



**CITY OF MORRO BAY**  
**City Council**  
**NOTICE OF SPECIAL MEETING**

*The City of Morro Bay provides essential public services and infrastructure to maintain a safe, clean and healthy place for residents and visitors to live, work and play.*

**SPECIAL MEETING AGENDA**  
**Tuesday, August 14, 2018 at 4:00 P.M.**  
**Veterans Memorial Hall**  
**209 Surf St., Morro Bay, CA**

ESTABLISH QUORUM AND CALL TO ORDER

PUBLIC COMMENT FOR ITEMS ON THE AGENDA

SPECIAL MEETING AGENDA ITEMS:

- I **ADOPTION OF RESOLUTION NO. 64-18 APPROVING CONSENT OF LANDOWNER DOCUMENT FOR UNITED STATES COAST GUARD STATION MORRO BAY BUILDING EXPANSION PROJECT PROPOSAL; (HARBOR)**

**Recommendation:** Council adopt Resolution No. 64-18, approving a Consent of Landowner document for the United States Coast Guard (USCG) Station Morro Bay building expansion proposal as-presented, and provide staff direction as-appropriate.

- II **ADOPTION OF RESOLUTION NO. 62-18 TO APPROVE A ONE-YEAR TRIAL EXTENSION OF UTILITY DISCOUNT PROGRAM ENROLLMENT AND ADOPTION OF RESOLUTION NO. 63-18 ESTABLISHING A PENALTY WAIVER POLICY FOR UTILITIES; (ADMINISTRATION/FINANCE)**

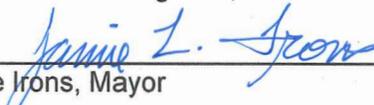
**Recommendation:** Council adopt Resolution No. 62-18 and 63-18.

- III **AUTHORIZE THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH REVENUE AND COST SPECIALISTS, LLC TO UPDATE THE CITY'S COMPREHENSIVE USER FEE STUDY, COST ALLOCATION PLAN, DEVELOPMENT IMPACT FEE STUDY AND MASTER FACILITIES PLAN IN AN AMOUNT NOT TO EXCEED \$83,569; (FINANCE)**

**Recommendation:** Authorize the City Manager to Execute an Agreement with Revenue and Cost Specialists, LLC to update the City's Comprehensive User Fee Study, Cost Allocation Plan, Development Impact Fee Study and Master Facilities Plan in an amount not to exceed \$83,569, which includes a contingency amount of \$16,714.

ADJOURNMENT

DATED: August 9, 2018

  
\_\_\_\_\_  
Jamie Irons, Mayor

**THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 24 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS OR CALL THE CLERK'S OFFICE AT 772-6205 FOR FURTHER INFORMATION.**

**IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.**

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AGENDA NO: I

MEETING DATE: August 14, 2018

# Staff Report

TO: Honorable Mayor and City Council

DATE: August 9, 2018

FROM: Eric Endersby, Harbor Director

SUBJECT: Adoption of Resolution No. 64-18 Approving Consent of Landowner Document for United States Coast Guard Station Morro Bay Building Expansion Project Proposal

## RECOMMENDATION

Staff recommend the City Council adopt Resolution No. 64-18, approving a Consent of Landowner document for the United States Coast Guard (USCG) Station Morro Bay building expansion proposal as-presented, and provide staff direction as-appropriate.

## ALTERNATIVES

The City Council could elect to not approve the USCG's building proposal, and direct staff accordingly.

## FISCAL IMPACT

Some as-yet unknown positive fiscal impact anticipated from financial consideration negotiated for the current five parking spaces the USCG proposes to construct their building expansion upon.

## BACKGROUND

The three-story building currently housing USCG Station Morro Bay was built in the early 1990's to serve as the administrative headquarters for the two medium-endurance 87-foot cutters, the *Point Winslow* and *Point Heyer*, then stationed here. This ~3,000 square-foot building was purpose-built to serve the mission of those cutters and crew.

Over the 1990's and early 2000's, the USCG's mission in Morro Bay changed drastically from that of a dual cutter base, to a Search and Rescue Detachment with the departure of the cutters and addition of 44-foot motor lifeboats, to today's Station Morro Bay with three modern 47-foot motor lifeboats, twice the staffing of the 1990's and overnight crews. As such, that building is now quite inadequate to serve the current and future needs. In addition, it cannot properly accommodate female members of the Coast Guard, and is, reportedly, the only small boat surf station in the entire USCG that is unable to do so.

Similarly, the current ~50-year-old Harbor Department office building is also quite inadequate to serve the department's mission and staffing. A needs assessment, commissioned and completed in 2015 concluded the current 930 square-foot office should be 2,500 square feet, if purpose-built today.

Through the late 1990's and mid 2000's, City staff worked with the USCG on several concept

Prepared By: EE

Dept Review: EE

City Manager Review: SC

City Attorney Review: JWP

projects with the USCG to build a new, joint Harbor/USCG facility on the combined Harbor and USCG sites. Despite significant time and resources dedicated to the projects over many years, including significant architectural and cost estimation work, none ever came to fruition, primarily because the USCG could not procure the necessary funding to build anything themselves, nor commit on a long-term basis the funding the City required to secure a loan of its own to build the joint complex.

In early 2013, the USCG approached the City for a location to build an independent, two-story ~2,500 square foot building to support its existing building, as it had procured ~\$1.4M of funding “reverted” from other, uncompleted projects to do so. That funding must be obligated to a definite project by the end of the Federal 2019 fiscal year, or the USCG will lose it for this project. Over many months, staff worked with the USCG on potential sites, including the Triangle Lot, Coleman Park area and parking lot just north of the power plant intake structure, the current Morro Bay Oyster Company lease site and the Dynegy power plant intake structure itself.

On November 12, 2013, in regular session the City Council considered USCG’s request for land entitlement north of the intake building for their proposal. While the Council was supportive of USCG’s needs, that particular location was not deemed desirable and the Council voted to appoint Mayor Irons and then-Councilman Leage as an ad-hoc committee to work with staff to evaluate other options.

After several months of work and meetings to scope possible locations, including three closed sessions of the Council for input in 2014, one primary new location was identified as the most mutually viable option for both the USCG and City: the two largely “vacant” and unleased lease sites 138-139, between the current Harbor Office and Crill’s Saltwater Taffy shop, where the North T-Pier public restroom and open parking space currently exist. While the USCG was amenable to 138-139, they preferred the Harbor Office site, lease site 140.

On July 8, 2014, a Consent of Landowner (COL) for 138-139 was approved by the City Council in regular session and included language that would consider site 140 if that option became financially viable for the City. USCG’s preference for 140 is predicated primarily on the notion of not “splitting” its facilities and personnel over two unattached buildings. A copy of the July 2014 COL is included with this report at Attachment 1.

In August 2014, the proposal was brought to the Harbor Advisory Board (HAB) for consideration and input, and the HAB endorsed the USCG proposal for lease sites 138-139, and recommended the lease for that site be at a fair market value, as opposed to the \$1/year the USCG pays for the current site, 141. The HAB was also tasked with considering restroom replacement location options, but only commented minimal public parking be lost in the process.

USCG then began the necessary project processing on its end, which started with appraisals of the value of the Harbor Office building and the public restroom building in the event one of those buildings was acquired by the USCG through use of eminent domain, as they would be paying fair market value for that acquisition. That process took quite some time on the USCG’s end, and in March 2016, the USCG presented the City with two draft MOUs, one for 138-139 and one for 140, for consideration of approval to move forward on one of them.

The matter was brought again to the Council in closed session in May 2016 for direction on negotiating land and building values, again with the Harbor Office/141 site being the USCG’s preferred one. Without a new revenue source to repay the necessary loan debt it would have to incur to build a new, independent Harbor Office, however, the City was unable to identify a path

forward for the USCG utilizing the Harbor Office/140 site, despite extensive efforts to identify potential grant and/or low-interest loan or other sources.

At that point, the USCG began investigating site alternatives adjacent to and attached to its current building in which to expand, thus not relying on the City and relocation of the Harbor Office since the time for the availability of the funding source was starting to be an issue. In early 2018, the USCG engaged staff exploring several one-, two- and three-story iterations of expanding Station Morro Bay into the parking lot between the existing building (and connected to it) and the Embarcadero where its ten dedicated parking spaces are currently located.

After several conference calls and in-person discussions over several months involving USCG personnel and variously the City Manager, Finance Director, Community Development Director, City Attorney and Harbor Director, the USCG, with City staff concurrence, determined a two-story, ~1,850 square foot addition to the eastern side of its current building into the five parking spaces adjacent to it currently was the most viable course of action to provide Coast Guard Station Morro Bay some much-needed space relief. The item was again brought to the Council in closed session on July 26, 2018, for direction on property negotiation points.

For further background information, the USCG currently has three leases with the City:

1. A 50-year ground lease (in a series of annual one-year renewal options provided Congress provides the necessary appropriations) for the current building location on Lease Site 141, \$1/year, expiring in 2039.
2. A 20-year "mooring and support services" lease (also in a series of one-year renewal options) for dock and slip space at the North T-Pier, work/storage shed on the end of the pier, and ten parking spaces, currently ~\$23,000/year with annual CPI adjustment, expiring 2019.
3. A 5-year storage building lease (also in a series of one-year renewal options) for the building it leases in the Harbor Department storage yard near the Fisherman's gear storage, currently ~\$8,700/year with annual CPI adjustment, expiring 2022.

## **DISCUSSION**

USCG's current proposal is the culmination of many years of work, investigation and negotiation on several proposal options and iterations, and consists of the conceptual plans as illustrated in various perspectives in Attachment 2. That ~1,850 square foot addition would be attached to the current Coast Guard building, and while extending into the parking lot approximately 20 feet and taking over five parking spaces currently allocated to USCG personnel, would not have any significant traffic, vehicle flow or viewshed impacts.

The draft COL document for Council consideration and approval, included with this report as Attachment 3, contains the following:

- A. Performance timelines by which the USCG must comply.
- B. A negotiated Supplemental Lease Agreement (SLA; a USCG document) as the instrument that will accommodate the newly leased property for the new building addition.
- C. Stipulation some financial consideration for the lost parking spaces will be negotiated and made to the City.

## **CONCLUSION**

The community, City Council and City staff have historically supported the USCG and accommodating its mission here in Morro Bay, including staff and Council working diligently over

the past ~five years to find a solution for Station Morro Bay with the USCG's time-limited funding. USCG reports the timing is now critical to obtain a firm City commitment to the proposed project, and believe a COL will suffice for those purposes.

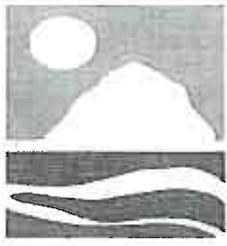
The proposal would go through the City's normal Conditional Use Permit (CUP) process with the Planning Commission and City Council, and although the Federal government is exempt from having to obtain a permit from the California Coastal Commission, it does have to demonstrate Coastal Act compliance via the National Environmental Policy Act (NEPA, the Federal equivalent to the California Environmental Quality Act – CEQA).

In order for the USCG not to lose the needed funding and begin the CUP process for a modest expansion of Station Morro Bay, staff believe this current proposal is the best way to achieve those ends. The USCG has indicated it intends to continue to pursue the bigger project of further expansion should the funding or a method be identified, and are committed to making Station Morro Bay more commensurate in size to its staffing and mission. That could, in the future, also enable the Harbor Department to move and/or upgrade its building if a joint or other future project and/or funding opportunity becomes apparent.

Resolution 64-18 is included with this report as Attachment 4, and the pertinent City lease sites map page as Attachment 5.

#### **ATTACHMENTS**

1. July 8, 2014 Consent of Landowner approval for USCG building proposal
2. USCG Station Morro Bay current proposed conceptual building expansion proposal
3. Resolution No. 64-18
4. New Consent of Landowner for consideration of approval
5. Pertinent Lease Sites map



**City of Morro Bay  
Tidelands Trust Grant Properties  
Consent of Landowner Form**

Consent For:

**Development of Lease Sites 138-139, located at 1253 & 1257  
Embarcadero Road, by United States Coast Guard (USCG), as proposed  
in letter dated April 23, 2014 and attached plans, and negotiation  
of new lease.**

Site Location: Lease Sites 138-139, 1253 & 1257 Embarcadero, Morro Bay, CA 93442

Property Owner: City of Morro Bay Telephone: 805-772-6254

Address: 595 Harbor St. City: Morro Bay State: CA Zip: 93442

Applicant: U.S. Coast Guard, Planning/Real Property Telephone: (510) 637-5537

Address: 1301 Clay Street, Suite 700N City: Oakland State: CA Zip: 94612-5203

The undersigned Trustee of record of the above noted Tidelands Trust property for which an application for a permit, business license or other City entitlements is being requested, does certify that:

**Building Permits, Land Use Permits:** Such application may be filed and processed with the City's full consent, under the conditions as set forth below. The applicant is authorized to contact the City's building and planning departments in connection with this matter and regarding necessary land use entitlements ("Land Use Permits"). The City retains the right to enter upon the land described herein at any time for the purposes of site inspection in advance of City action on the Land Use Permits, inspection of any construction, grading or other development activities following any Land Use Permits approval or evaluation of the satisfactory completion of development authorized through Land Use Permits approval, including continuing compliance with any conditions of approval.

**Conditions of Consent of Landowner:**

1. USCG and City understand and agree the public restroom/shower facility on lease site 139 will be relocated at sole cost and expense of USCG. The new restroom/shower facility is agreed to be an "in-kind" replacement to the existing restroom/shower facility with regard to number of fixtures and amenities, upgraded as-necessary to meet any new code or compliance requirements.
2. USCG and City further understand and agree City will be responsible for determining the restroom/shower relocation site, and all design, planning, permitting, and construction of the

- relocated restroom/shower facility; provided, that USCG shall fully reimburse City for the cost related to the foregoing, including all City personnel staff time costs.
3. USCG and City further understand and agree final approval of USCG to construct USCG's proposed building is contingent upon City obtaining all necessary permits and permissions to construct the restroom/shower facility.
  4. USCG and City agree, if an alternate suitable location for USCG's proposed building is identified, then City consents to exploration of relocating USCG's building proposal to that alternate location. Since time and timing, however, is of the essence to USCG and the City is interested in assisting USCG with its project, to the extent that it can, City will take reasonable steps for finding a mutually acceptable alternate location for the USCG proposed building, including, but not limited to, the current Harbor Department office location.
  5. USCG and City further agree the restroom facility relocation site is yet to be specifically determined, but a potential relocation site is the parking area adjacent to Embarcadero Road. If another relocation site is determined appropriate by the City Council, after considering public input received at a noticed public meeting, then this Consent of Landowner shall be deemed to refer to that site as well.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

