D. Additional points based on abilities, qualifications, and commitment of Oceanside firm.	5	0	0	0		
III. ABILITY TO PROVIDE SERVICES:						
A. Ability to complete job on time.	10	9.5	8	7.5		
IV. QUALITY OF PROPOSAL:						
A. Satisfactorily address all objectives.	10	9.5	7.5	6.5		
B. Provide additional amplifying information.	5	3.5	1.5	1		
C. Presentation, clarity, neatness.	5	4.5	3	2.5		
V. WORK PERFORMANCE FOR THE CITY:						
A. No work in past 12 months.	10	0	10	0		
B. Work in past 12 months - deductions based on Contract amount.		4.5	0	4.5		
VI. PRICE:						
A. Overall cost.	10	7	9	4		
TOTALS:	105	77	68.5	52.5	0	0

RANKING:

- 1 Financial Consulting Solutions Group RATED BY: Lauren Wasserman
 Name/Title: Lauren Wasserman
- 2 Management Partners Inc Name/Title: Greg Blakely
 Name/Title: Greg Blakely
- 3 Public Financial Management, Inc. Name/Title: Mark Anderson
 Name/Title: Mark Anderson
- 4 _____ Name/Title: _____
- 5 _____ Date: _____

City of Oceanside Utilities Department Efficiency Study

CITY OF OCEANSIDE

PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT, dated _____, 2010 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

- A. CITY desires to obtain professional services from an independent contractor for the above named project.
- B. CONSULTANT has submitted a proposal to provide 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 CONSULTANT desires to perform an efficiency assessment of the Water Utilities Department as more particularly described in the CONSULTANTS proposal dated January 14, 2010, attached hereto and incorporated herein as Exhibit A. The scope of work is more particularly described as follows:
 - 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 Work closely with the Water Utilities Director in performing work in accordance with this Agreement in order to receive clarification as to the result which the CITY expects to be accomplished by CONSULTANT. The Water Utilities Director, under the authority of the City Manager, shall be the CITY'S authorized representative in the interpretation and enforcement of all work performed in connection with this Agreement. The Water Utilities Director may delegate authority in connection with this Agreement to the Water Utilities Director's

City of Oceanside Utilities Department Efficiency Study

designees. For the purposes of directing the CONSULTANT'S performance in accordance with this Agreement, the Water Utilities Director delegates authority to Greg Blakely, Administration Manager.

1.1.2 In compliance with Government Code section 7550, the CONSULTANT shall include a separate section in the proposal prepared pursuant to this Agreement, which contains a list of all the subcontractors and dollar amounts of all contracts and subcontracts required for the preparation of work described in this Agreement.

1.2 **SERVICES PROVIDED BY CITY.** The CITY shall perform the following services:

1.2.1 Provide access to all public records and furnish one copy of reports requested.

2.0 **TIMING REQUIREMENTS**

2.1 Time is of the essence in the performance of work under this Agreement and the following timing requirements shall be strictly adhered to unless otherwise modified in writing as set forth in Section 2.2. Failure by CONSULTANT to strictly adhere to these timing requirements may result in termination of this Agreement by the CITY and the assessment of damages against the CONSULTANT for delays.

2.2 CONSULTANT shall submit all requests for extensions of time for performance in writing to the Water Utilities Director no later than ten (10) calendar days after the start of the condition which purportedly caused the delay, and not later than the date on which performance is due. The Water Utilities Director shall review all such requests and may grant reasonable time extensions for unforeseeable delays which are beyond CONSULTANT'S control.

2.3 For all time periods not specifically set forth herein, the CONSULTANT shall respond in the most expedient and appropriate manner under the circumstances, by either telephone, fax hand delivery or mail.

3.0 **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 Water Utilities Director. CONSULTANT shall be solely responsible for the performance of any of its employees, agents or subcontractors under this agreement.

City of Oceanside Utilities Department Efficiency Study

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.

- 4.0 **CITY BUSINESS LICENSE.** Prior to the commencement of any work under this agreement, the CONSULTANT shall obtain and present a copy of an Oceanside City Business License to the Water Utilities Director.
- 5.0 **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 these Award Documents. The certification shall be in accordance with Subsections 7.3 through 7.8 of this Agreement.
- 6.0 **LIABILITY INSURANCE.**
- 6.1 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.
- 6.2.1 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.

