



DATE: September 10, 2008

TO: Honorable Mayor and City Council Members

FROM: Financial Services Department

SUBJECT: **PROFESSIONAL SERVICES AGREEMENT WITH BUREAU VERITAS NORTH AMERICA, INC., OF SAN DIEGO FOR THE COMPLETION OF FIXED ASSET VALUATION SERVICES**

SYNOPSIS

Staff recommends that the City Council approve a professional services agreement with Bureau Veritas North America, Inc., of San Diego in the amount of \$68,865 for the completion of fixed asset valuation services for the Financial Services Department, and authorize the City Manager to execute the agreement.

BACKGROUND

The Governmental Accounting Standards Board, in order to ensure that the financial records of all governmental bodies fully disclose the acquisition costs of all fixed assets, issued Statement 34 in 2002. This Statement requires governmental agencies to include the acquisition costs of all fixed assets in the annual audited financial statements.

In 2002 the City of Oceanside contracted with Bureau Veritas North America, Inc., for a capital asset valuation of the infrastructure as required for compliance with Government Accounting Standards Board Statement 34 (GASB 34). Several tasks were not included in that contracted valuation work, including several reconciliation projects. The 2002 capital asset valuation report was not reconciled to San Diego County records to ensure that all City of Oceanside-owned property was included in the fixed asset listing. Also, the costs established were replacement costs used for insurance purposes, not the required acquisition costs.

It is necessary that this additional work be completed to fulfill the requirements of GASB 34 and local audit requirements. This additional work will enable staff to perform annual required updates to the fixed asset records.

ANALYSIS

In order to complete the GASB 34 project, staff issued a Request for Proposals (RFP) to nine firms we believed could perform the tasks necessary to complete the valuation project including: comparing City property records to San Diego County records and

assigning County APN numbers to each City parcel for future tracking purposes, updating water and sewer line records and right-of-way cost records, as well as reconciliation of all City infrastructure schedules and other tasks listed in the submitted RFP.

All vendors were contacted by telephone on July 28, 2008, to confirm that they received the RFP. Two follow-up RFP were faxed to vendors that could not locate the mailed copy. On August 14, 2008, we received only one proposal. Calls to the other eight vendors resulted in various reasons for not responding. The one response we received, from Bureau Veritas North America, Inc., indicates they can perform the work as outlined in the RFP, has done this type of work for many agencies, and are very qualified to complete the project.

FISCAL IMPACT

The funds for this contract are provided from unexpended 2007-2008 budgeted monies (Account No. 101.194200.5241) that were carried forward into 2008-09 for this project.

COMMISSION/COMMITTEE REPORT

Does not apply.

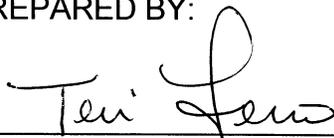
CITY ATTORNEY'S ANALYSIS

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

RECOMMENDATION

Staff recommends that the City Council approve a professional services agreement with Bureau Veritas North America, Inc., of San Diego in the amount of \$68,865 for the completion of fixed asset valuation services for the Financial Services Department, and authorize the City Manager to execute the agreement.

PREPARED BY:



Teri Ferro
Director of Financial Services

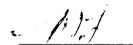
SUBMITTED BY:



Peter A. Weiss
City Manager

Reviewed By:

Michelle Skaggs-Lawrence, Deputy City Manager



Attachment: Professional Services Agreement

CITY OF OCEANSIDE

PROFESSIONAL SERVICES AGREEMENT

PROJECT: VALUATION SERVICES

THIS AGREEMENT is made and entered into this 10th day of September, 2008, by and between the CITY OF OCEANSIDE, a municipal corporation, hereinafter designated as "CITY", and BUREAU VERITAS NORTH AMERICA hereafter designated as "CONSULTANT."