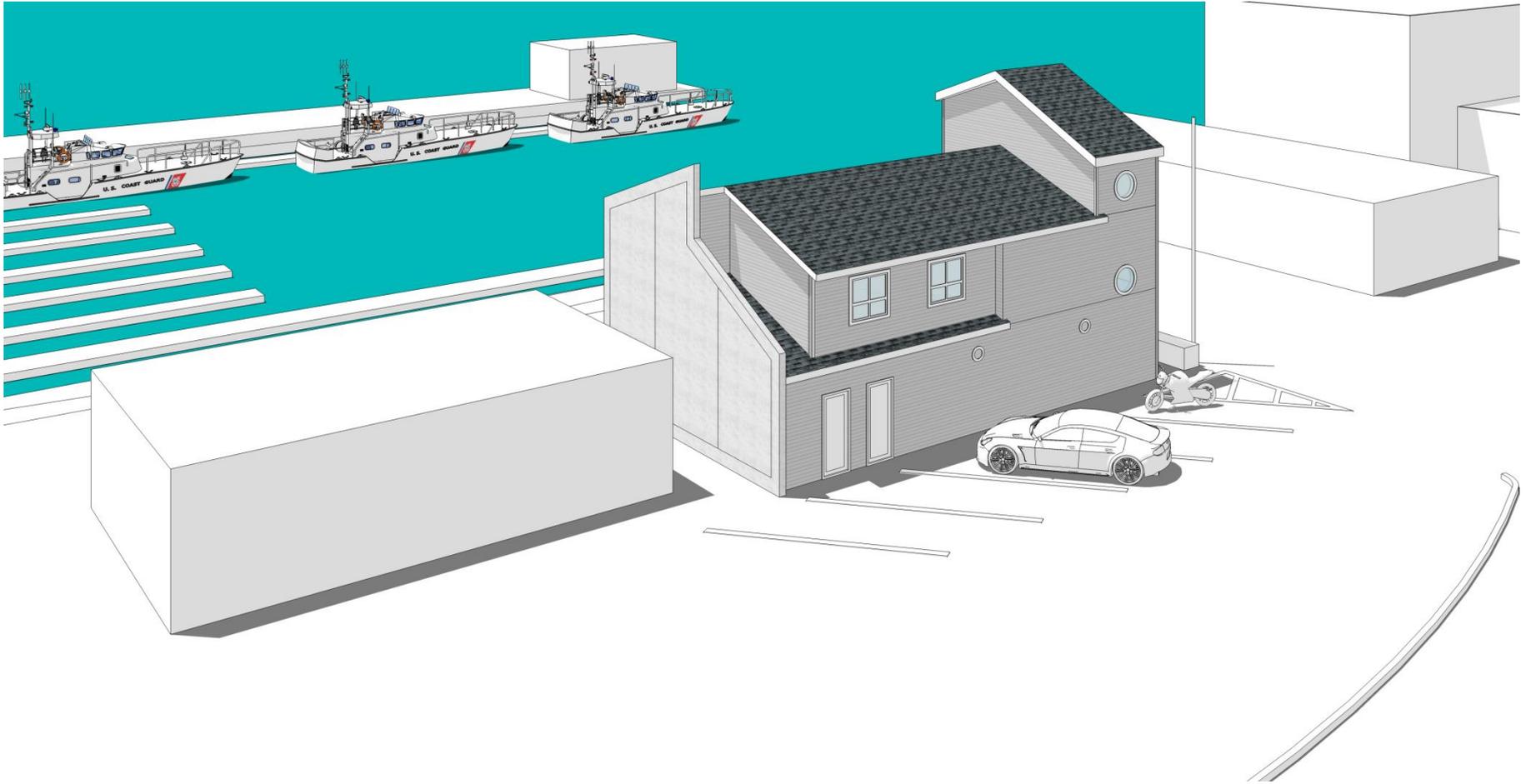
Edward S. Kreins 7/9/14

**Edward S. Kreins, Interim City Manager**

**Date**

# USCG STATION MORRO BAY

MORRO BAY, CA



USCG STATION MORRO BAY

July 26, 2018

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# USCG STATION MORRO BAY

- Over 100 miles from SLO/Monterey County line to Point Conception and 50 miles out to sea
- (2) 47 FT Motor life boats
- (25) personnel

## History/Background

- Point Arguello Lifeboat Station was manned until 1958 when it was determined to be too costly. The Lighthouse at Point Arguello continued to be manned until 1967, then Station Morro Bay was created.
- Search and rescue, law enforcement, marine environmental protection
- Southernmost surf station on the west coast (only 20 in the entire CG).

## Notable Cases/Initiatives

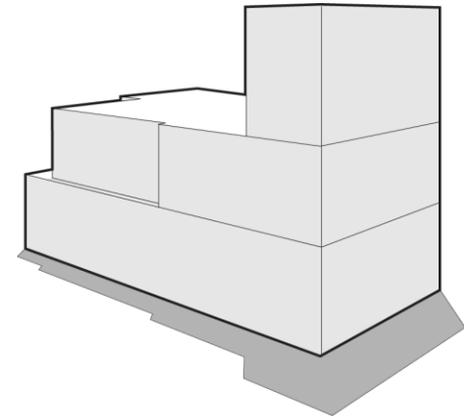
- 14FEB16 - Rescued 2 people from capsized vessel in the surf.
- Coastal Incident Response Plan (CIRP): CALFIRE, MB Fire, MB Harbor Patrol, State Parks, SLO Harbor Patrol, N. Coast Ocean Rescue, CDFW



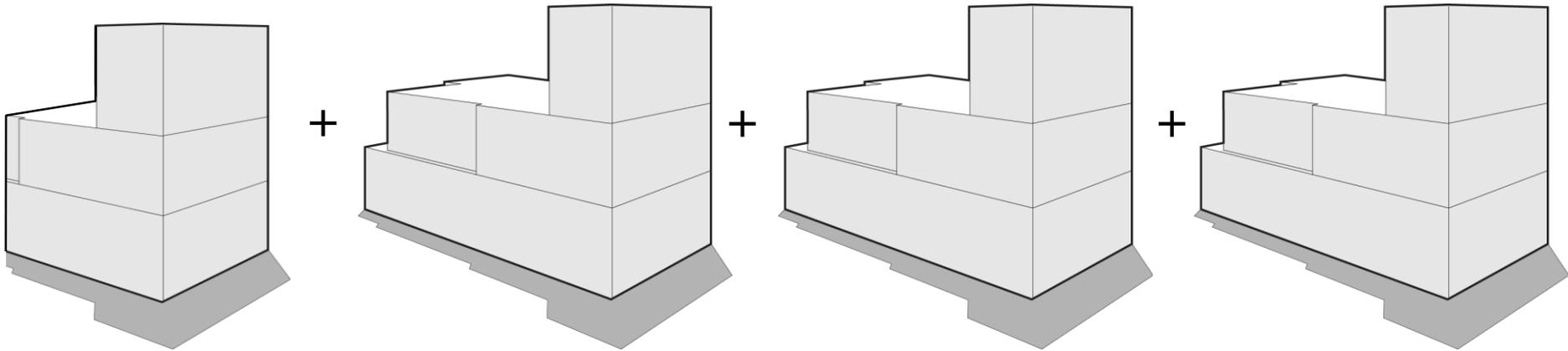
# Required Square Footage

- Currently STA. Morro Bay is approximately 3000 sq. ft.
- The current space needed to support STA. Morro Bay is approximately 10,000 sf. ft.
- The deficit between current space and the required space is 7,000 sq. ft.