City of Oceanside Utilities Department Efficiency Study

- 6.2.2 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.
- 6.3 All insurance companies affording coverage 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.
- 6.4 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.
- 6.5 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.
- 6.6 CONSULTANT shall provide evidence of compliance with the insurance requirements listed above by providing a Certificate of Insurance and applicable endorsements, in a form satisfactory to the City Attorney, concurrently with the submittal of this Agreement.
- 6.7 CONSULTANT shall provide a substitute Certificate of Insurance no later than thirty (30) days prior to the policy expiration date. 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.
- 6.8 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.

City of Oceanside Utilities Department Efficiency Study

- 7.0 **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.

- 8.0 **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 negligent acts, errors, omissions or wrongful acts or 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.

- 9.0 **ERRORS AND OMISSIONS.** In the event that the Water Utilities Director determines that the CONSULTANT'S negligence, misconduct, errors or omissions in the performance of work under this Agreement has resulted in expense to CITY greater than would have resulted if there were no such negligence, errors or omissions in the plans or contract specifications, CONSULTANT shall reimburse CITY for the additional expenses incurred by the CITY, including engineering, construction and/or restoration expense. Nothing herein is intended to limit CITY'S rights under Sections 6, 7 or 8.
- 10.0 **NO CONFLICT OF INTEREST.** The CONSULTANT shall not be financially interested in any other CITY contract for this project. For the limited purposes of interpreting this section, the CONSULTANT shall be deemed a "City officer or employee", and this Section shall be interpreted in accordance with Government Code section 1090. In the event that the CONSULTANT becomes financially

City of Oceanside Utilities Department Efficiency Study

interested in any other CITY contract for this project, that other contract shall be void. The CONSULTANT shall indemnify and hold harmless the CITY, under Section 9 above, for any claims for damages resulting from the CONSULTANT'S violation of this Section.

11.0 **OWNERSHIP OF DOCUMENTS.** All plans and specifications, including details, computations and other documents, prepared or provided by the CONSULTANT under this Agreement shall be the property of the CITY. The CITY agrees to hold the CONSULTANT free and harmless from any claim arising from any use, other than the purpose intended, of the documents, prepared or provided by the CONSULTANT. CONSULTANT may retain a copy of all material produced under this Agreement for the purpose of documenting their participation in this project.

12.0 **COMPENSATION.**

12.1 For work performed by CONSULTANT in accordance with this Agreement, CITY shall pay CONSULTANT in accordance with the schedule of billing rates set forth in Exhibit "A", attached hereto and incorporated herein by reference. No rate changes shall be made during the term of this Agreement without prior written approval of the Water Utilities Director. CONSULTANT'S compensation for all work performed in accordance with this Agreement shall not exceed the total contract price of \$67,830.

No work shall be performed by CONSULTANT in excess of the total contract price without prior written approval of the Water Utilities Director. CONSULTANT shall obtain approval by the Water Utilities Director prior to performing any work which results in incidental expenses to CITY as set forth in Section 13.2.2.

12.2 CONSULTANT shall maintain accounting records including the following information:

12.2.1 Names and titles of employees or agents, types of work performed and times and dates of all work performed in connection with this Agreement which is billed on an hourly basis.

12.2.2 All incidental expenses including reproductions, computer printing, postage, mileage and subsistence.

12.3 CONSULTANT'S accounting records shall be made available to the Water Utilities Director for verification of billings, within a reasonable time of the Water Utilities Director's request for inspection.

City of Oceanside Utilities Department Efficiency Study

12.4 CONSULTANT shall submit monthly invoices to CITY. CITY shall make partial payments to CONSULTANT not to exceed the total contract price within thirty (30) days of receipt of invoice, subject to the approval of the Water Utilities Director, and based upon the following partial payment schedule:

12.4.1 Final payment shall be made to CONSULTANT upon CONSULTANT's completion of the study to the satisfaction of the Water Utilities Director.