NOW THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **SCOPE OF WORK.** The project is more particularly described as follows:]. Complete necessary valuation work to comply with the requirements of GASB Statement 34 including complete inventory of City owned properties with identification number and costs, annual update procedures and review with City's auditors. A more detailed scope of work is included in Exhibit A which is attached hereto and incorporated by reference.
2. **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 City Director of Financial Services. 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.
3. **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. **LIABILITY INSURANCE.**
 - 4.1. CONSULTANT shall, throughout the duration of this Agreement maintain

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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 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 aggregate	\$ 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.

- 4.3 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.
- 4.4 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 additional insured shall be primary insurance and other insurance maintained by the City of Oceanside, its officers, agents, and employees shall be excess only and not contributing with insurance provided pursuant to this Section.
- 4.5 All insurance companies affording coverage to the CONSULTANT pursuant to this agreement shall be insurance organizations admitted by the Insurance Commissioner

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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.

- 4.6 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.
- 4.7 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.
- 4.8 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.
- 4.9 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. **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 (\$1,000,000.00).

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

6. **CONSULTANT'S INDEMNIFICATION OF CITY.** CONSULTANT shall indemnify and hold harmless the CITY and its officers, agents and employees against all claims for damages to persons or property arising out of the negligent acts, errors or 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, attorneys' fees, expert 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

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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 conduct, 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. **COMPENSATION.** CONSULTANT shall be paid at the hourly rates set forth on page 25 of Exhibit A. The expected fee is \$55,092 based upon 455 hours of service. The contract includes a Contingency of an additional amount not to exceed \$13,773 if authorized by the Director of Financial Services. CONSULTANT'S compensation for all work performed in accordance with this Agreement, shall not exceed the total contract price of \$ 68,865. No work shall be performed by CONSULTANT in excess of the total contract price without prior written approval of the City Director of Financial Services. CONSULTANT shall obtain approval by the City Director of Financial Services prior to performing any work, which results in incidental expenses to CITY.
8. **TIMING REQUIREMENTS.** Time is of the essence in the performance of work under this Agreement and the timing requirements shall be strictly adhered to unless otherwise modified in writing. All work shall be completed in every detail to the satisfaction of the City Director of Financial Services by December 23, 2008.
9. **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.
10. **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.

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- 11. **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.
- 12. **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 this _____ day of _____, 2004 *8 Jan*

K. Dennis Klingelhofer 1
Bureau Veritas North America

CITY OF OCEANSIDE

by: _____

By: K Dennis Klingelhofer, PE
Name/Title Vice President

APPROVED AS TO FORM:

06 - 01689244
Employer ID No.

John P. Mel...
City Attorney

NOTARY ACKNOWLEDGMENTS OF CONSULTANT MUST BE ATTACHED.

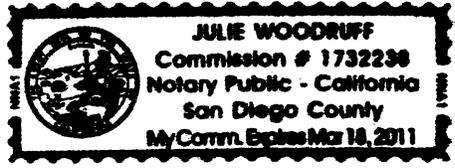
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On September 2, 2008 before me, Julie Woodruff, Notary Public

personally appeared Dennis Klingelhofer



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

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

WITNESS my hand and official seal.

Signature Julie Woodruff
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

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

Description of Attached Document

Title or Type of Document: City of Oceanside Agreement

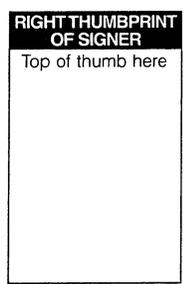
Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

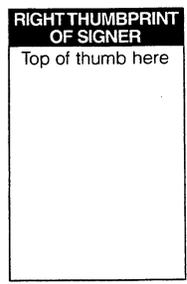
- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

Signer's Name: _____

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



Signer Is Representing: _____

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EXHIBIT A

VALUATION PROJECT TASK LISTING

Project Approach

Task 1.0 Research

This initial task will examine the sources for data and reconciliation from the City departments and outside agencies to determine the best approach to completing the tasks. This task will start with a Kick-off meeting with City staff including infrastructure managers, land and property managers and financial staff. This will be followed with interviews, and examination of the data completeness.

Deliverable:

A white paper will describe the data availability and completeness for solving each issue. The paper will also be a source for determining the project plan, and schedule for the remainder of the project.