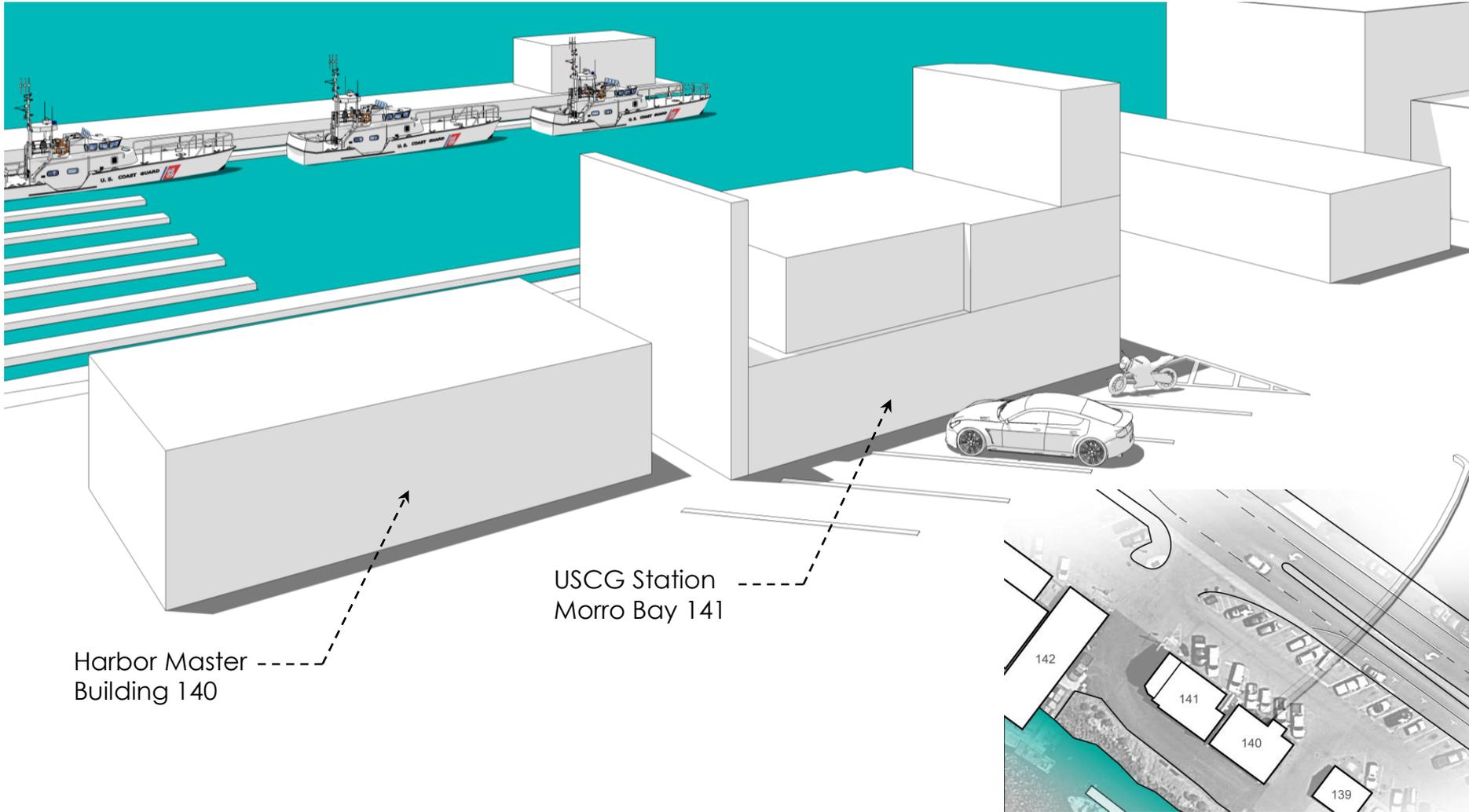
## CURRENT



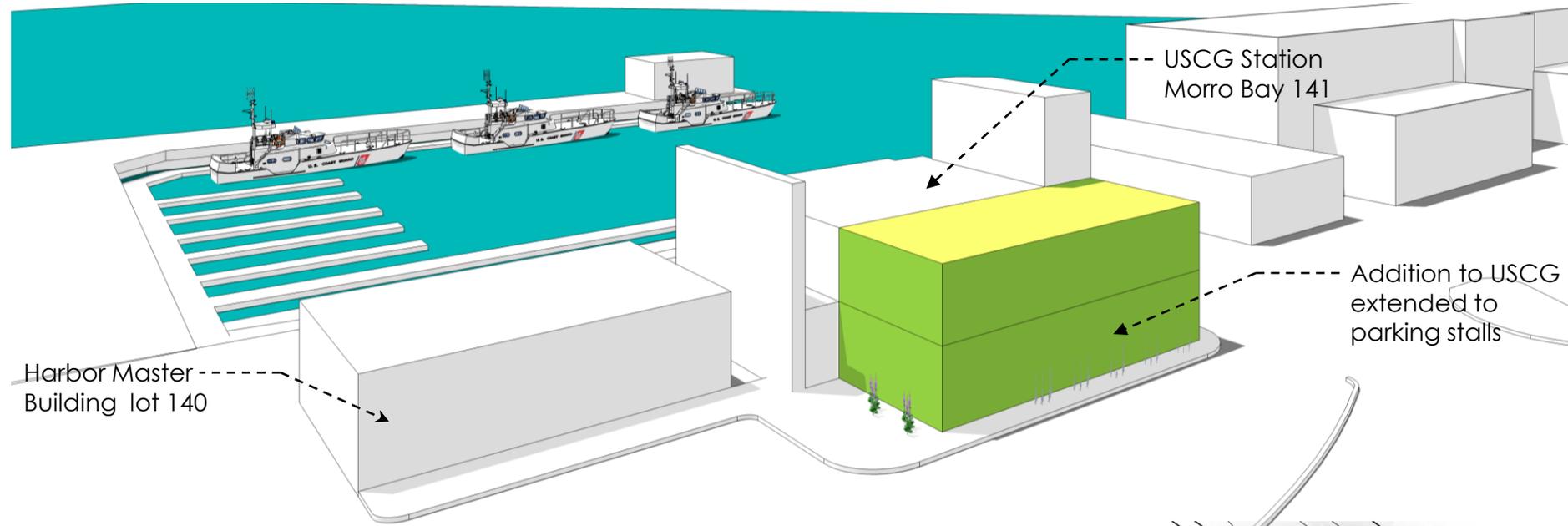
## MISSION REQUIREMENT



# Current Condition | Massing Diagram



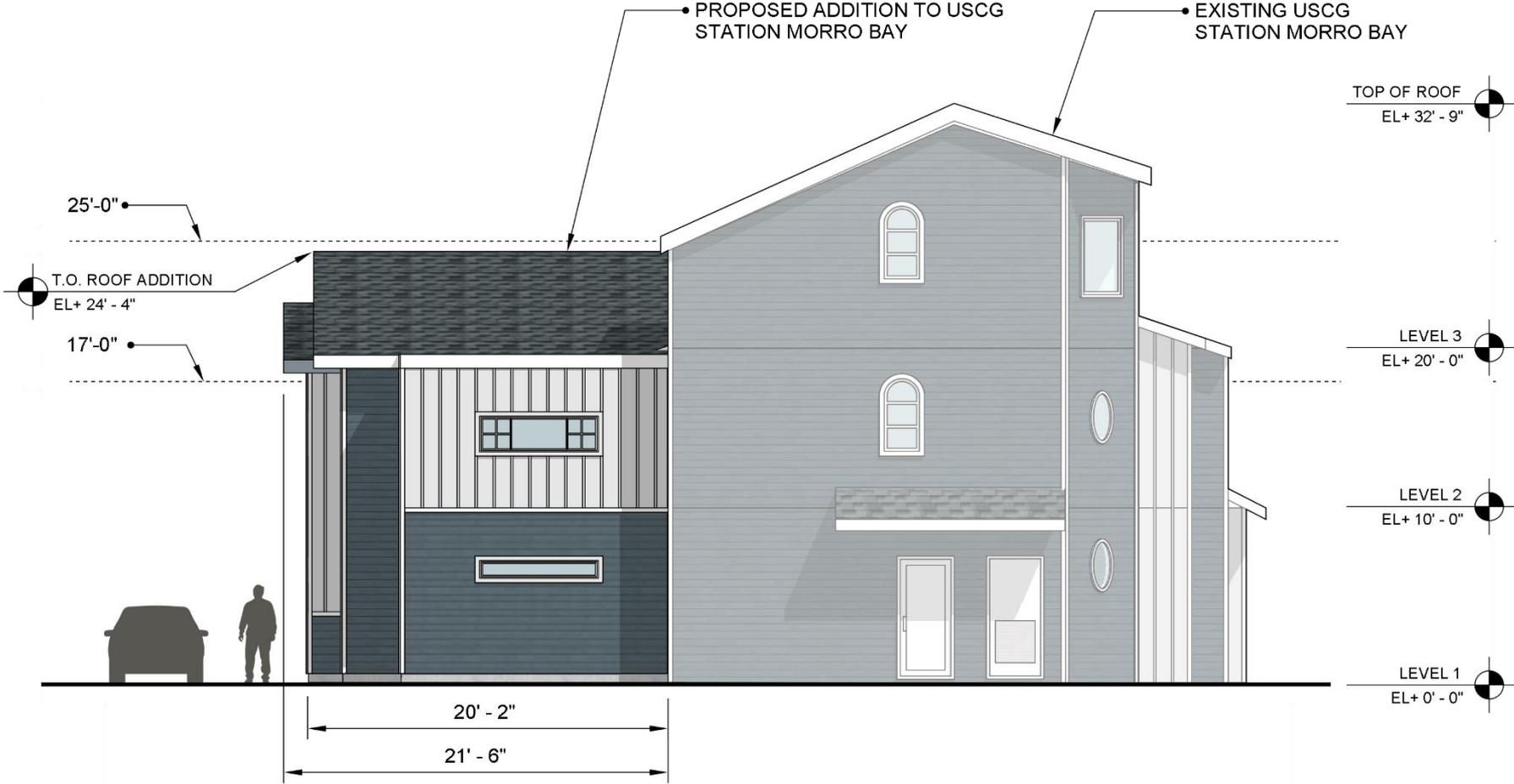
# 2 Floor Addition Diagram



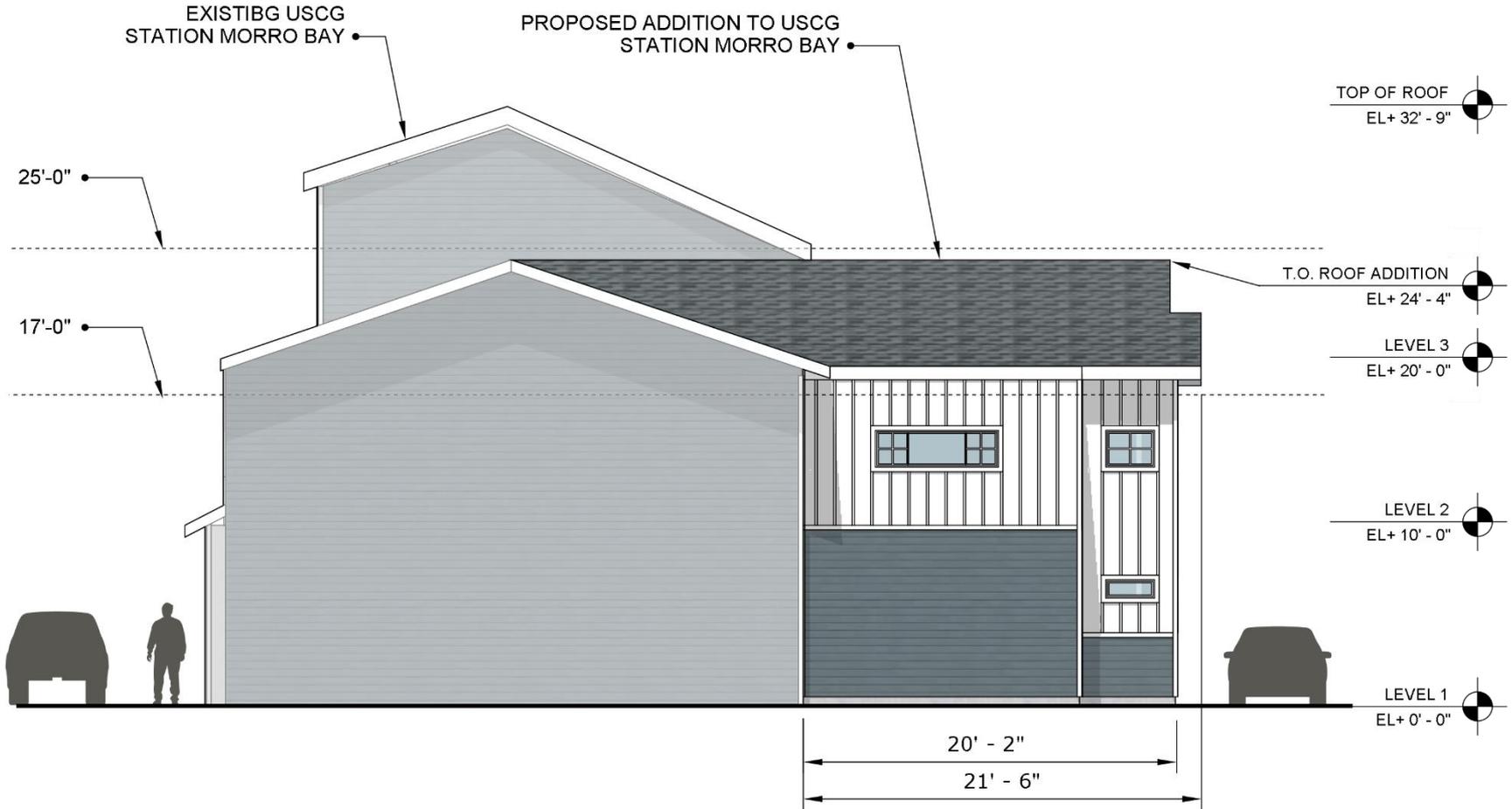
- The addition would extend approximately 20 ft. into Coast Guard Parking lot.
- Four parking spaces will be eliminated in the addition.
- Approximately 920 sq. ft. will be added per floor.
- 2 floors approximately 1840 sq. ft. will be added to USCG Station Morro Bay.



# North Elevation



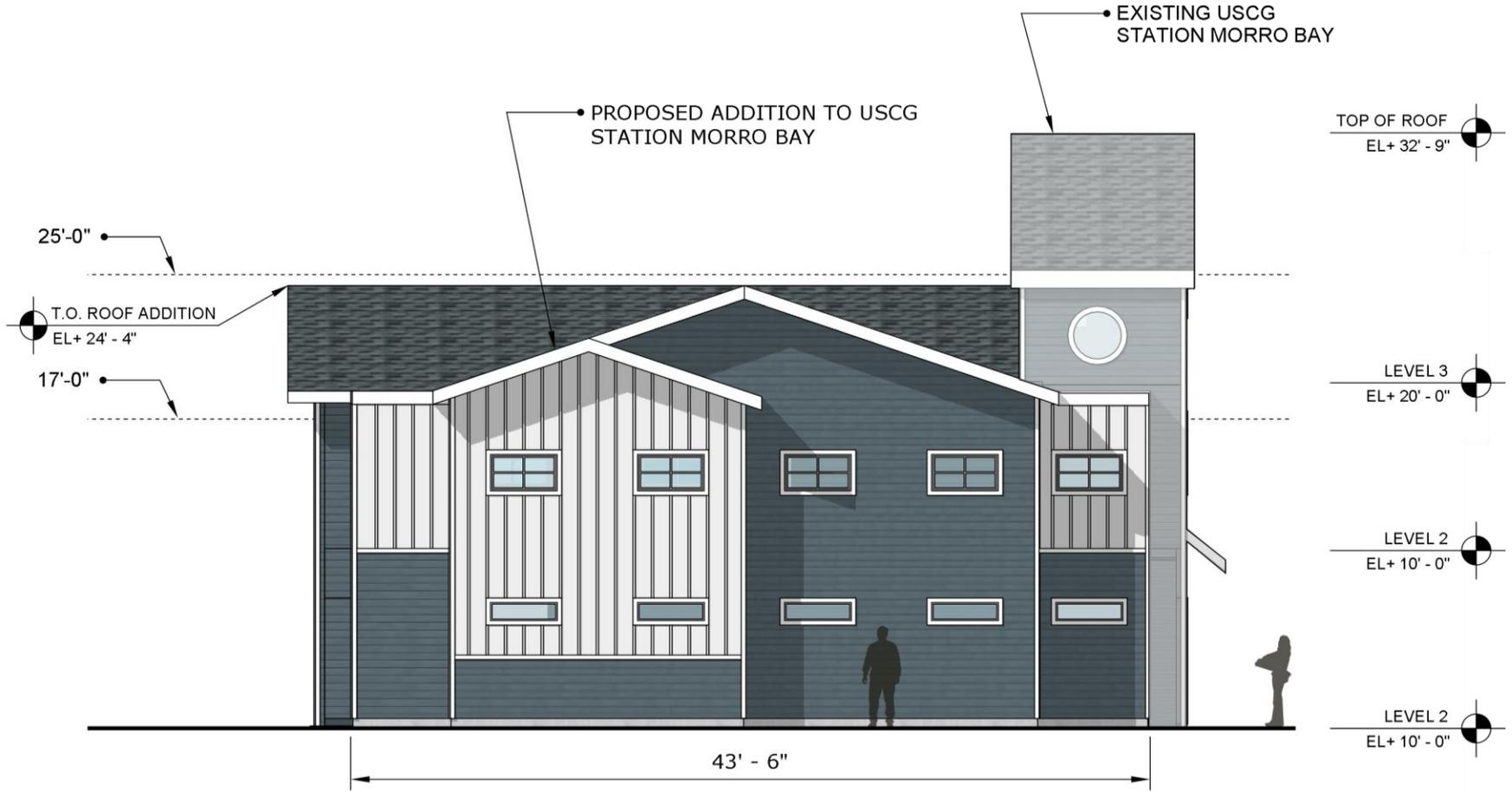
# South Elevation



# West Elevation



# East Elevation

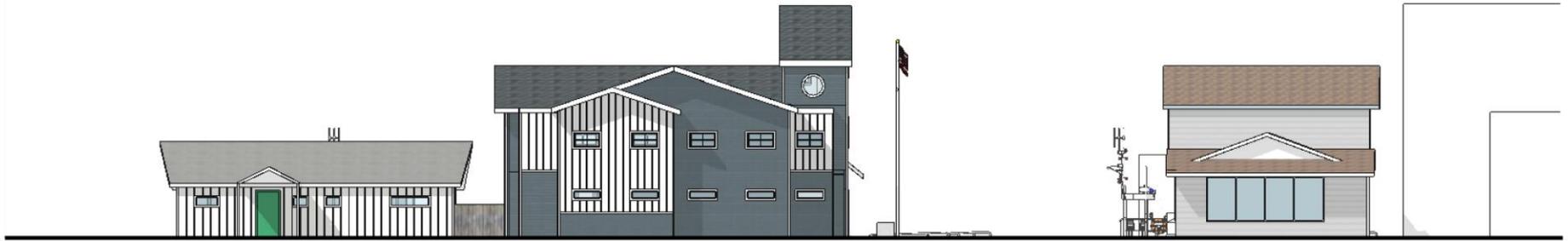


# Overall Elevations



WEST ELEVATION

scale: 1/8"=1'



EAST ELEVATION

scale: 1/8"=1'



# Current Station | N.E. Elevation



USCG STATION MORRO BAY

July 26, 2018

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# Station Addition | N.E. Elevation



USCG STATION MORRO BAY

July 26, 2018

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# Current Station | East Elevation



USCG STATION MORRO BAY

July 26, 2018

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# Station Addition | East Elevation



# Current Station | S.E. Elevation



USCG STATION MORRO BAY

July 26, 2018

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# Station Addition | S.E. Elevation



USCG STATION MORRO BAY

July 26, 2018

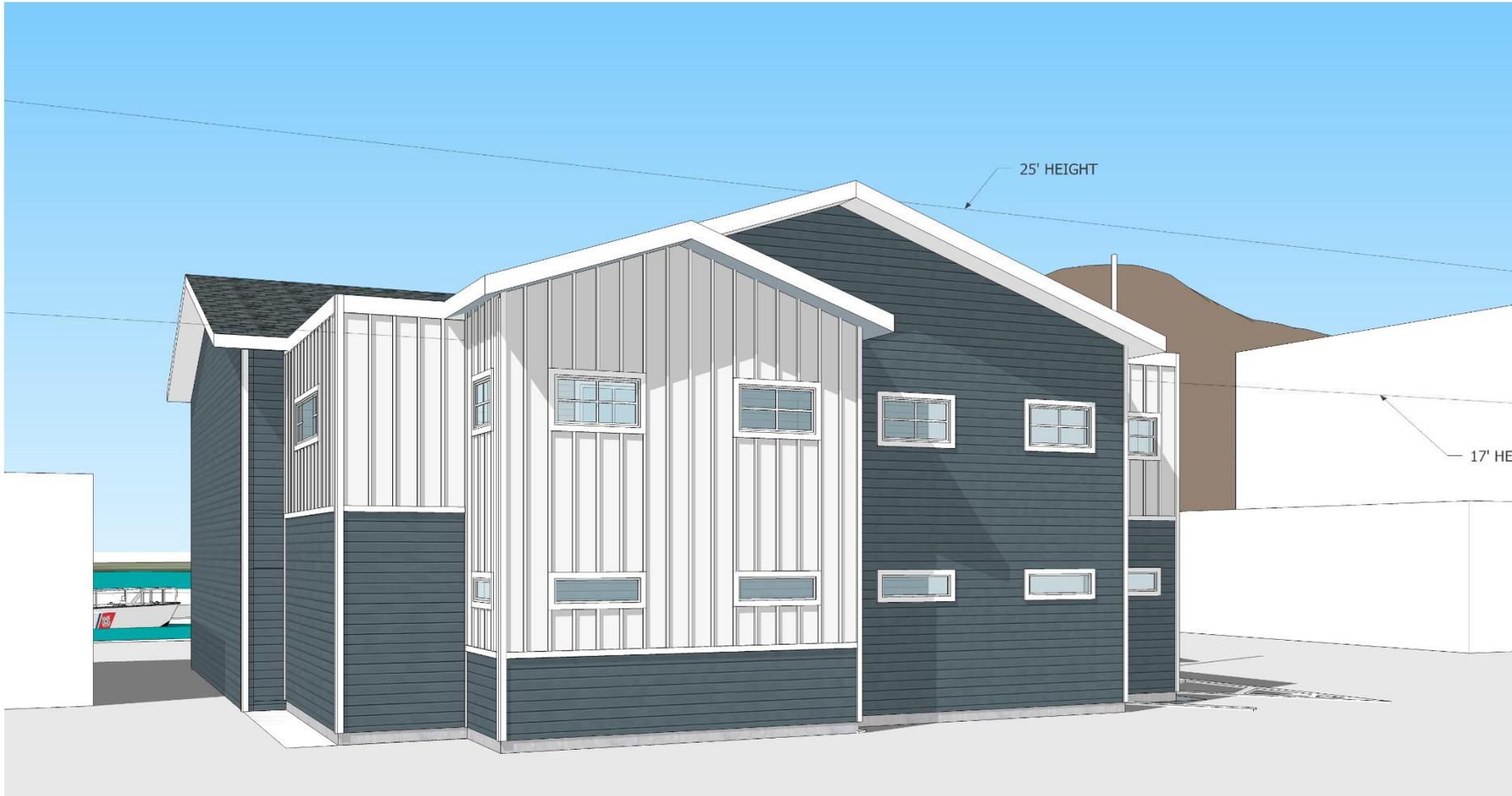
16



# Perspective



# Perspective



USCG STATION MORRO BAY

July 26, 2018

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# Perspective



USCG STATION MORRO BAY

July 26, 2018

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**RESOLUTION NO. 64-18**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA  
APPROVING CONSENT OF LANDOWNER DOCUMENT  
FOR UNITED STATES COAST GUARD STATION MORRO BAY  
BUILDING EXPANSION PROJECT PROPOSAL**

**THE CITY COUNCIL  
City of Morro Bay, California**

**WHEREAS**, the City of Morro Bay is the lessor of certain properties on the Morro Bay Waterfront described as City Tidelands leases and properties; and

**WHEREAS**, the United States Coast Guard has leased City property for its station needs since 1967 and is a tenant in good standing on Lease Site 141; and

**WHEREAS**, the United States Coast Guard has stationed personnel, equipment and vessels in Morro Bay since 1967 for the purposes of boating safety and enforcement, smuggling and drug interdiction, search and rescue and standing by the Morro Bay harbor entrance during hazardous conditions to assist vessels in transit and distress; and

**WHEREAS**, the United States Coast Guard is an active and engaged community member, both in Morro Bay and regionally; and

**WHEREAS**, the United States Coast Guard Station Morro Bay building does not adequately accommodate the station's personnel and equipment/storage needs, and the Coast Guard is desirous of expanding their existing building; and

**WHEREAS**, the United States Coast Guard has submitted conceptual plans for an expansion of the Station Morro Bay building into the parking lot adjacent to their station; and

**WHEREAS**, the City of Morro Bay is supportive of the United States Coast Guard and desirous of assisting the Coast Guard better accommodate those in the Coast Guard that serve their community and country.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Morro Bay, California, as follows:

1. The attached Consent of Landowner agreement provides the United States Coast Guard the permission and authority to submit their building expansion plans for Conditional Use Permit approval by the City.
2. The City Manager is hereby authorized to execute said Consent of Landowner agreement.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a regular meeting thereof held on the 14<sup>th</sup> day of August 2018 on the following vote:

AYES:  
NOES:  
ABSENT:

ATTEST:

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Jamie L. Irons, Mayor

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Dana Swanson, City Clerk

**City of Morro Bay**  
**Tidelands Trust Grant Properties**  
**Consent of Landowner Agreement Form**

Consent For:

**Remodeling existing Coast Guard building on Lease Site 140 into adjacent parking lot area, 1279 Embarcadero Road, by the United States Coast Guard, as proposed in conceptual plan presented to the City Council on August 14, 2018.**

Site Location: Lease Site 140 and adjacent parking lot, 1279 Embarcadero, Morro Bay, CA

Property Owner: City of Morro Bay Telephone: 805-772-6201

Address: 595 Harbor St. City: Morro Bay State: CA Zip: 93442

Applicant: United States Coast Guard Telephone: 805-772-2167

Address: Building 54-D, Coast Guard Island City: Alameda State: CA Zip: 94501

I, as representative of the City of Morro Bay, the owner/trustee of record of the interest in the above noted land for which an application for a Conditional Use Permit is being requested by the Applicant, do certify Consent of Landowner is given for the preliminary concept plans presented to the City Council on August 14, 2018, and attached hereto as Exhibit A, in accordance with the following:

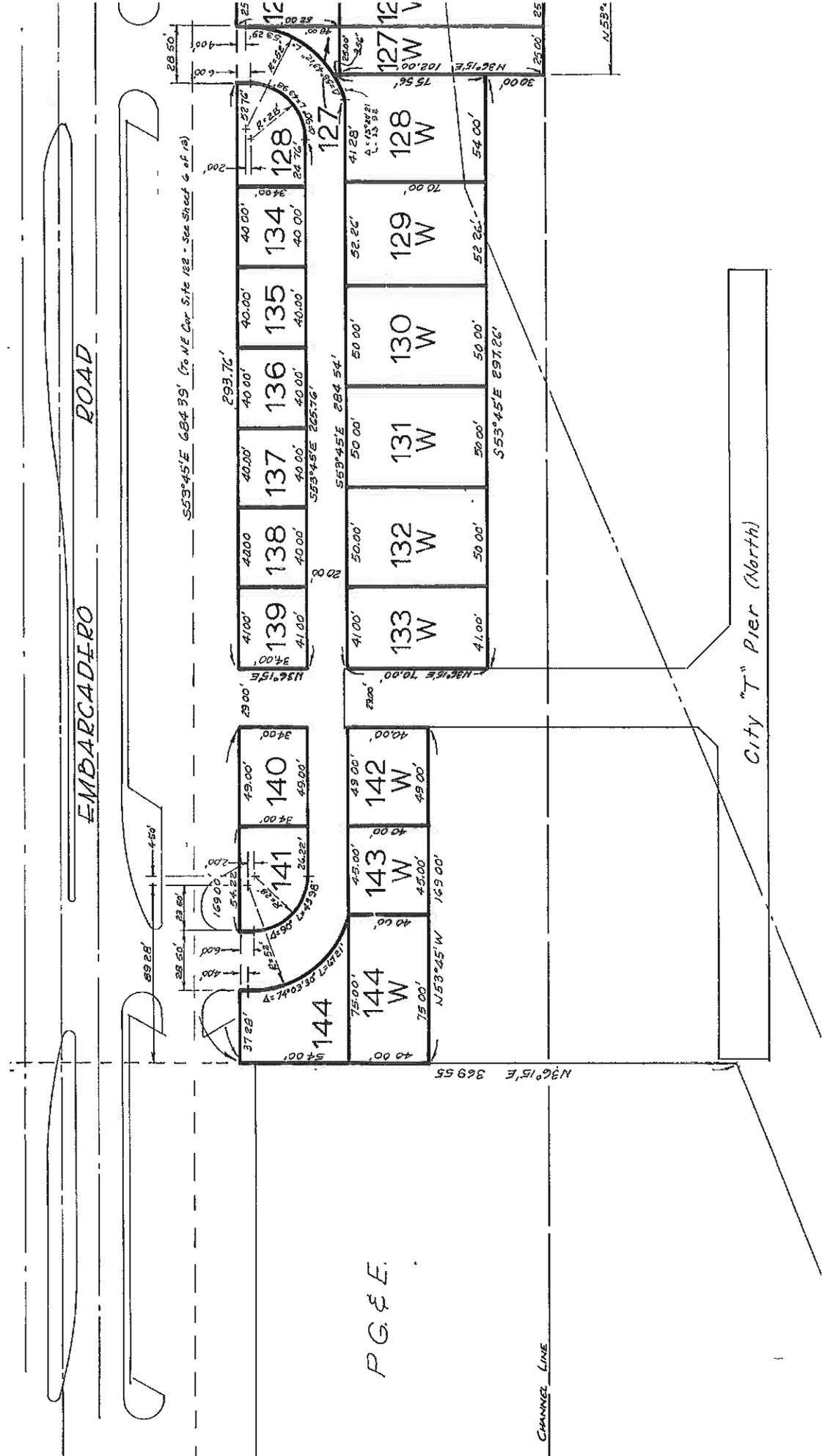
1. The Applicant must file a complete application for a Conditional Use Permit for the project as-proposed, per the City Planned Development Overlay Zone and Concept Plan Submittal Requirements, with the Community Development Department by August 31, 2019 at 4:00 p.m. or this Consent of Landowner Agreement will expire on September 1, 2019.
2. The Applicant must obtain Concept Plan approval from the Planning Commission and City Council on or before June 30, 2020 at 4:00 p.m. or this Consent of Landowner Agreement will expire on July 1, 2020.
3. The Applicant, after obtaining Concept Plan approval by the Planning Commission and City Council, shall negotiate in good faith with the City for a Supplemental Lease Agreement (“SLA”) for the new premises required to build the project as-proposed, and including provisions for financial consideration for the expanded USCG facility and relating to parking impacts. Upon execution of the SLA, this Consent of Landowner Agreement shall no longer be of any effect. If a SLA is not executed by both parties on or before December 31, 2020, then this Consent of Landowner Agreement shall expire on January 1, 2021.
4. The SLA will include the following time milestones:
  - a. The Applicant must commence construction for the approved project on or before January 1, 2021.
  - b. The Applicant must complete construction for the approved project on or before December 31, 2021, as evidenced by a Certificate of Occupancy issued by the City.

If, due to any reason within or outside the control of Applicant, as reasonably determined by the City Manager, then one or more extensions to any or all of the compliance dates may be granted.

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**Scott Collins, City Manager**

**Date**



EMBARCADERO ROAD

City "T" Pier (North)

P.G. & E.

CHANNEL LINE

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AGENDA NO: II

MEETING DATE: August 14, 2018

# STAFF REPORT

TO: Honorable Mayor and City Council

DATE: August 9, 2018

FROM: Jennifer Callaway, Finance Director

SUBJECT: Adoption of Resolution No. 62-18 to Approve a one-year Trial Extension of Utility Discount Program Enrollment and Adoption of Resolution No. 63-18 Establishing a Penalty Waiver Policy for Utilities

## RECOMMENDATION

Staff recommends Council adopt Resolution Nos. 62-18 and 63-18.

## BACKGROUND

City Council recently revised the Utility Discount Program on June 13, 2018. The program extends a 10% discount to Morro Bay water and sewer customers that participate in Pacific Gas & Electric's (PG&E) CARE program. At that time, City Council has expressed interest in further revising the program to extend the enrollment period beyond its existing July 1 – July 31 period. On July 10, 2018, staff committed to bring back revisions to the Utility Discount Program to pilot an on-going enrollment period for one-year.

In addition, staff has been working to review office policies and practices to ensure policies are properly documented and formalized so that they can be consistently applied. In doing so, staff realized that the penalty waiver "policy" for water and sewer bill late payments and other related penalties has been applied as a matter of practice but is not formally documented or approved. Therefore, staff has prepared an official penalty waiver policy for Council consideration and adoption.

## DISCUSSION

### Utility Discount Program

For FY 2017/18 fiscal year, 128 customers were enrolled in the City's Utility Discount Program (UDP). Understanding that there are potentially upwards of 1,000 qualifying customers in the City, staff increased efforts to notify customers of qualifications to enroll and noticing of the open enrollment period. Information, in both English and Spanish, was provided to Community Resource Connections for assistance in reaching as many customers as possible, a notice was included on the June utility bill, a flyer insert noticing the open enrollment period was included in the July utility bills, information was provided on the City's website and in local media stories, and the program was discussed at Council meetings. In addition, the account clerks actively informed customers of the program as customers called in and/or visited City Hall, and sent letters to previous year enrollees to remind them to re-enroll in the program if they were still eligible.

01181.0001/480956.1

Prepared By: JC

Dept Review: \_\_\_\_\_

City Manager Review: SC

City Attorney Review: \_\_\_\_\_

By the end of the open enrollment period of July 31, 2018, the City has enrolled 204 customers into the UDP, a 59% increase in enrollment over the previous year. While this represents a significant increase, there still remain many customers that qualify for enrollment who have not submitted applications. In addition, the City received seven applications after the July 31, 2018 enrollment deadline that should the program enrollment period be extended staff would enroll into the program for August billing.

When originally presented with the concept of an extended enrollment period, concerns were expressed over the administrative capacity to take on such an extension. However, after some review of process, staff is no longer concerned that an extended enrollment period would create a substantial amount of additional work that could not be supported. There still remains concern from a budgetary perspective, in that an open or extended enrollment period would limit the City's ability to properly budget for the percentage of discount that can be applied to each enrollee's bill. The program currently extends a 10% to customers that qualify, however with more significant participation they City may not have adequate funding available to provide a 10% discount. This could be addressed by monitoring the discount program budget regularly and bringing forward issues to Council should they arise for consideration and revision of the program budget if necessary.

Staff's recommendation is to adopt Resolution No. 62-18 which would pilot a one-year open enrollment period for the UDP. There is adequate fund balance within the program (approximately \$410,000) to provide the UDP on an on-going basis. The one-year open enrollment pilot will allow for more eligible customers to enroll, allow for new members of the community to enroll immediately upon move in, and would allow customers who have experienced a change in circumstances to take advantage of the program without having to wait until the open enrollment period. Furthermore, an open enrollment period is consistent with PG&E Care enrollment which allows for rolling enrollment throughout the year. Staff will assess the rolling enrollment period for sustainability and funding during the spring of 2019 and bring forward a recommendation at that time to extend the rolling open enrollment period for provide for limited enrollment periods based on funding limitations.

#### Penalty Fee Waiver Policy for Utilities

The City currently charges penalties for customers that are not current on their utility bill payments (10% on late amount of bill, beginning the first day of the following month) and what is referred to as "tag notice" charge (\$62.27) for the physical posting of shut-off notices at the customer's location. Prior practice has been to offer customers a penalty waiver once, for the lifetime of their account. This past practice has not been formalized or documented in a policy and, as such, staff recommends formalizing a Utility Penalty Fee Waiver policy so that application of the policy can be consistently administered, and it is very clear what the expectations of the City are with respect to penalty forgiveness.

Staff recommends that the Council adopt Resolution 63-18, City of Morro Bay Penalty Waiver Policies for Utilities, which would permit for penalty waivers on the customers account for either the late fee (10% of overdue amount) or the tag notice fee once within a two-year time-span. The recommendation is that penalty waivers can be offered by front-line staff who are collecting payments. Staff surveyed other California cities regarding penalty forgiveness and had limited response. Of the four responding municipalities, two permitted penalty waivers once for the life of an account, one allowed for penalty forgiveness two times within a twelve-month period and the fourth provided for one penalty waiver every two years as is proposed by City staff and also provided authority for management to waive a penalty if the customer demonstrated, in writing, excusable neglect or extreme hardship.

## **CONCLUSION**

Staff recommends the Council adopt Resolution 62-18 extending the Utility Discount Program enrollment period to rolling enrollment throughout the year as a one-year pilot to examine funding ability. In addition, staff recommends Council adopt Resolution 63-18 Penalty Waiver Policy for Utilities. Staff's objective is to bring customers current on their bills. A formalized policy will provide staff with the ability to offer waiver assistance which will provide some relief to customers that have been delinquent in paying their bill.

## **ATTACHMENTS**

1. Resolution 62-18 City of Morro Bay Utility Discount Program amending the City's existing program
2. Resolution 63-18 City of Morro Bay Utility Penalty Waiver Policy

**RESOLUTION NO. 62-18**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
RESCINDING RESOLUTION NO. 42-18, AND RE-ESTABLISHING A  
UTILITY DISCOUNT PROGRAM FOR ELIGIBLE CUSTOMERS**

**THE CITY COUNCIL  
City of Morro Bay, California**

**WHEREAS**, on August 28, 1995, the Morro Bay City Council adopted Resolution No. 103-95, which established economic hardship criteria, and a program for water rate adjustments; and

**WHEREAS**, on July 14, 2015, the Morro Bay City Council adopted Resolution No. 54-15, which established economic hardship criteria, and a program for water/sewer rate adjustments; and

**WHEREAS**, on June 13, 2018, the Morro Bay City Council adopted Resolution No. 42-18, which re-established a Utility Discount Program for eligible customers; and

**WHEREAS**, the Morro Bay City Council now wishes to rescind Resolution No. 42-18; and

**WHEREAS**, the City Council wishes to re-establish the Utility Discount Program for eligible customers and clarify the applicable revenues and criteria for qualifying for the program.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Morro Bay, as follows:

1. Resolution No. 42-18 is hereby rescinded; and
2. The City wishes to extend rolling, on-going enrollment for one fiscal year, July 1, 2018 through June 30, 2019. The pilot rolling enrollment period will provide for expanded efforts to enroll as many eligible customers into the program as possible while assessing the City's ability to fund the program for the increased enrollment base; and
3. The funding for this Program will come from the prior fiscal year's actual water and sewer penalties, voluntary donations and other non-rate revenue Council deems appropriate; and
4. The maximum discount is 10-percent of the customer's Water/Sewer bill per month; and
5. The determinant for qualification will be participation in the PG&E Customer Care program; and
6. Staff is directed to make changes to the application material and policy reflecting the aforementioned criteria, as appropriate.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay, at a special meeting thereof held on the 14<sup>th</sup> day of August 2018, by the following vote:

AYES:  
NOES:  
ABSENT:

\_\_\_\_\_  
JAMIE L. IRONS, Mayor

ATTEST:

\_\_\_\_\_  
DANA SWANSON, City Clerk

**RESOLUTION NO. 63-18**

**RESOLUTION OF THE CITY COUNCIL  
OF THE CITY OF MORRO BAY, CALIFORNIA,  
ADOPTING A PENALTY WAIVER POLICY FOR UTILITIES**

**THE CITY COUNCIL  
City of Morro Bay, California**

**WHEREAS**, The City of Morro Bay charges a ten (10) percent penalty on late utility payments;  
and

**WHEREAS**, the City of Morro Bay charges a “tag notice fee” for the delivery of turn-off notices to  
a customer’s address; and

**WHEREAS**, staff recommends the City Council adopt the proposed Penalty Waiver Policy for  
Utilities to formalize a policy for consistent administrative application by staff.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Morro Bay, California,  
that the “Penalty Waiver Policy for Utilities” as documented in Exhibit A, attached hereto and  
incorporated herein, is hereby approved.

**PASSED AND ADOPTED** by the City Council of the City of Morro Bay at a special meeting  
thereof held on the 14<sup>th</sup> day of August 2018, by the following vote:

AYES:  
NOES:  
ABSENT:

\_\_\_\_\_  
JAMIE L. IRONS, Mayor

ATTEST:

\_\_\_\_\_  
DANA SWANSON, City Clerk



## **COUNCIL POLICY**

### **Penalty Waiver Policy for Utilities**

#### **Policy Statement**

The City of Morro Bay (City) Public Works Department, Water and Sewer Divisions, are responsible for the collection and treatment of wastewater for over 5,000 customers within City limits and delivery of potable water to a similar number of customers.

The City Council sets legislative financial management policies, as recommended by staff and advisory committees. This Penalty Waiver Policy for Utilities (“Policy”) is designed to establish guidelines to allow for utility customer penalty waivers under qualifying circumstances.