13.0 **TERMINATION OF AGREEMENT.** Either party may terminate this Agreement by providing thirty (30) days written notice to the other party. If any portion of the work is terminated or abandoned by the CITY, then the CITY shall pay CONSULTANT for any work completed up to and including the date of termination or abandonment of this Agreement, in accordance with Section 13. The CITY shall be required to compensate CONSULTANT only for work performed in accordance with the Agreement up to and including the date of termination.

14.0 **ASSIGNMENT AND DELEGATION.** This Agreement and any portion thereof shall not be assigned or transferred, nor shall any of the CONSULTANT'S duties be delegated, without the express written consent of the CITY. Any attempt to assign or delegate this Agreement without the express written consent of the CITY shall be void and of no force or effect. A consent by the CITY to one assignment shall not be deemed to be a consent to any subsequent assignment.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

15.0 **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.

16.0 **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.

City of Oceanside Utilities Department Efficiency Study

17.0 **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.

18.0 **DISPUTE RESOLUTION.**

- a. Any controversy or claim arising out of or relating to this Agreement, or concerning the breach or interpretation thereof, shall be first submitted to mediation, the cost of which shall be borne equally by the parties.
- b. No suit shall be brought on this contract unless all statutory claims filing requirements have been met.

19. **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
Water Utilities Director
300 North Coast Highway
Oceanside, CA 92054

TO CONSULTANT:

Robert S. Grantham
FCS Group
225 Bush Street
San Francisco, CA 94104

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.

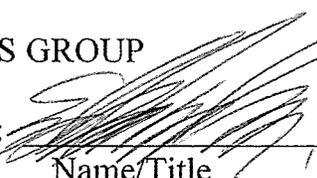
City of Oceanside Utilities Department Efficiency Study

20.0 **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 on the dates indicated below:

FCS GROUP

By:


Name/Title

Vice President

Date:

3/2/2010

By:


Name/Title

PRINCIPAL

Date:

3/2/2010

911417946

Employer ID No.

CITY OF OCEANSIDE

By:

Peter A. Weiss, City Manager

Date:

APPROVED AS TO FORM:


City Attorney

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.

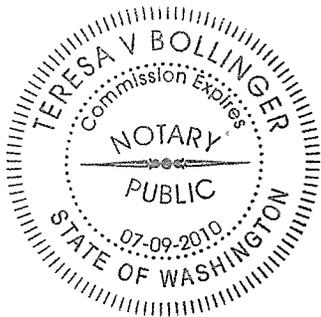
State of: Washington

County of: King

The foregoing instrument was acknowledged before me this 2nd day
Of March, 2010, by Ed Cebron and John Ghilarducci

Personally known or Produced _____

as identification.





Printed Name of Notary

225 Bush Street
Suite 1825
San Francisco, California 94104
T: 415.445.6947 F: 415.398.1601

Redmond Town Center
7525 166th Ave. NE., Suite D-215
Redmond, Washington 98052
T: 425.867.1802 F: 425.867.0937

4,380 SW Marquam Ave.
Suite 220
Portland, Oregon 97239
T: 503.841.6543 F: 503.841.6571



January 14, 2010

Greg Blakely
Administration Manager
City of Oceanside Water Utility Department
300 North Coast Hwy
Oceanside, CA 92054

Subject: City of Oceanside Utilities Department Efficiency Study

Dear Mr. Blakely:

FCS GROUP is pleased to submit this proposal to perform an efficiency assessment for the Water Utilities Department (the Department). FCS GROUP has been evaluating management approaches and practices to help public agencies improve their effectiveness and efficiency for over twenty years. We have delivered high-quality, cost-effective consulting services in over 1,600 engagements for over 425 municipal clients. Our firm serves clients throughout the western United States and Canada from our offices in San Francisco, Seattle, and Portland. Our California focus, while serving such agencies as San Francisco, San Jose, and Sacramento, has largely focused on Southern California, providing us with a keen insight into the unique challenges of these coastal communities that are heavily dependent upon imported water.