Task 2.0 Land Inventory/Valuation

Issue: The land recorded on the City's books represents parcels that City Property Management staff has maintained. However, City staff has indicated that the records have not been compared at the County of San Diego to ensure all properties owned by the City are actually recorded as City owned. The City would like the consultant to review those records and compare them with those recorded with Property Management to ensure the accuracy of the City's records. It is implicit in this request that APN numbers as well as addresses are associated with each parcel. The current land value for all funds is \$70,736,232.

Approach: Bureau Veritas will examine the County property records to determine those properties with the ownership displayed as the City of Oceanside or similar City name. We will compare those records with finance records and meet with City Property Management to share records. From the County records and/or Property Management records we will locate APN and address. Where County records do not always have an "address," Bureau Veritas will endeavor to locate some unique identifier for those properties. Valuation will be determined based on financial, property management department records and historical records, as available at the City and County.

Deliverables:

Property Listing including unique identifier, APN, site address, acres, transfer date, historical valuation, and GIS map of City owned properties traceable to properties' records. All tables and listing will be on digital/electronic discs in Excel/Access with formulae intact.

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Task 2.1 Buildings/Improvements

Issue: In July 2006, a consultant was hired to complete a valuation of the City's buildings and improvements for insurance purposes. While the value assigned to the properties is replacement value for insurance purposes, it also provides the most comprehensive listing of the City's buildings and improvements along with addresses but no APN numbers. Attempts to tie these properties to the spreadsheet listing maintained by the Finance Department have not been successful. We will require an updated listing that includes both the addresses and the APN numbers. The current buildings/improvements value for all funds is \$197,730,762.

Approach: Bureau Veritas will examine the County property records to determine those properties with buildings and compare to the insurance consultant's listing. Our staff will contact your insurance consultant to discuss their values for insurance purposes. For those properties without valuation and with a current insurance valuation, we will use a building cost index to value based on the date of construction determined from County records or any building documents. APN and other identifier, such as addresses, will be scheduled on the City buildings and improvements record. Bureau Veritas may use outside agencies' databases as well.

Deliverables:

Listing of City-owned buildings/building improvements, including unique identifier, APN, site address, acres, transfer date, parcel map, historical valuation, insurance valuation (if available); GIS map of City owned properties traceable to properties' records. The detailed listing of properties will contain useful life, age, historical value, accumulated depreciation, annual depreciation expense and net book value as of June 30, 2008. All tables and listing will be on digital/electronic discs in Excel/Access with formulae intact.

Task 2.2 Water and Sewer Lines

Issue: The water and sewer lines were valued as part of the inventory completed in 2002. Lines have been replaced since that valuation and they have been added to the totals on the City's spreadsheets. However, the total valuation has not been updated to account for any removal of old lines. The current value for water is \$97,664,465; for sewer \$95,599,314.

Approach: Bureau Veritas will identify with the Water Utility Department personnel those replacement projects since the Year 2002 valuation and those conveyance system lines that are no longer in use (if any), but not replaced in the system. We will examine the project records to determine the pipe sections that were replaced and identify those segments. The cost, accumulated depreciation, and net cost of depreciation will be identified in the records for elimination.

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Deliverables:

Listing of deleted pipe sections, length, size, material type, out of service year, historical value, useful life, age, annual depreciation expense, accumulated depreciation, net book value as of June 30, 2008. All tables and listing will be on digital/electronic discs in Excel/Access with formulae intact.

Task 2.3 Donated Land/Infrastructure

Issue: Over the past several years there has been considerable development of property by the private sector, including housing subdivisions complete with the related infrastructure. To date, this has not been valued or added to the City's records. The City needs the donated land and infrastructure to be inventoried and valued.

Approach: Bureau Veritas will work with City Departments to identify the development projects within the City that have been accepted by the City since year 2002. We will determine which infrastructure assets were not included in the asset records. For example, the Water Utilities Department may have included the water distribution and sewage collection systems in the new assets since year 2002 because the system exists to do so, while new right-of-way assets may not have been collected into an existing asset management system. Our staff will collect this data from available electronic or paper records. We will use outside agencies' databases as well.