#### **Purpose**

The Penalty Waiver Policy for Utilities establishes a mechanism and authority for providing billing adjustments to forgive penalties and/or tag notice fees. An adjustment of the full amount of the penalty or tag notice fee may be made two times during a twenty-four-month period.

#### **Definitions**

Penalty – ten percent (10%) of the unpaid, past-due balance on a utility account, assessed the first day of the month following due date.

Tag Notice – fee charged for the physical posting of shut-off notices at the customer’s location.

Waiver – forgiveness of the penalty or tag notice amount.

#### **Waiver of Penalty**

The City bills utility customers monthly for water and sewer services. For any account with an unpaid balance, a ten percent (10%) penalty on the unpaid balance is assessed starting the first day of the first month following the due date. In addition, the City notifies applicants that are delinquent that utilities will be shut off via a “tag notice.” Customers are assessed a fee for “tag notices” to recover the cost of staff physically posting the shut-off notice at the customers location. The tag notice fee is identified in the City’s Master Fee Schedule which is updated and adopted annually.

One penalty or tag notice fee waiver may be offered to customers during a twenty-four-month period. City staff, including Account Clerk staff working with customers to bring accounts current, may offer the penalty forgiveness without further approval. Either the utility customer or associated customer may request penalty forgiveness. Such approval will be documented in the customer’s account notes with the following information:

- Date of conversation with customer and customers name requesting waiver
- Notes regarding customer’s request or circumstances

- Penalty waiver offered (either 1<sup>st</sup> or 2<sup>nd</sup> waiver)
- Date of waiver and amount
- Employee approving the waiver

This policy applies to all customers of the City of Morro Bay who have a utility billing account with the City. The Finance Department is responsible for the administration and enforcement of this policy.

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AGENDA NO: III

MEETING DATE: August 14, 2018

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** August 9, 2018

**FROM:** Jennifer Callaway, Finance Director

**SUBJECT:** Authorize the City Manager to Execute an Agreement with Revenue and Cost Specialists, LLC to update the City's Comprehensive User Fee Study, Cost Allocation Plan, Development Impact Fee Study and Master Facilities Plan in an amount not to exceed \$83,569

## RECOMMENDATION

Authorize the City Manager to Execute an Agreement with Revenue and Cost Specialists, LLC to update the City's Comprehensive User Fee Study, Cost Allocation Plan, Development Impact Fee Study and Master Facilities Plan in an amount not to exceed \$83,569, which includes a contingency amount of \$16,714.

## FISCAL IMPACT

The City Council adopted FY 2018/19 budget included \$86,247 for the Comprehensive User Fee Study, Cost Allocation Plan and Development Impact Fee Study. Staff recommends contract fees be appropriated as follows:

|                           |                                   |
|---------------------------|-----------------------------------|
| General Fund:             | \$45,963 (55% of contract)        |
| Sewer Revenue Fund:       | \$12,535 (15% of contract)        |
| Water Revenue Fund:       | \$12,535 (15% of contract)        |
| Harbor Accumulation Fund: | <u>\$12,535</u> (15% of contract) |
|                           | \$83,569                          |

Staff will bring forth appropriate budget adjustments for the enterprise funds to support those expenditures during the first quarter budget update.

## DISCUSSION

At the April 10, 2018, Council meeting, the City Council authorized staff to release a Request for Proposal (RFP) to seek qualified consulting firms to perform a Comprehensive Fee Study, Cost Allocation Plan and Optional Development Impact Fee Study. Staff published the RFP on April 13, 2018, with a closing date of May 11, 2018. The City received seven proposals in response to the RFP.

City staff assembled an evaluation panel to review the proposals and conduct finalist interviews. The panels consisted of members of City staff representing General Fund departments and the Enterprise Funds of water, sewer and harbor. In addition, staff invited a member of the Public Works Advisory Board, Planning Commission, Recreation and Parks Commission, Citizens Finance Advisory Committee, and Harbor Advisory Board to participate in the evaluation of proposals. A member of the Public Works Advisory Board participated in the proposal review process and a

Prepared By:   JC  

Dept Review: \_\_\_\_\_

City Manager Review:   SC  

City Attorney Review: \_\_\_\_\_

member of the Planning Commission participated in the oral interviews of finalists. In addition, the Finance Director for the City of Grover Beach served as a panelist for the oral interviews.

The City conducted a tiered evaluation approach, with the first round of evaluations being technical in nature and focused on the firm's approach, background and experience, communication and quality of proposal submitted, ability to meet City's timeline and reputation. The Cost proposals were opened separately and were reviewed as a separate phase of the process, upon completion of the technical evaluation. The evaluation panel recommended the top three finalists be invited to participate in oral interviews.

An evaluation panel conducted oral interviews of the top three proposers on Thursday, June 14, 2018, and recommended the City proceed with contract negotiations with Revenue and Cost Specialists, LLC (RCS). The panelist felt that RCS was the most responsive to the presentation request that was asked of the finalists, had demonstrated a commitment to work with the City as the company representatives clearly spent time researching Morro Bay, the City's current fee structure and services, and also valued the approach of the team and the inclusion of a Master Facilities Plan (MFP). The panelists unanimously agreed RCS would best meet the needs of the City.

RCS has been providing fee and costing services since 1980 with 65 years of combined knowledge in cost allocation plans and fee studies and served over 250 municipalities. RCS will review and update all user fees for all City services, including Finance, Community Development, Public Works, Police, Fire Harbor, Recreation, Transit, Water and general City services. RCS will also review and recommend revisions to the City's Development Impact Fees. RCS will not review water and sewer rates, as that is a separate process that was addressed through the recent water and sewer rate study. RCS will utilize experience in other similar cities and on-site meetings with staff to identify operational costs. As part of its study, RCS will identify 100% of the staff time on 100% of the services that are provided. That approach will give the City a complete perspective on time allocations. RCS also will be providing an optional service to include the MFP, which is a comprehensive report of existing and proposed capital projects, facilities and land necessary to support future development. The cost of the MFP is \$3,000. Staff's recommendation includes the MFP and approval of the cost for that service.

The results of the Comprehensive User Fee Study, Cost Allocation Plan and Development Impact Fee Study will ensure that current practices are compliant, but also ensure the City is properly recovering its costs and can make decisions based on current data regarding subsidies.

### **CONCLUSION**

Staff recommends the City Council authorize the City Manager to execute the agreement with Revenue and Cost Specialists, LLC to conduct the City's Comprehensive User Fee Study, Cost Allocation Plan, Development Impact Fee Study and Master Facilities Plan in an amount not to exceed \$83,569, including a contingency amount of \$16,714.

### **ATTACHMENT**

Agreement for Consultant Services between the City of Morro Bay and Revenue and Cost Specialists, LLC

## CITY OF MORRO BAY

### AGREEMENT FOR CONSULTANT SERVICES

THIS AGREEMENT is made, by and between, the City of Morro Bay, a municipal corporation (“City”) and Revenue and Cost Specialists, LLC, a California company (“Consultant”). In consideration of the mutual covenants and conditions set forth herein the parties agree as follows:

1. TERM

This Agreement shall commence on August 20, 2018 and shall remain and continue in effect until tasks described herein are completed, but in no event later than March 31, 2019 unless sooner terminated pursuant to the provisions of this Agreement.

2. SERVICES

Consultant shall perform the tasks described and set forth in Exhibit A, attached hereto and incorporated herein as though set forth in full. Consultant shall complete the tasks according to the schedule of performance which is also set forth in Exhibit A.

3. PERFORMANCE

Consultant shall at all times faithfully, competently and to the best of their ability, experience, and talent, perform all tasks described herein. Consultant shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing similar services as are required of Consultant hereunder in meeting its obligations under this Agreement.

4. CITY MANAGEMENT

City’s Finance Director shall represent City in all matters pertaining to the administration of this Agreement, review and approval of all products submitted by Consultant, but not including the authority to enlarge the Tasks to Be Performed or change the compensation due to Consultant. City’s City Manager shall be authorized to act on City’s behalf and to execute all necessary documents which enlarge the Tasks to Be Performed or change Consultant’s compensation, subject to Section 5 hereof.

5. PAYMENT

(a) City agrees to pay Consultant monthly, in accordance with the payment rates and terms and the schedule of payment as set forth in Exhibit A, attached hereto and incorporated herein by this reference as though set forth in full, and based upon actual time spent on the above tasks. That amount shall not exceed Sixty-six Thousand Eight Hundred Fifty-five Dollars and No Cents (\$66,855.00) for the total term of the Agreement unless additional payment is approved as provided in this Agreement.

(b) Consultant shall not be compensated for any services rendered in connection with its performance of this Agreement which are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by the City Manager. Consultant shall be compensated for any additional services in the amounts and in the manner as agreed to by City Manager and Consultant at the time City's written authorization is given to Consultant for the performance of said services. The City Manager may approve additional work not to exceed twenty-five (25%) of the amount of the Agreement, but in no event shall such sum exceed Sixteen Thousand, Seven Hundred Thirteen Dollars and Seventy-five cents (\$16,713.75). Any additional work in excess of this amount shall be approved by the City Council.

(c) Consultant will submit five equal invoices for services plus any miscellaneous costs per the following schedule:

Invoice 1: Ten days after notice to proceed;

Invoice 2: Ten days after delivery of a satisfactory cost allocation plan;

Invoice 3: Ten days after delivery of all draft reports for the User Fees and Development Impact Fees (DIF);

Invoice 4: Ten days after delivery of all satisfactory final reports for the Council meeting at which the User Fees and DIF will be considered; and

Invoice 5: Ten days after presentation of final reports to Council.

Payment shall be made within thirty (30) days after receipt of each invoice as to all non-disputed fees. If City disputes any of Consultant's fees, then it shall give written notice to Consultant within fifteen (15) days of receipt of an invoice of any disputed fees set forth on the invoice.

## 6. SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE

(a) City may at any time, for any reason, with or without cause, suspend or terminate this Agreement, or any portion hereof, by serving upon Consultant at least ten-days' (10-days') prior written notice. Upon receipt of said notice, Consultant shall immediately cease all work under this Agreement, unless the notice provides otherwise. If City suspends or terminates a portion of this Agreement, then such suspension or termination shall not make void or invalidate the remainder of this Agreement.

(b) In the event this Agreement is terminated pursuant to this Section, City shall pay to Consultant the actual value of the work performed up to the time of termination. Upon termination of the Agreement pursuant to this Section, Consultant will submit an invoice to City pursuant to Section 3.

## 7. DEFAULT OF CONSULTANT

(a) Consultant's failure to comply with the provisions of this Agreement shall constitute a default. In the event Consultant is in default for cause under the terms of this Agreement, City shall have no obligation or duty to continue compensating Consultant for any work performed after the date Consultant is notified of default and can terminate this Agreement immediately by written

notice to Consultant. If such failure by Consultant to make progress in the performance for work hereunder arises out of causes beyond Consultant's control, and without fault or negligence of Consultant, then it shall not be considered a default.

(b) If the City Manager of his/her delegate determines that Consultant is in default in the performance of any of the terms or conditions of this Agreement, then he/she shall cause to be served upon Consultant a written notice of the default. Consultant shall have ten (10) days after service upon it of said notice in which to cure the default by rendering a satisfactory performance. In the event that Consultant fails to cure its default within such period of time, City shall have the right, notwithstanding any other provision of this Agreement, to terminate this Agreement without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity or under this Agreement.

## 8. OWNERSHIP OF DOCUMENTS

(a) Consultant shall maintain complete and accurate records with respect to sales, costs, expenses, receipts, and other such information required by City that relate to the performance of services under this Agreement. Consultant shall maintain adequate records of services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Consultant shall provide free access to the representatives of City or its designees at reasonable times to such books and records; shall give City the right to examine and audit said books and records; shall permit City to make transcripts therefrom as necessary; and shall allow inspection of all work, data, documents, proceedings, and activities related to this Agreement. Such records, together with supporting documents, shall be maintained for a period of three (3) years after receipt of final payment.

(b) Upon completion of, and full payment by City for services performed pursuant to, this Agreement, all final work product such as documents, designs, drawings, maps, models, computer files, surveys, notes, and other documents prepared in the course of providing the services to be performed pursuant to this Agreement shall become the sole property of City and may be used, reused, or otherwise disposed of by City without the permission of Consultant. With respect to computer files, Consultant shall make available to City, as a service in addition to those set forth herein, at Consultant's office and upon reasonable written request by City, the necessary computer software and hardware for purposes of accessing, compiling, transferring, and printing computer files.

## 9. INDEMNIFICATION

(a) Indemnification for Professional Liability. When the law establishes a professional standard of care for Consultant's Services, to the fullest extent permitted by law, Consultant shall indemnify, protect, defend and hold harmless City and any and all of its officials, employees and agents ("Indemnified Parties") from and against any and all losses, liabilities, damages, costs and expenses, including reasonable attorney's fees and costs to the extent same are caused by any negligent act, error or omission of Consultant, its officers, agents, employees or subconsultants (or any entity or individual that Consultant shall bear the legal liability thereof) in the performance of

professional services under this agreement. City agrees to hold harmless and indemnify Consultant from and against all claims, liabilities, losses, damages, and costs, including but not limited to attorney's fees, arising out of or in any way connected with the modification, misinterpretation, misuse or reuse by others of the computer files or any other document provided by Consultant under this Agreement.

(b) Indemnification for Other Than Professional Liability. Other than in the performance of professional services and to the full extent permitted by law, Consultant shall indemnify, defend and hold harmless City, and any and all of its employees, officials and agents from and against any liability (including liability for claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses or costs of any kind, whether actual, alleged or threatened, including attorneys' fees and costs, court costs, interest, defense costs, and expert witness fees), where the same arise out of, are a consequence of, or are in any way attributable to, in whole or in part, the performance of this Agreement by Consultant or by any individual or entity for which Consultant is legally liable, including but not limited to officers, agents, employees or subconsultants of Consultant.

(c) General Indemnification Provisions. Consultant agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this section from each and every subconsultant or any other person or entity involved by, for, with or on behalf of Consultant in the performance of this agreement. In the event Consultant fails to obtain such indemnity obligations from others as required here, Consultant agrees to be fully responsible according to the terms of this section. Failure of City to monitor compliance with these requirements imposes no additional obligations on City and will in no way act as a waiver of any rights hereunder. This obligation to indemnify and defend City as set forth here is binding on the successors, assigns or heirs of Consultant and shall survive the termination of this agreement or this section.

## 10. INSURANCE

Consultant shall maintain prior to the beginning of and for the duration of this Agreement insurance coverage as specified in Exhibit B attached to and part of this agreement.

## 11. INDEPENDENT CONSULTANT

(a) Consultant is and shall at all times remain as to City a wholly independent Consultant. The personnel performing the services under this Agreement on behalf of Consultant shall at all times be under Consultant's exclusive direction and control. Neither City nor any of its officers, employees, or agents shall have control over the conduct of Consultant or any of Consultant's officers, employees, or agents, except as set forth in this Agreement. Consultant shall not at any time or in any manner represent that it or any of its officers, employees, or agents are in any manner officers, employees, or agents of City. Consultant shall not incur or have the power to incur any debt, obligation, or liability whatever against City, or bind City in any manner.

(b) No employee benefits shall be available to Consultant in connection with the performance of this Agreement. Except for the fees paid to Consultant as provided in the Agreement, City shall not pay salaries, wages, or other compensation to Consultant for performing

services hereunder for City. City shall not be liable for compensation or indemnification to Consultant for injury or sickness arising out of performing services hereunder.

12. LEGAL RESPONSIBILITIES

Consultant shall keep itself informed of State and Federal laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this Agreement. Consultant shall at all times observe and comply with applicable legal requirements in effect at the time the drawings and specifications are prepared. City, and its officers and employees, shall not be liable at law or in equity occasioned by failure of Consultant to comply with this Section.

13. UNDUE INFLUENCE

Consultant declares and warrants that no undue influence or pressure is used against or in concert with any officer or employee of City in connection with the award, terms or implementation of this Agreement, including any method of coercion, confidential financial arrangement, or financial inducement. No officer or employee of City will receive compensation, directly or indirectly, from Consultant, or from any officer, employee or agent of Consultant, in connection with the award of this Agreement or any work to be conducted as a result of this Agreement. Violation of this Section shall be a material breach of this Agreement entitling City to any and all remedies at law or inequity.