Our professionals are well-versed in a broad spectrum of skills and experience covering finance, accounting, economics, public administration, engineering, communications, and management consulting disciplines. Collectively, our firm brings a thorough knowledge of government operations and has been providing clients with innovative and workable solutions for over 20 years. Our team offers a diverse set of skills and management experience that we believe will provide Department with an independent and objective study. We are also intimately familiar with the interworking of the Department, which we believe provides us with a unique perspective. Finally, for this engagement, we are pleased to team with the Eisenhardt Group.

As described in the body of this proposal, the study findings and recommendations have three distinct audiences:

- **Water Utilities Staff** – With the recent retirement of the Utilities Director and the Water Director, it is an opportune time to review the effectiveness of the utility. There are significant capital improvements that must be undertaken in the next few years for both water and wastewater utilities. A process needs to be developed that will allow staff to effectively communicate and justify these critical replacement needs.
- **City Council** – Rate increases are politically sensitive. Overall, the Council is looking to take advantages of cost savings where possible, achieve long-term efficiencies, and demonstrate to the system users that the City's services are cost effective.
- **Public Stakeholders** – In light of the recent and projected increases to wholesale water costs and the reduction in rate revenues due to drops in demand, the City's water and wastewater users will continue to experience sizable rate increases. Demonstrating the efficient use of the public's money is paramount. Additionally, with the recent letter of concern from Standard & Poor's, an efficiency and organization assessment can help to restore confidence in the City.

January 14, 2010
Greg Blakely, Administration Director
City of Oceanside Utilities Department Efficiency Study
page 2

The proposed team provides the City with a working knowledge of the Department. Our work will rely on and build off of the work that has been conducted to date, including the Integrated Water Utilities Master Plan, which serves a significant resource and documents the institutional knowledge of the Department's staff. Our team also includes former public sector leaders and water resource operators, including a past president of the California Association of Sewerage Agencies. We believe that the delivery of an effective study product requires not only sound management consultant experience, but a working knowledge of utility operations.

We view this project as a critical step in providing a roadmap for the Department. The key objective of our approach is to define the most effective management structure and identify key targets of opportunity to achieve cost and time efficiencies. This program will identify weakness and milestones for improvement, allowing the Department and the future Director to take ownership over implementation and future action. Additionally, our top-down approach will identify areas which require future analysis by discrete specialists.

Our team looks forward to an opportunity to submit a more detailed work approach through the proposal process. If you have any questions, please do not hesitate to contact me at (415) 445-8947 or robbg@fcsgroup.com.

Sincerely,



Robert S. Grantham
FCS GROUP

STATEMENT OF WORK

To help provide some context for our cost proposal, FCS GROUP's approach to organizational and management studies is to work collaboratively with our clients while maintaining our independence. It is our firm's mission to facilitate sound decision-making and management by public officials and stakeholders by providing a solutions-oriented analytical approach to public sector management and financial issues. Our approach is oriented toward developing study recommendations that can be implemented and demystifying issues that might otherwise prevent the Department from moving forwards to address key policy and strategic issues. *Finally, the proposed approach is intended to identify critical needs, efficiency improvements, and system gaps, then provide an action plan for resolving identified issues.*

Given the scope of this project, our approach involves developing, gathering, and reviewing data from a wide variety of sources using a number of different approaches and techniques. The intent of our proposed work plan is to perform a high level review of the Department's processes and systems in order to identify area needing a more in-depth review. Key elements of our work plan involve the following:

- ◆ Key stakeholder and employee involvement (visioning workshop, interviews);
- ◆ Review of documents and files;
- ◆ Key process and procedural reviews and analyses (identifying and evaluating business process flows);
- ◆ Organizational analysis (organizational structure, SWOT analysis);
- ◆ Best practices (National Advisory Council on State and Local Budgeting Recommended Practices, APWA Public Works Management Practices Manual, etc.); and
- ◆ Benchmarking and performance measurement (Surveying other similarly sized agencies).

WORK PLAN

The following task plan outlines our proposed work structure for undertaking the data review, policy review, analysis, and documentation of the study findings and process. Within this work plan, we have incorporated study deliverables for each scope of work element referenced in the RFP.

Task 1: Management and Coordination

FCS GROUP is committed to working closely with designated Department personnel to accomplish the tasks of the organizational review. This coordination will be in the form of meetings, a communication plan, written updates, and ongoing communication with the Department.