Exhibit 1 on the next page shows a method that Bureau Veritas will use to assist in determining new development in the City of Oceanside. This exhibit shows a GIS map of new development per County records as displayed.

Deliverables:

A report containing a description of the valuation method and schedules by infrastructure asset type which will include asset location, dimensions, date of service, historical value, annual depreciation expense, accumulated depreciation and net book value as of June 30, 2008. A schedule of additions to the right-of-way location, dimensions, historical valuation will be prepared. The methods used to establish the historical value will be documented. All tables and listing will be in digital/electronic discs in Excel/Access with formulas intact.

Task 2.4 Right-of-Way Land

Issue: Right-of-way is not currently listed separately in the financials but is included in the land category. To our knowledge, no additions have been made to this category since the updated review in 2002. It is reasonable to assume there would be right-of-way associated with any donated infrastructure/land. The City staff needs Bureau Veritas to determine the donated right-of-way inventory acquired since 2002 and set the valuation at acquisition.

Approach: The right-of-way additions since 2002 will be determined based on the development records as available and other documentation of right-of-way lengths and presented in GIS layers. Standard right-of-way widths/development records will be used to determine the right-

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of-way width. Unit costs will be determined from the land sales in the first year of ownership.

Deliverables:

A schedule of additions to the right-of-way location, dimensions, historical valuation will be prepared. The methods used to establish the historical value will be documented. All tables and listing will be on digital/electronic discs in Excel/Access with formulae intact.

Task 3.0 Reconcile City's Existing Valuation to Current Year

Issue: After the inventories and valuations are completed, the additions, deletions and replacements need to be entered into the fixed assets module. These transactions should include current year activity. There should be audit trails, correct useful lives, and accumulated depreciation.

Approach: Bureau Veritas will assist the City staff in a smooth transition from the year 2002 valuation to this current year activity. Bureau Veritas will provide a reconciliation summary of the infrastructure accounts from the beginning of the audit year to the end of the audit year. An example of a reconciliation summary is shown on **Exhibit 2**.

Deliverables:

Additions, Deletions and Replacement schedules and summary reconciliation schedules of the infrastructure and land assets or other schedule as needed.

Task 4.0 Set up Perpetual Procedures

Issue: Tasks 2.0, 2.1, 2.2, 2.3, 2.4 through 3.0 require a valuation updating of infrastructure and right-of-way land. An accounting system of infrastructure additions, deletions and replacements and right-of-way land additions and deletions is necessary to capture the annual changes in value.

Approach: Task 4 is dedicated to establishing procedures which will ensure the recognition, recording, and reporting of infrastructure assets. This process will require multi-departments' involvement to result in timely and accurate valuation on the City's financial statements. Two infrastructure assets' procedures that will need to be carefully addressed:

- Assets that are donated / dedicated to the City by developers need to be recorded. The total design, survey and construction costs are incurred by the developers or a reasonable accounting of those costs needs to be recognized, recorded, and reported by the City as infrastructure assets.
- City subcontracted, constructed or installed infrastructure needs to be accounted for in the internal work order system as labor, materials, and overhead. The existing capitalization threshold for the infrastructure assets is an important element in the creation of these procedures.

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The data collected can be entered into the City's capital assets system or an Access database system, Infrastructure Tracking System established by Bureau Veritas. A sample Infrastructure Asset Additions/Deletions form prepared for cities is shown as **Exhibit 3** on the next page.

Deliverables:

Written "Annual Infrastructure Updating Procedures," including a step-by-step process, by whom and completion schedule, and training of staff selected. Set up of an Access database of additions, deletions and replacements of all infrastructure assets.

Task 5.0 Meet with the Auditors/ Answer any Questions

Issue: The work required to complete the valuation may be examined by outside auditors as part of the annual audit process.

Approach: Set up a meeting with the auditors and City staff to ensure that Bureau Veritas is meeting with the auditors' requirements and/or meet with the auditors upon their request during the field audit to answer questions.

Deliverables:

Email correspondence between auditor and Bureau Veritas team member and meeting notes