14. NO BENEFIT TO ARISE TO LOCAL EMPLOYEES

No member, officer, or employee of City, or their designees or agents, and no public official who exercises authority over or responsibilities with respect to the Project during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any agreement or sub-agreement, or the proceeds thereof, for work to be performed in connection with the Project performed under this Agreement.

15. RELEASE OF INFORMATION/CONFLICTS OF INTEREST

(a) All information gained by Consultant in performance of this Agreement shall be considered confidential and shall not be released by Consultant without City's prior written authorization. Consultant, its officers, employees, agents, or subconsultants, shall not without written authorization from the City Manager or unless requested by the City Attorney, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories, or other information concerning the work performed under this Agreement or relating to any project or property located within City. Response to a subpoena or court order shall not be considered "voluntary" provided Consultant gives City notice of such court order or subpoena.

(b) Consultant shall promptly notify City if Consultant, or any of its officers, employees, agents, or subconsultants are served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, request for admissions, or other discovery request, court order, or subpoena from any person or party regarding this Agreement and the work performed thereunder or with respect to any project or property located within City. City retains the right,

but has no obligation, to represent Consultant or be present at any deposition, hearing, or similar proceeding. Consultant agrees to cooperate with City by providing the opportunity to review any response to discovery requests provided by Consultant. However, City's right to review any such response does not imply or mean the right by City to control, direct, or rewrite said response.

16. NOTICES

Any notices which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, which provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by notice:

To City: City of Morro Bay  
595 Harbor Street  
Morro Bay, CA 93442  
Attention: Dana Swanson, City Clerk

To Consultant: Revenue & Cost Specialists, LLC  
1519 E. Chapman Avenue  
Suite C  
Fullerton, CA 92831  
Attention: Chu Thai, Vice President

17. ASSIGNMENT

Consultant shall not assign the performance of this Agreement, nor any part thereof, nor any monies due hereunder, without prior written consent of City.

18. LICENSES

At all times during the term of this Agreement, Consultant shall have in full force and effect, all licenses and tax certificates required of it by law for the performance of the services described in this Agreement.

19. GOVERNING LAW

City and Consultant understand and agree that the laws of the State of California shall govern the rights, obligations, duties, and liabilities of the parties to this Agreement and also govern the interpretation of this Agreement. Any litigation concerning this Agreement shall take place in the municipal, superior, or federal district court with jurisdiction over City.

20. ENTIRE AGREEMENT

This Agreement contains the entire understanding between the parties relating to the obligations of the parties described in this Agreement. All prior or contemporaneous agreements, understandings, representations, and statements, oral or written, are merged into this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

21. AUTHORITY TO EXECUTE THIS AGREEMENT

The person or persons executing this Agreement on behalf of Consultant warrants and represents he/she has the authority to execute this Agreement on behalf of Consultant and has the authority to bind Consultant to the performance of its obligations hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

CITY OF MORRO BAY

CONSULTANT (2 signatures required)

By: \_\_\_\_\_  
Scott Collins, City Manager

By: \_\_\_\_\_  
(Signature)

Attest:  
  
\_\_\_\_\_  
Dana Swanson, City Clerk

\_\_\_\_\_  
(Typed Name)

Its: \_\_\_\_\_  
(Title)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Typed Name)

Its: \_\_\_\_\_  
(Title)

Approved As To Form:

\_\_\_\_\_  
Joseph W. Pannone, City Attorney

## **EXHIBIT A**

### **TASKS TO BE PERFORMED**

#### **Cost Allocation Plan**

**Task 1: Review Central Services and Allocate Staff Time**

Consultant will meet with City staff to review central services for indirect departments and allocate staff time and costs to those central services. City staff time would be approximately 1-2 hours per central service department in this process and would need to meet with Consultant to establish the central service listing, quantify the department staff time involved in those central services, and review the results.

**Task 2: Review Allocation Factors**

Consultant will meet with City staff to review the factors for allocating each central service identified. These factors will form the basis for determining fully burdened hourly rates and allocating the central service costs. This meeting will be concurrent with the time allocation meeting. City staff involvement for data gathering is a function of the availability of the required information, but Consultant will use its experience to develop allocation factors, which are easily reproducible from year to year but still fairly allocate the central service costs.

**Task 3: Review Results with Departments**

Consultant will calculate allocations to the functional centers and review the results with the managers of the various central service departments. City staff time for this process will be less than 1 hour per department to review the results of the allocations.

**Task 4: Prepare Draft Cost Allocation Plan and Review with City Staff**

Consultant will make any changes and prepare a Draft Report with allocations to end user departments using our 20-step allocation model. Consultant will review this Draft Report with the City's management group and make any necessary adjustments.

**Task 5: Prepare Final Cost Allocation Plan**

Consultant will make any changes and prepare a Final Report with allocations to end user departments. It will be these results that will be used for City general overhead component of the Fee Study and can also be used to determine the amounts for transfers to the General Fund for support provided to other funds. RCS will provide two bound copies and a file of the Final Report. Consultant will make a presentation to the City Council to assist in their understanding of the cost allocation process and its results.

## **User Fee Study**

**Task 1: Kick-off Meeting**

Consultant will conduct a meeting with City staff explaining the operational methodology of the study and the role of City staff. We will review any possible issues that may arise as well as answer any questions from City staff about the process. This meeting is crucial for the process as we want to ensure that everyone understands the various steps in the process and what is expected of them.

**Task 2: Review the Service List with Departmental Staff**

Consultant will review the service list through meetings with City staff. We will also work with Departmental staff to determine any changes to the fee calculation methods. The end result, whichever method is utilized, will be a fee structure that best fits City going forward. While this list will change during the course of the Study as it is refined, it will be the initial basis from where we start. City staff time for this review will be less than 1 hour per department.

**Task 3: Staff Time Allocations**

Consultant will interview personnel providing end-user services to ensure that costs from all functional areas directly involved with a service are included in the cost of that service. This component will form the bulk of the time spent by staff. There will be two to four meetings with supervisory level staff in each functional area to create and verify the amount of time spent by staff on the services identified in the task above. We do not ask City staff to do our job by filling out forms detailing where they spend their time. This iterative process, and the fact that we allocate 100% of all departmental staff, allows everyone to ensure that the information being generated is valid and reliable. A sample Time Detail Report is included in the following pages.

**Task 4: Develop Fully Allocated Hourly Rates**

Consultant will develop a fully allocated hourly rate for each departmental employee, including salaries and benefits, miscellaneous operating service and supply costs, overhead costs from the above Cost Allocation Plan, debt service, and other direct costs as identified, which can be used for all charging and costing processes. A Sample Hourly Rate Report is included in the following pages.

**Task 5: Prepare Draft Report**

Consultant will prepare a Draft Report that identifies the total costs for each service, the current fees, and makes fee recommendations for each service presented. RCS will review this draft report with the departments, so that each department will have final input on the fees presented in the final report. City staff time would be approximately 1-2 hours per department for those departments that have fee services. A sample of the Service Summary and Cost Detail Reports that are provided for each service is included in the following pages.

**Task 6: Prepare a Fee Survey**

Consultant will compare existing and proposed fees in key benchmark areas with those charged by other comparable agencies. To ensure that this process is comparing like services, Consultant recommends City compare the fees involved in moving a typical development from the beginning to the end of the development process.

**Task 7: Prepare Final Report**

Based on staff input, Consultant will prepare a Final Report, which will have recommendations for new fees and subsidy percentages and projections of new revenues from those fees. The Report will also include explanatory text and various summary tables to easily explain the results and the context. All recommended fees will be in compliance with Propositions 4, 218, 26, and any other applicable laws. RCS will provide twenty (20) bound copies and a file of the Final Report, as well as an electronic copy of a Master Fee Resolution with City's proposed fees.

**Task 8: Present Report to the City Council**

Consultant will assist the City Council in the review and adoption of revised service fees and subsidy percentages and assist the staff in the implementation of the revised service fees at up to two meetings.

# **Development Impact Fee and Facilities Master Plan**

## **Task 1: Preliminary Research**

Prior to any meetings, Consultant will perform a field "windshield" survey to become acquainted with the physical characteristics and general improvement needs and standards of the City. We will request and review all City maps, land use documents and available master plans, especially the Comprehensive General Plan prior to the kick-off meeting. We will review the City's history of impact fee schedules, resolutions, ordinances, Annual and Five-Year Reports per Government Code Sections 66006 and 66001. Consultant will review recent Operating Budgets, CIP Budgets, Comprehensive Annual Financial Reports and fixed asset reports

No Kick-Off meeting is necessary. Consultant will work with individual departments during the CAP/User Fee project to begin the impact fee update. Some of the necessary documents, such as budget, facility valuation, staffing and equipment, will become available through the CAP/User Fee project.

Consultant will meet and discuss City planning, capital financing process and community development standards with the Public Works Director, Community development Director, Finance Director, other department staff to determine the level of improvements, which most likely will evolve from the project planning documents and are needed to support, and give validity to, the City's General Plan/LCP.

Consultant will work with the Finance Director, Community Development Director, Public Works Director and other interested staff to determine the land-use based Development Impact Fee categories and land-use data. Then Consultant will identify the existing Levels of Service (LOS) provided by the infrastructure and appropriations currently afforded by City.

## **Task 2: Series of Working Meetings**

Consultant will meet with City staff responsible for each infrastructure to assist in the identification of all projects needed through theoretical build-out via use of master plans, specific plans, and other service requirement studies. The more supporting documents we can find, the better the Study will be. The greatest support is an engineer-prepared Master Plan. If such a document is not available, then Consultant will assist with validating available information. Consultant will request from City all reports, master plans, specific plans, and other related reports identifying needed infrastructure. If needed, then Consultant can assist City with developing project lists and supporting data (i.e. fire station sizes and costs). Consultant will review project cost estimates and textual explanations for accuracy and completeness.

Consultant will identify and analyze the demand driver's specific to each infrastructure or service area. The drivers are the factors of nexus demand related to each land use and would be based upon the project plans or City productivity records. Apply these demand drivers for the distribution of the benefits of, nexus for, and impact of each group of projects on each of the above categories of land use. Undertake the proportional analysis necessary to identify the appropriate burden to be placed upon both the existing and future infrastructure.

**Task 3: Meeting # 2 – Draft Development Impact Fee Calculation and Nexus Report**

Since the Report is based on information and estimates provided by City staff, it is important that all participants are comfortable with the methodology and data presented. Consultant will prepare a draft report<sup>(1)</sup> consisting of the fee-structures and the necessary relevant nexus text and Report with recommended fees. This meeting will include discussions on policy issues, implementation strategies and revenue collection procedures. Consultant will provide the draft report for staff consideration and distribution. The report is expected to include:

- Executive Summary
- Population Projections
- Facilities and Improvements List
- Fee Calculations
- Master Facilities Plan

A Master Facilities Plan (MFP) provides a comprehensive report of existing and proposed capital projects, facilities and land necessary to support future development.

**Optional** – Based on the preliminary findings of the study, a desire by staff to present preliminary findings, or external interests in the study, an optional public meeting may be scheduled. Consultant can co-facilitate a public meeting and present the draft study report. The meeting is to share findings with stakeholders, including developers and engineers. Consultant will provide exhibits and a formal presentation, collect input and prepare meeting minutes capturing public input. Consultant will work with City staff to prepare for any possible questions prior to the meeting. The cost for this Option are included in the aggregate costs.

**Task 4: Meeting # 3 – Presentation of Proposed Development Impact Fee Calculation and Nexus Report to the City Council**

Consultant will attend the City Council meeting to discuss the report methodology and present findings. Consultant will provide a formal presentation and answer questions about the findings. Consultant will have all necessary supporting documentation for the meeting and will be the primary contact to answer all questions asked. Consultant will follow-up with any City Council direction, with the assistance of City staff.

**Task 5: Meeting # 4 – Second City Council meeting**

Consultant will attend the second City Council meeting to answer any additional questions. Consultant will provide the City with twenty (20) bound copies and a single file of the final report.

**Client input** – During the process, Consultant will make every effort to advise, seek input from, and in general explain the work as it is being performed to interested parties by attending meetings of various groups and meet with any local chapter of organized builders or contractors to explain the process and receive any constructive input. That would be accomplished according to the process determined by City management staff.

**Staff time required/project timing** – Consultant will require some time from various Department Heads, to develop the basic cost distribution structure once the capital needs are identified by the various planning documents and approved by Council. Time requirements will vary depending upon the current availability of needed information. Consultant will use the best information possible to complete legally supportable DIFs. Consultant will endeavor to limit the amount of time needed from the above staff members.

**EXHIBIT C**

**PAYMENT SCHEDULE**

Consultant will update user fees for the following services: **Finance, Community Development, Public Works, Police, Fire, Harbor, Recreation, Transit, Water and General city services**. The total project, including reimbursable travel, will not exceed **\$35,245**.

| <b>Task</b>                          | <b>Milestones/Deliverables</b>      | <b>Total Cost</b> |
|--------------------------------------|-------------------------------------|-------------------|
| <b>Cost Allocation Plan (CAP)</b>    |                                     |                   |
| Review Central Services/Time         | List of Central Services            | 2,400             |
| Develop Allocation Factors           | Index of Allocation Factors         | 2,400             |
| Review Results with Departments      | Review of Initial Results           | 3,600             |
| Prepare Final Cost Allocation Plan   | Final Report                        | 1,800             |
|                                      | Total Cost Allocation Plan          | \$10,200          |
| <b>User Fee Study</b>                |                                     |                   |
| Kick-Off Meeting                     | Informational Meeting               | 600               |
| Develop Service List                 | Preliminary Service List            | 3,000             |
| Develop Staff Time Allocations       | Time Detail Reports                 | 9,000             |
| Develop Fully Allocated Hourly Rates | Fully Allocated Hourly Rate Reports | 600               |
| Prepare Draft Report                 | Draft Fee Study Report              | 3,600             |
| Prepare Final Report                 | Final Report                        | 2,400             |

|                                    |                                       |                 |
|------------------------------------|---------------------------------------|-----------------|
| Present Report to the City Council | Council Presentations                 | 1,200           |
|                                    | User Fee Study                        | \$20,400        |
|                                    | <b>Total CAP &amp; User Fee Study</b> | <b>\$30,600</b> |
|                                    | 20 Bounded Copies of Study            | <b>\$500</b>    |
|                                    | Est. Travel Expenses                  | <b>\$4,145</b>  |
|                                    | <b>CAP/USER FEE NOT TO EXCEED</b>     | <b>\$35,245</b> |

Consultant will include with each of the invoices provided for the following travel, per diem, and out of pocket costs as follows:

- Actual commercial travel costs (airfare/rental car/gas/parking); and
- Actual expenses for hotel and meals during staff residence.

The above costs are based on a cost of \$150 per hour. The billing rate for any additional work not covered by this proposal would be \$195 per hour.

Development Impact Fee Study:

The total project, including reimbursable travel, will not exceed **\$28,610**. Estimated travel expenses took into consideration combining several CAP/User Fee and DIF Study trips together. The cost of this project may be paid for by the established impact fees.

| Task                       | Hours | Hourly Rate | Extended Cost/Rate |
|----------------------------|-------|-------------|--------------------|
| Preliminary Research       | 40.0  | \$150       | \$6,000            |
| 1. Police                  | 8.0   | \$150       | \$1,200            |
| 2. Fire                    | 8.0   | \$150       | \$1,200            |
| 3. Traffic and Circulation | 12.0  | \$150       | \$1,800            |
| 4. Storm Drainage          | 8.0   | \$150       | \$1,200            |
| 5. Water                   | 12.0  | \$150       | \$1,800            |

|                               |           |                                  |                 |
|-------------------------------|-----------|----------------------------------|-----------------|
| 6. Wastewater                 | 12.<br>0  | \$150                            | \$1,800         |
| 7. General Government         | 8.0       | \$150                            | \$1,200         |
| 8. Parks and Recreation       | 8.0       | \$150                            | \$1,200         |
| <b>Facilities Master Plan</b> |           |                                  | <b>\$3,000</b>  |
| Document Production           | 40.<br>0  | \$150                            | \$6,000         |
| Public Meetings               | 16.<br>0  | \$150                            | \$2,400         |
| Subtotal                      | 16<br>0.0 |                                  | <b>\$28,800</b> |
|                               |           |                                  |                 |
|                               |           | 20 Bounded Copies of<br>Study    | <b>\$500</b>    |
|                               |           | Est. Travel Expenses             | <b>\$2,310</b>  |
|                               |           |                                  |                 |
|                               |           | <b>DIF PROJECT NOT TO EXCEED</b> | <b>\$31,610</b> |

The above costs are based on a cost of \$150 per hour. The billing rate for any additional work not covered by this proposal would be \$195 per hour.