1.1 Data Request – FCS GROUP will prepare a written data request that will precede the project's visioning meeting (Task 2.1), so that readily available materials can be assembled and any remaining data needs can be reviewed and discussed. The data request will address the Department's policies and procedures, current organizational structure and its history, financial plans, reporting relationships, use of technology, staff responsibilities, strategic plans, and other relevant documents. We have already collected some information through our existing financial study work with the Department and Water Utilities Master Plan process.

1.2 Project Meetings – FCS GROUP will participate in five (5) onsite progress meetings and presentations, as identified in the RFP and further detailed in Task 5.3 (below). Additionally, FCS GROUP has successfully held informal project review meetings using GoToMeeting™, a Web conferencing tool that allows you to meet online rather than in a conference room. It's an easy and cost-effective way to organize and attend online meetings. This

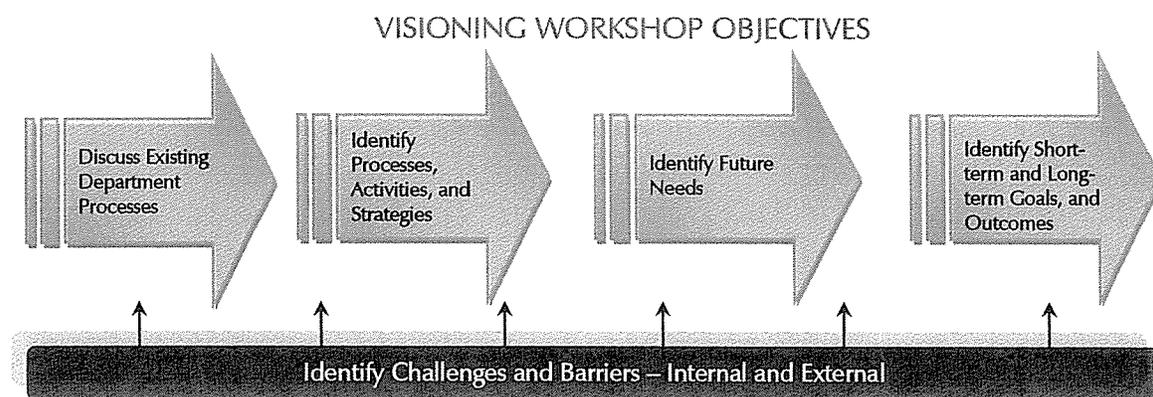
technology enables clients and consultants to simultaneously view any application running on a PC in real time over the internet.

Task 2: Review management efficiency and department operations and offer comments and recommendations for improvements as appropriate.

This task will entail holding a visioning and planning workshop with staff; reviewing the Department's existing data; and interviewing select Department staff. The objectives of these tasks will be to assess the performance and effectiveness of the Department's operations and recommend value-added and cost-effective improvements as appropriate. Given the high-level nature of our review, recommendations may also include the need to further review specific aspects identified as "critical" to the Department's operations. Specific objectives of this task include:

- ◆ Review and assess preventive maintenance practices.
- ◆ Identify potential performance measure or use existing Department measures to assess performance;
- ◆ Assess workload and staffing;
- ◆ Identify work processes and procedures to identify duplication of effort inefficient steps or processes; and,
- ◆ Assess productivity of the Department.

2.1 Visioning and Planning Workshop – To facilitate the involvement of Department staff and our collection of information, FCS GROUP will hold a visioning and planning workshop. We will develop and follow a workshop protocol that addresses specific areas related to the current state of the organization and its anticipated future direction. As a part of this protocol, FCS GROUP will guide the workshop participants through a process that identifies key Department activities, resources, strategies, and goals, as well as organizational strengths and barriers. This exercise will develop a top-level depiction of the Department's flow of materials and processes and the desired results of these activities. The purpose of the process will be to gain an understanding of how the Department's activities, processes and strategies are aligned with intended outcomes so that appropriate organizational recommendations are developed and recommended.



The intent of the visioning workshop is to build on the information already learned. Therefore, the specific discussion areas of the visioning workshops will be developed and refined after a review of the Department's documentation and initial discussions with staff. Areas that have already been articulated clearly through our documentation review will be presented and used in the discussion, when necessary, but will not be the focus of these sessions.