**EXHIBIT D**  
**INSURANCE REQUIREMENTS**

*Prior to the beginning of and throughout the duration of the Agreement, Consultant will maintain insurance in conformance with the requirements set forth below. Consultant will use existing coverage to comply with these requirements. If that existing coverage does not meet the requirements set forth here, Consultant agrees to amend, supplement or endorse the existing coverage to do so. Consultant acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amount of coverage required. Any insurance proceeds available to City in excess of the limits and coverage required in this agreement and which is applicable to a given loss, will be available to City.*

*Consultant shall provide the following types and amounts of insurance:*

Commercial General Liability Insurance using Insurance Services Office “Commercial General Liability” policy from CG 00 01 or the exact equivalent. Defense costs must be paid in addition to limits. Limits are subject to review but in no event less than \$1,000,000 per occurrence.

Business Auto Coverage on ISO Business Auto Coverage from CA 00 01 including symbol 1 (Any Auto) or the exact equivalent. Limits are subject to review, but in no event to be less than \$1,000,000 per accident. If Consultant owns no vehicles, this requirement may be satisfied by a non-owned auto endorsement to the general liability policy described above. If Consultant or Consultant’s employees will use personal autos in any way to perform the Scope of Services, then Consultant shall provide evidence of personal auto liability coverage for each such person.

Workers Compensation on a state-approved policy form providing statutory benefits as required by law with employer’s liability limits.

Excess or Umbrella Liability Insurance (Over Primary) if used to meet limit requirements, shall provide coverage at least as broad as specified for the underlying coverages. Any such coverage provided under an umbrella liability policy shall include a drop-down provision providing primary coverage above a maximum \$25,000 self-insured retention for liability not covered by primary but covered by the umbrella. Coverage shall be provided on a “pay on behalf” basis, with defense costs payable in addition to policy limits. Policy shall contain a provision obligating insurer at the time insured’s liability is determined, not requiring actual payment by the insured first. The scope of coverage provided is subject to approval of City following receipt of proof of insurance as required herein. Limits are subject to review but in no event less than \$1,000,000 per occurrence.

Professional Liability or Errors and Omissions Insurance as appropriate shall be written on a policy form coverage specifically designated to protect against acts, errors or omissions of Consultant and “Covered Professional Services” as designated in the policy must specifically include work performed under this agreement. The policy limit shall be no less than \$2,000,000 per claim and in the aggregate. The policy must “pay on behalf of” the insured and must include a

provision establishing the insurer's duty to defend. The policy retroactive date shall be on or before the effective date of this agreement.

*Insurance procured pursuant to these requirements shall be written by insurer that are admitted carriers in the state California and with an A.M. Best's rating of A- or better and a minimum financial size VII.*

General conditions pertaining to provision of insurance coverage by Consultant. Consultant and City agree to the following with respect to insurance provided by Consultant:

1. Consultant agrees to have its insurer endorse the third party general liability coverage required herein to include as additional insureds the City of Morro Bay, its officials, employees and agents, using standard ISO endorsement No. CG 2010 with an edition prior to 1992. Consultant also agrees to require all Consultants, and subcontractors to do likewise.
2. No liability insurance coverage provided to comply with this Agreement shall prohibit Consultant, or Consultant's employees, or agents, from waiving the right of subrogation prior to a loss. Consultant agrees to waive subrogation rights against City regardless of the applicability of any insurance proceeds, and to require all Consultants and subcontractors to do likewise.
3. All insurance coverage and limits provided by Consultant and available or applicable to this agreement are intended to apply to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to City or its operations limits the application of such insurance coverage.
4. None of the coverages required herein will be in compliance with these requirements if they include any limiting endorsement of any kind that has not been first submitted to City and approved of in writing.
5. No liability policy shall contain any provision or definition that would serve to eliminate so-called "third party action over" claims, including any exclusion for bodily injury to an employee of the insured or of any Consultant or subcontractor.
6. All coverage types and limits required are subject to approval, modification and additional requirements by City, as the need arises. Consultant shall not make any reductions in scope of coverage (e.g. elimination of contractual liability or reduction of discovery period) that may affect City's protection without City's prior written consent.
7. Proof of compliance with these insurance requirements, consisting of certificates of insurance evidencing all of the coverages required and an additional insured endorsement to Consultant's general liability policy, shall be delivered to City at or prior to the execution of this Agreement. In the event such proof of any insurance is not delivered as required, or in the event such insurance is canceled at any time and no replacement coverage is provided, City has the right, but not the duty, to obtain any insurance it deems necessary to protect its interests under this or any other agreement and to pay the premium. Any premium so paid

by City shall be charged to and promptly paid by Consultant or deducted from sums due Consultant, at City's option.

8. It is acknowledged by the parties of this agreement that all insurance coverage required to be provided by Consultant or any subcontractor, is intended to apply first and on a primary, noncontributing basis in relation to any other insurance or self-insurance available to City.
9. Consultant agrees to ensure that subcontractors, and any other party involved with the Scope of Services who is brought onto or involved in the Scope of Services by Consultant, provide the same minimum insurance coverage required of Consultant. Consultant agrees to monitor and review all such coverage and assumes all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. Consultant agrees that upon request, all agreements with subcontractors and others engaged in the Scope of Services will be submitted to City for review.
10. Consultant agrees not to self-insure or to use any self-insured retentions or deductibles on any portion of the insurance required herein and further agrees that it will not allow any Consultant, Subcontractor, Architect, Engineer or other entity or person in any way involved in the performance of the Scope of Services to self-insure its obligations to City. If Consultant's existing coverage includes a deductible or self-insured retention, the deductible or self-insured retention must be declared to City. At the time City shall review options with Consultant, which may include reduction or elimination of the deductible or self-insured retention, substitution of other coverage, or other solutions.
11. City reserves the right at any time during the term of the contract to change the amounts and types of insurance required by giving Consultant ninety (90) days advance written notice of such change. If such change results in substantial additional cost to Consultant, the City will negotiate additional compensation proportional to the increase benefit to City.
12. For purposes of applying insurance coverage only, this Agreement will be deemed to have been executed immediately upon any party hereto taking any steps that can be deemed to be in furtherance of or towards performance of this Agreement.
13. Consultant acknowledges and agrees that any actual or alleged failure on the part of City to inform Consultant of non-compliance with any insurance requirements in no way imposes any additional obligations on City nor does it waive any rights hereunder in this or any other regard.
14. Consultant will renew the required coverage annually as long as City, or its employees or agents face an exposure from operations of any type pursuant to this agreement. This obligation applies whether or not the agreement is canceled or terminated for any reason. Termination of this obligation is not effective until City executes a written statement to that effect.
15. Consultant shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at

least the same coverage. Proof that such coverage has been ordered shall be submitted prior to expiration. A coverage binder or letter from Consultant's insurance agent to this effect is acceptable. A certificate of insurance and/or additional insured endorsement as required in these specifications applicable to the renewing or new coverage must be provided to City within five days of the expiration of the coverages.

16. The provisions of any workers' compensation or similar act will not limit the obligations of Consultant under this agreement. Consultant expressly agrees not to use any statutory immunity defenses under such laws with respect to City, its employees, officials and agents.
17. Requirements of specific coverage features or limits contained in this section are not intended as limitations on coverage, limits or other requirements nor as a waiver of any coverage normally provided by any given policy. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue, and is not intended by any party or insured to be limiting or all-inclusive.
18. These insurance requirements are intended to be separate and distinct from any other provision in this agreement and are intended by the parties here to be interpreted as such.
19. The requirements in this Section supersede all other sections and provisions of this Agreement to the extent that any other section or provision conflicts with or impairs the provisions of this Section.
20. Consultant agrees to be responsible for ensuring that no contract used by any party involved in any way with the Scope of Services reserves the right to charge City or Consultant for the cost of additional insurance coverage required by this agreement. Any such provisions are to be deleted with reference to City. It is not the intent of City to reimburse any third party for the cost of complying with these requirements. There shall be no recourse against City for payment of premiums or other amounts with respect thereto.
21. Consultant agrees to provide immediate notice to City of any claim or loss against Consultant arising out of the work performed under this agreement. City assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City.



# Proposal for the City of Morro Bay CAP and User Fee Study (Plus Option A - Development Impact Fee Study)



**& Revenue  
Cost  
Specialists, LLC**

1519 East Chapman Avenue,  
Suite C  
Fullerton, CA 92831  
(714) 992-9020  
[www.revenuecost.com](http://www.revenuecost.com)

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*Serving Local Governments Since 1975*

May 11, 2018

City of Morro Bay  
Jennifer Callaway  
Finance Director  
595 Harbor St  
Morro Bay, CA 93442

**RE: Request for Proposal – Cost Allocation & User Fee Study and Option A for Development Impact Fee Study**

Revenue & Cost Specialists, LLC (RCS) appreciates the opportunity to respond with this Proposal to perform a Cost Allocation and User Fee Study and optional Development Impact Fee Study for the City of Morro Bay.

RCS has been providing fee and costing services since 1980, making us the authority in costing services for California. All RCS Principals have prior city experience and work exclusively with local government agencies. Combined, RCS principals have over 65 years of knowledge in cost allocation plans and fee studies and served over 250 municipalities. No other consulting firm can match our experience and reputation in this field.

RCS's skill set will generate maximum revenue potential for you. We have a history of delivering quality reports with defensible data that can be acted on and adopted. In fact, of the more than 1,100 reports that we have produced, over 98% were adopted by Councils.

To achieve these goals RCS will work thoughtfully with the City of Morro Bay in a collaborative way that minimizes the impact on City staff. We will use our superior experience to efficiently gather information, conduct personal meetings, and facilitate the process throughout. As former City staff ourselves, we understand that time is precious.

RCS will present the Reports to the City in a manner that is easy to read and understand. The information provided by RCS will allow staff, City Council, and other stakeholders to make rational, informed policy decisions. We strive to ensure that you will be able to confidently stand behind the information and recommendations in the Report.

Internet: [www.revenuecost.com](http://www.revenuecost.com)

Voice 714.992.9020

1519 E. Chapman Avenue • Suite C • Fullerton, CA 92831

Cover Letter – Page | 2

Revenue & Cost Specialists will review and update all user fees for all City services. This includes **Finance, Community Development, Public Works, Police, Fire, Harbor, Recreation, Transit, Water and general city services.**

RCS would also like to review and recommend revisions to the City's Development Impact Fees for the City of Morro Bay. Having RCS conduct both the CAP/User Fee and Development Impact Fee studies will result in cost savings and time efficiencies for the City. We propose performing the CAP/User Fee study first, as it will generate some data that is needed for the Development Impact Fee Study. RCS will ensure that both reports are available to City staff by December 31, 2018, and all fees in effect by July 1, 2019.

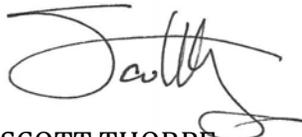
For the nearby City of Lompoc, RCS successfully updated their user fees in 2015, and we are excited to have kick-started the process of updating their development impact fees.

The terms of this proposal will be honored until August 31, 2018. RCS looks forward to being of assistance to the City of Morro Bay and appreciates the opportunity to respond with this proposal. If there are any questions please contact Chu at (714) 992-9024 or [chu@revenuecost.com](mailto:chu@revenuecost.com).

Sincerely,



ERIC S. JOHNSON  
President



SCOTT THORPE  
Senior Vice President



CHU THAI  
Vice President

## EXECUTIVE SUMMARY

---

The City wants to identify the full costs of all operational services that are either currently charged a fee or could be charged a fee. As part of the full costs of services, the City needs a full-cost Cost Allocation Plan which would fairly distribute the overhead costs to the end-user services provided to the public. In addition, the Cost Allocation Plan will provide detail on the amounts that the City could recover from enterprise and other funds that receive services from the General Fund. This would allow for fair and defensible transfers from these funds to the General Fund.

Based on the full cost information, RCS will review with staff a proposed fee structure that will recover these costs in the most equitable and efficient way possible. This may involve flat fees, deposits, valuation-based fees, step-increase fees, or a combination of these. But the eventual fee recommendations included in the final report and master fee resolution will be defensible, easy to understand, and be supported by City staff.

We will use our experience in other similar cities to efficiently construct the model that represents how operations are conducted in the City and quickly identify what those operations cost. This will be done through the use of **on-site meetings with staff**. These face-to-face meetings with the City staff who perform the work insures that the data is accurate. We do not drop off forms and expect City staff to do our work for us.

We will use a series of focused meetings to review the time information that is generated. We have found that this method is preferable and generates better data than one big meeting to collect this data. This gives City staff time to digest and reflect on the information that is being generated. We also identify the total time of City staff for all services that they are involved in. **We will identify 100% of the staff time on 100% of the services that they provide.** This gives City staff a complete perspective on their time allocations instead of merely looking at time allocations for individual services in a vacuum. These methods will insure that City staff feels confident about the data and, therefore, confident in supporting the results in public hearings.

The other key result of identifying 100% of City services is that we are identifying not only the cost of fee services, but also of community-supported services, such as police, street and park maintenance services. This allows us to have a real discussion with real numbers with the City Council about tax subsidy policy. Since we are identifying the full costs of fee services, we are also therefore identifying the current subsidy of general tax dollars for these services. Therefore, we can show the City Council how much they are subsidizing fee services at the expense of community-supported services. Does the City want to continue to use precious tax dollars to support a zone change on a particular parcel that only benefits that particular property owner, or use those tax dollars on things that can only be supported by tax dollars like police and maintenance services? They will now have that information to be able to make that conscious choice.

Thus, the support of staff changing the discussion to tax subsidy policy instead of fee increases, and the experience of RCS in successfully presenting the results of similar studies to City Councils, insures that the City of Morro Bay will be able to meet its policy objectives.

## SOFTWARE

RCS has developed a unique and sophisticated Windows-based stand-alone software package that is both user-friendly and comprehensive at the same time. The Governmental Business System is designed to be used in any organization and allows for the flexibility to easily make changes to your organization and your services. It includes easy-to-use interfaces and easy-to-understand reports, without the worry of incorrect formulas inherent in Excel-based systems. The system is based on an easily downloadable 14mb package. It is not a spreadsheet-based format, but uniquely designed for municipal purposes in determining cost allocations and service costs.

The software allows the City to continuously update the Cost Allocation and User Fee Studies, as well as input hypothetical services to calculate the estimated costs of providing new services.

RCS will insure that the system is properly installed and the data from this Study will be installed at the City with no licensing limitations at the completion of the Study. RCS will provide training on the use of the software in addition to phone and email support.

A demonstration of the software can be downloaded at [www.costallocation.com](http://www.costallocation.com).

## SCOPE OF WORK/METHODOLOGY

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### WORK PLAN

The proposed Work Plan is described below for the Cost Allocation Plan and User Fee Study. The Work Plan for the various parts of the Study will be done concurrently as there are overlapping steps and the results of the Cost Allocation Plan are needed for the overhead component of the Fee Study.

As is detailed in the task list below, RCS uses only firm principals to perform the necessary meetings with the departments. All meetings will be on-site at the City. RCS does not leave forms with staff and expect them to be filled out. We use our experience to work with staff, which makes the process quicker and the results more accurate.

Our process will allow the City to have well documented and defensible service costs which will be used to develop fees that will be in compliance with Propositions 4, 218, and 26.