Specific areas for review in the visioning workshops may include:

- ◆ Operational Processes / Activities / Strategies
- ◆ Management / Leadership
- ◆ Decision Making
- ◆ Communication / Reporting Relationships / Accountability
- ◆ Current Staffing Levels
- ◆ Required Expertise
- ◆ Culture
- ◆ Organizational Growth or Contraction

A critical outcome of this work will be a recommendation of management reporting lines. Organizations can have business service lines (i.e., water and wastewater as separate entities), functional service lines (i.e., field operations and electricians), or a hybrid of the two. The Department is currently structured along water and wastewater business lines, with the lab, data, and GIS providing crossover services. We will examine if this structure provides the optimal means of service delivery, or where a crossover could provide efficiencies. This analysis can only be developed with a keen understanding of the differing water and wastewater operations and requirements and certifications.

2.2 Review of Department Records – We will review records and systems data provided by the Department, including, but not limited to: 1) documentation on operational policies and practices, 2) work order data or other cost accounting data detailing the work on the Department’s operations, and 3) budget and staffing data.

FCS GROUP will obtain electronic copies of materials when possible and will make copies of materials borrowed from the Department. FCS GROUP will review and align the data and information gathered from its document review and visioning workshops to ensure consistency and to develop workflow maps of the Department’s current processes, including structure, staffing levels and expertise, and reporting relationships. As necessary, FCS GROUP will follow-up with the Department to obtain an understanding of organizational areas when written information is not available.

2.3 Stakeholder Interviews and Data Collection – We will interview the interim Department Director, the City’s Finance Director, and three (3) assistant directors to identify/obtain additional important data or information not included, or discussed, as part of the visioning workshop and records review. These interviews will also collect information related to Department strengths, weaknesses, opportunities, and threats (SWOT), and will serve as a means of sharing the results of our review for this task.

Task 3: Examine current levels of service and organizational structure and compare to comparable agencies in Southern California and industry standards, including best practices, and make a recommendation as to the appropriateness of the current level of service.

The structure of an organization plays an important role in its day-to-day functioning. An efficient structure facilitates delegation of authority, operationalized control, and communication systems. The organizational structure and design also determines the avenues through which an organization can achieve its long-term objectives and negate obstacles encountered on the way. Generally, organizations are structured around function or business units (based on products or services). Most utilities are a hybrid, organizing along business lines where strong identification for employees, the public or elected officials is needed, but have aspects of functional design for administration, finance, and other staff support functions for improved efficiency.

Our review of the Department's current service levels and organizational structure will be incorporated, to some extent, in our collection and review of information for Task 2. However, additive to the sub-tasks under Task 2, we will also compare the Department's service levels and the organizational structure to comparable agencies in Southern California and industry standards, including best practices.

We will develop a survey to compare the City's Water Utilities Department to other water and wastewater agencies within San Diego County and Southern California. FCS GROUP will develop the survey to allow the City staff to conduct the actual interviews with sister agencies. FCS GROUP will help to guide the interview process and will interpret the results.

Through our visioning workshop, review of data, and interviews with staff, specific areas of interest for this task will include:

- ◆ Organizational charts and the duties and responsibilities for each division;
- ◆ Position descriptions for each division employee;
- ◆ Services and activities performed by each division; and,
- ◆ Administrative and strategic set-up of the existing organizational structure.

3.1 Comparison of Levels of Service and Organizational Structure – FCS GROUP will draw upon its multitude of experiences with other utilities to develop an overview of best practices, as it relates to levels of service and organizational structures. FCS GROUP will also document the differences and benefits of organizational structures (functional versus business units) and how they may relate to the Department's needs.

Task 4: Evaluate current technology in use and make recommendations to improve its efficiency.

Our data collection and review activities for this task will occur in conjunction with our collection of information for Tasks 2 and 3. Areas of interest to address this task will include:

- ◆ Use of existing technology;
- ◆ Challenges with the existing technology;
- ◆ Integration of technology with other Department and City systems; and the,
- ◆ Potential for use of new technology.

Through our current work with the Department, we are already aware of the need for integration of the Department's GIS and GAB systems with the City's financial systems to identify and update assets. This analysis will build on the Information Technology Master Plan, considering which aspects are underway and which aspects have and can be delayed. The overarching goal of this technology review is to identify data collection challenges, data transfer gaps, the current use of technology, and future need for additional IT support.

Task 5: Develop a draft and final report, meet with Committees and Commissions, and present to City Council.

Based on the findings and recommendations of this study, FCS GROUP will develop a draft and final report, meet with committees and commissions, and present to City Council.

5.1 Prepare Draft Report – After all analyses have been performed, FCS GROUP will develop a draft report. The report will contain an executive summary that provides a clear and concise overview of the study and its recommendations. The main body of the report will provide additional detail and supporting charts and graphs. FCS GROUP will provide an electronic version of the draft report for staff review and comment.

5.2 Prepare Final Study Report – Based on staff review and comment, FCS GROUP will finalize the report and submit an electronic version of the final report to the City.

5.3 Committee and Commission Update Meetings and Presentations – As requested in the RFP, we will hold five (5) meetings and presentations with the Department’s Operations Oversight Committee, Commission, and City Council.

5.3.1 Provide two (2) updates to the Water Utilities Department Operations Oversight Committee.

5.3.2 Provide two (2) updates to the Water Utilities Department Utilities Commission.

5.3.3 Present final report to the Oceanside City Council at a regular meeting.

Project Schedule

The proposed project schedule includes a completion of all study elements within 180 days as illustrated in the table below:

	Month 1	Month 2	Month 3	Month 4	Month 5
Task 1. Management and Coordination	[Progress bar from start of Month 1 to end of Month 1]				
Task 2. Review Management Efficiency and Operations	[Progress bar from start of Month 1 to end of Month 3]				
Task 3. Review Levels of Service and Organizational Structure	[Progress bar from start of Month 3 to end of Month 4]				
Task 4. Evaluate Current Technology Use	[Progress bar from start of Month 3 to end of Month 3]				
Task 5. Draft Report, Meetings with Committees and Commissions, and Presentation to City Council		▲	▲	▲ ★	▲ ★ △
LEGEND:					
●	Notice to proceed	★	Draft and Final Report Deliverable		
▲	Visioning Workshop	▲	Utilities Committee Presentations		
▲	Utility Oversight Committee Meetings	△	Council Presentation		

SERVICES EXPECTED OF THE CITY

Time requirements of staff include data collection, project interviews, and project review and committee meetings. It is critical that staff is intimately involved in the study process. However, every effort will be made to minimize the time impact on staff.

PRICE

PROPOSED SCHEDULE OF FEES

The proposed compensation for this efficiency and organizational study is \$67,830. The project will be billed on a time and materials basis with a not to exceed budget.

City of Oceanside, CA
FCS Group Project Budget

FCS GROUP Proposed Project Budget	Workload by Consultant							Total Labor Expenses
	<i>Moy</i>	<i>Grantham</i>	<i>Almeida</i>	<i>Mullen</i>	<i>Eisenhart</i>			
	Principal In Charge \$245	Project Coordinator \$210	Project Consultant \$175	Lead Analyst \$140	Sub Consultant \$210	Technical Advisors \$210	Admin Support \$70	
Labor Effort & Expense by Task								
Task 1. Management and Coordination	0.0	6.0	8.0	0.0	0.0	0.0	6.0	\$ 3,080
Task 2. Review Management Efficiency and Operations	2.0	28.0	50.0	32.0	8.0	4.0	0.0	\$ 22,120
Task 3. Review Levels of Service and Organizational Structure	2.0	6.0	38.0	8.0	12.0	8.0	0.0	\$ 13,720
Task 4. Evaluate Current Technology Use	2.0	4.0	16.0	0.0	8.0	8.0	0.0	\$ 7,490
Task 5. Draft Report, Meetings with Committees and Commissions, and Presentation to City Council	4.0	56.0	32.0	4.0	12.0	0.0	0.0	\$ 21,420
Total Study Hours	10.0	100.0	144.0	44.0	40.0	20.0	6.0	\$ 67,830