### Cost Allocation Plan

#### **Task 1: Review Central Services and Allocate Staff Time**

RCS will meet with City staff to review central services for indirect departments and allocate staff time and costs to those central services. City staff time would be approximately 1-2 hours per central service department in this process and would need to meet with RCS to establish the central service listing, quantify the department staff time involved in those central services, and review the results.

#### **Task 2: Review Allocation Factors**

RCS will meet with City staff to review the factors for allocating each central service identified. These factors will form the basis for determining fully burdened hourly rates and allocating the central service costs. This meeting will be concurrent with the time allocation meeting. City staff involvement for data gathering is a function of the availability of the required information, but RCS will use its experience to develop allocation factors which are easily reproducible from year to year but still fairly allocate the central service costs.

#### **Task 3: Review Results with Departments**

RCS will calculate allocations to the functional centers and review the results with the managers of the various central service departments. City staff time for this process will be less than 1 hour per department to review the results of the allocations.

**Task 4: Prepare Draft Cost Allocation Plan and Review with City Staff**

RCS will make any changes and prepare a Draft Report with allocations to end user departments using our 20-step allocation model. RCS will review this Draft Report with the City's management group and make any necessary adjustments.

**Task 5: Prepare Final Cost Allocation Plan**

RCS will make any changes and prepare a Final Report with allocations to end user departments. It will be these results that will be used for the City general overhead component of the Fee Study and can also be used to determine the amounts for transfers to the General Fund for support provided to other funds. RCS will provide two bound copies and a PDF file of the Final Report. RCS will make a presentation to the City Council to assist in their understanding of the cost allocation process and its results.

## User Fee Study

**Task 1: Kick-off Meeting**

RCS will conduct a meeting with City staff explaining the operational methodology of the study and the role of City staff. We will review any possible issues that may arise as well as answer any questions from City staff about the process. This meeting is crucial for the process as we want to ensure that everyone understands the various steps in the process and what is expected of them.

**Task 2: Review the Service List with Departmental Staff**

RCS will review the service list through meetings with City staff. We will also work with Departmental staff to determine any changes to the fee calculation methods. The end result, whichever method is utilized, will be a fee structure that best fits the City of Morro Bay going forward. While this list will change during the course of the Study as it is refined, it will be the initial basis from where we start. City staff time for this review will be less than 1 hour per department.

**Task 3: Staff Time Allocations**

RCS will interview personnel providing end-user services to ensure that costs from all functional areas directly involved with a service are included in the cost of that service. This component will form the bulk of the time spent by staff. There will be two to four meetings with supervisory level staff in each functional area to create and verify the amount of time spent by staff on the services identified in the task above. We do not ask City staff to do our job by filling out forms detailing where they spend their time. This iterative process, and the fact that we allocate 100% of all departmental staff, allows everyone to ensure that the information being generated is valid and reliable. A sample Time Detail Report is included in the following pages.

**Task 4: Develop Fully Allocated Hourly Rates**

RCS will develop a fully allocated hourly rate for each departmental employee, including salaries and benefits, miscellaneous operating service and supply costs, overhead costs from the above Cost Allocation Plan, debt service, and other direct costs as identified, which can be used for all charging and costing processes. A Sample Hourly Rate Report is included in the following pages.

**Task 5: Prepare Draft Report**

RCS will prepare a Draft Report that identifies the total costs for each service, the current fees, and makes fee recommendations for each service presented. RCS will review this draft report with the departments, so that each department will have final input on the fees presented in the final report. City staff time would be approximately 1-2 hours per department for those departments that have fee services. A sample of the Service Summary and Cost Detail Reports that are provided for each service is included in the following pages.

**Task 6: Prepare a Fee Survey**

RCS will compare existing and proposed fees in key benchmark areas with those charged by other comparable agencies. To ensure that this process is comparing like services, RCS recommends that the City compare the fees involved in moving a typical development from the beginning to the end of the development process.

**Task 7: Prepare Final Report**

Based on staff input, RCS will prepare a Final Report, which will have recommendations for new fees and subsidy percentages and projections of new revenues from those fees. The Report will also include explanatory text and various summary tables to easily explain the results and the context. All recommended fees will be in compliance with Propositions 4, 218, 26, and any other applicable laws. RCS will provide twenty (20) bound copies and a PDF file of the Final Report, as well as an electronic copy of a Master Fee Resolution with the City's proposed fees.

**Task 8: Present Report to the City Council**

RCS will assist the City Council in the review and adoption of revised service fees and subsidy percentages and assist the staff in the implementation of the revised service fees at up to two meetings.

## PROJECT TIMELINE

RCS proposes the following schedule of tasks over the course of the project to meet the City's needs. This schedule, of course, will require the cooperative participation of City staff. RCS references will attest that our timelines are ideal for fee studies.

| <b>Task CAP/User Fee Study</b>        | <b>Jul/Aug</b> | <b>Sep/Oct</b> | <b>Nov/Dec</b> | <b>Jan/Feb</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|
| <b>Cost Allocation Plan</b>           |                |                |                |                |
| Obtain Budget & Personnel Data        |                |                |                |                |
| Review of Central Services/Time       |                |                |                |                |
| Review Allocation Factors             |                |                |                |                |
| Review Results with Departments       |                |                |                |                |
| Prepare Final Cost Allocation Plan    |                |                |                |                |
| <b>User Fee Study</b>                 |                |                |                |                |
| Kick-Off Meeting                      |                |                |                |                |
| Review Service List                   |                |                |                |                |
| Review Staff Time Allocations         |                |                |                |                |
| Develop Fully Alloc. Hourly Rates     |                |                |                |                |
| Review Draft Report with Staff        |                |                |                |                |
| Prepare Final Report                  |                |                |                |                |
| <b>Present Reports to the Council</b> |                |                |                |                |

The project timeline below meets the City's deadline for the Development Impact Fee Study. However, RCS recommends extending the delivery of the final Development Impact Fee Study to January 31, 2019, as it will reduce impact on City staff. RCS further recommends presenting the DIF Study to the City Council at a separate meeting from the CAP/User Fee Study, as both projects require thorough comprehension and dialog.

| <b>OPTION A - Impact Fee Study</b>       | <b>Jul/Aug</b> | <b>Sep/Oct</b> | <b>Nov/Dec</b> | <b>Jan/Feb</b> |
|--|----------------|----------------|----------------|----------------|
| Land-use Database Compilation            |                |                |                |                |
| Determine Infrastructure LOS             |                |                |                |                |
| Discuss Desired Projects w. Staff        |                |                |                |                |
| Review Project Costs & Descriptions      |                |                |                |                |
| Review Demand Drivers (Nexus)            |                |                |                |                |
| Apply Nexus Distribution Factors         |                |                |                |                |
| Review Draft DIF Report with Staff       |                |                |                |                |
| Prepare Final DIF Report                 |                |                |                |                |
| <b>Present DIF Report to the Council</b> |                |                |                |                |

## SAMPLE FEE SERVICE SUMMARY WORKSHEET

**Demonstration Copy**  
**REVENUE AND COST SUMMARY WORKSHEET**

|  |                                       |   |           |
|--|---------------------------------------|---|-----------|
| <b>SERVICE</b><br><b>VARIANCE REVIEW</b>   |                                       | <b>REFERENCE NO.</b><br><b>S-021</b>                    |           |
| <b>PRIMARY DEPARTMENT</b><br>PLANNING  | <b>UNIT OF SERVICE</b><br>APPLICATION | <b>SERVICE RECIPIENT</b><br>Developer/Resident/Business |           |
| <b>DESCRIPTION OF SERVICE</b><br><br>Review proposed variance from terms of zoning code and prepare staff report for the Planning Commission   |                                       |   |           |
| <b>CURRENT FEE STRUCTURE</b><br><br>Planning Commission Variance - \$1,630 per application<br>Area Variance Committee - \$1,280 per application<br>RV Permit - \$250 per application, plus \$250 if an area variance committee hearing is required.<br>Admin. Adjustment - \$965 per application   |                                       |   |           |
| <b><u>REVENUE AND COST COMPARISON</u></b>  |                                       |   |           |
| UNIT REVENUE:  | \$1,067.50                            | TOTAL REVENUE:  | \$6,405   |
| UNIT COST:   | \$1,269.50                            | TOTAL COST:   | \$7,617   |
| UNIT PROFIT (SUBSIDY):   | \$(202.00)                            | TOTAL PROFIT (SUBSIDY):                                 | \$(1,212) |
| TOTAL UNITS:   | 6                                     | PCT. COST RECOVERY:                                     | 84.09%    |
| <b>SUGGESTED FEE FOR COST RECOVERY OF: 100%</b><br><br>Planning Commission Variance - \$2,645 per application plus 30% of the application fee for each additional item after the first item subject to Variance<br>Planning Commission Variance (SFR Owner-occupied) - \$1,325<br>RV Permit - \$465 per application, plus \$465 if an Administrative Adjustment is required.<br>Admin. Adjustment - \$620 per application plus 30% of the application fee for each additional item after the first item subject to Administrative Adjustment |                                       |   |           |

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## SAMPLE FEE SERVICE DETAIL WORKSHEET

**Demonstration Copy  
COST DETAIL WORKSHEET**

| <b>SERVICE</b>                           |                       |                  |                  | <b>REFERENCE NO.</b> |                   |                   |
|--|-----------------------|------------------|------------------|----------------------|-------------------|-------------------|
| <b>VARIANCE REVIEW</b>                   |                       |                  |                  | <b>S-021</b>         |                   |                   |
| <b>NOTE</b>                              |                       |                  |                  | <b>TOTAL UNITS</b>   |                   |                   |
| Unit Costs are an Average of Total Units |                       |                  |                  | <b>6</b>             |                   |                   |
| <u>DEPARTMENT</u>                        | <u>POSITION</u>       | <u>TYPE</u>      | <u>UNIT TIME</u> | <u>UNIT COST</u>     | <u>ANN. UNITS</u> | <u>TOTAL COST</u> |
| Engineering                              | CIVIL ENGINEER ASSOC. | Plan Comm.       | 1.00             | \$148.35             | 2                 | \$297             |
| Engineering                              | CIVIL ENG PRINCIPAL   | Plan Comm.       | 1.00             | \$164.45             | 2                 | \$329             |
| Com. Dev. Admin.                         | COMM. DEV. DIRECTOR   | Plan Comm.       | 1.50             | \$227.97             | 2                 | \$456             |
| Planning                                 | PLANNING MANAGER      | Plan Comm.       | 2.50             | \$464.70             | 2                 | \$929             |
| Planning                                 | COMBO PLANNER         | Plan Comm.       | 11.50            | \$1,366.78           | 2                 | \$2,734           |
| Planning                                 | ADMIN ASSISTANT       | Plan Comm.       | 4.00             | \$274.84             | 2                 | \$550             |
| <b>TYPE SUBTOTAL</b>                     |                       |                  | <b>21.50</b>     | <b>\$2,647.09</b>    |                   | <b>\$5,294</b>    |
| Com. Dev. Admin.                         | COMM. DEV. DIRECTOR   | RV Permit        | 0.50             | \$75.99              | 1                 | \$76              |
| Planning                                 | PLANNING MANAGER      | RV Permit        | 0.50             | \$92.94              | 1                 | \$93              |
| Planning                                 | COMBO PLANNER         | RV Permit        | 2.33             | \$276.92             | 1                 | \$277             |
| Planning                                 | ADMIN ASSISTANT       | RV Permit        | 0.25             | \$17.18              | 1                 | \$17              |
| <b>TYPE SUBTOTAL</b>                     |                       |                  | <b>3.58</b>      | <b>\$463.03</b>      |                   | <b>\$463</b>      |
| Engineering                              | CIVIL ENGINEER ASSOC. | Admin Adjustment | 0.17             | \$25.22              | 3                 | \$76              |
| Com. Dev. Admin.                         | COMM. DEV. DIRECTOR   | Admin Adjustment | 0.25             | \$38.00              | 3                 | \$114             |
| Planning                                 | PLANNING MANAGER      | Admin Adjustment | 1.00             | \$185.88             | 3                 | \$558             |
| Planning                                 | COMBO PLANNER         | Admin Adjustment | 2.83             | \$336.35             | 3                 | \$1,009           |
| Planning                                 | ADMIN ASSISTANT       | Admin Adjustment | 0.50             | \$34.36              | 3                 | \$103             |
| <b>TYPE SUBTOTAL</b>                     |                       |                  | <b>4.75</b>      | <b>\$619.81</b>      |                   | <b>\$1,859</b>    |
| <b>TOTALS</b>                            |                       |                  | <b>29.83</b>     | <b>\$1,269.50</b>    |                   | <b>\$7,617</b>    |

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## SAMPLE FULLY ALLOCATED HOURLY RATE DETAIL REPORT

**Demonstration Copy  
Fully Allocated Hourly Rate  
Position Detail**

POSITION TITLE: COMBO PLANNER  
 POSITION CODE: COMBO  
 SUBORG UNIT: Planning  
 SUBORG UNIT CODE: 285-60000-61050  
 NO. OF FTE'S: 6.000  
 POSITION STATUS: FT  
 FRINGE GROUP: 2

|                               | <u>Total Avail-Wk-Hrs</u> | <u>% of Salary</u> | <u>Hourly Rate</u> |
|-------------------------------|---------------------------|--------------------|--------------------|
| <b>DIRECT COSTS:</b>          |                           |                    |                    |
| Avail. Work Hours/Salary      | 9,918                     |                    | \$48.16            |
| Fringe Benefits               |                           | 35.18%             | \$16.94            |
| Maintenance & Operation Costs |                           | 8.33%              | \$4.01             |
| Building Occupancy Costs      |                           | 0.00%              | \$0.00             |
| Debt Service Costs            |                           | 0.00%              | \$0.00             |
| <b>INDIRECT COSTS:</b>        |                           |                    |                    |
| Overhead Costs                |                           | 103.28%            | \$49.74            |
| Fixed Asset Replacement Costs |                           | 0.00%              | \$0.00             |
| <b>TOTAL - All Costs</b>      |                           |                    | <b>\$118.85</b>    |

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## SAMPLE POSITION TIME DETAIL REPORT

### Demonstration Copy Time Detail by Position

**Position:** A90 ACCOUNTING MANAGER

**# of Employees:** 1.000

**Memo:**

**SubOrg:** 001-21000-21000 Finance Administration

|         |                              |                     | TOTAL     |       |          |         |
|---------|------------------------------|---------------------|-----------|-------|----------|---------|
|         |                              |                     | UNIT TIME | UNITS | TIME     | PERCENT |
| CAP-050 | BUDGET PREP/COORDINATION     | 1%                  | 16.53     | 1     | 16.53    | 1.00%   |
| CAP-051 | GENERAL ACCOUNTING           | Remainder Of Time   | 662.84    | 1     | 662.84   | 40.10%  |
| CAP-054 | PURCHASING SERVICES          | 3%                  | 49.59     | 1     | 49.59    | 3.00%   |
| CAP-055 | ACCOUNTS PAYABLES            | 15%                 | 247.95    | 1     | 247.95   | 15.00%  |
| CAP-056 | PAYROLL SERVICES             | 4%                  | 66.12     | 1     | 66.12    | 4.00%   |
| CAP-059 | CDBG SUPPORT                 | 3%                  | 49.59     | 1     | 49.59    | 3.00%   |
| CAP-060 | REDEVELOPMENT SUPPORT        | 25%                 | 413.25    | 1     | 413.25   | 25.00%  |
| CAP-061 | FINANCE DEPT SUPPORT         | 5%                  | 82.65     | 1     | 82.65    | 5.00%   |
| CAP-062 | GRANT ADMINISTRATION         | 3%                  | 49.59     | 1     | 49.59    | 3.00%   |
| S-088   | ANIMAL CONTROL               | 1/4 Hr/Month        | 0.00      | 7,000 | 2.98     | 0.18%   |
| S-124   | HYDRANT METER RENTAL SERVICE | 1/4 Hr/Mo - Rental  | 0.07      | 43    | 2.98     | 0.18%   |
| S-138   | RETURNED CHECK PROCESSING    | 1/2 Hr/Month        | 0.02      | 370   | 5.95     | 0.36%   |
| TAX-48  | POLICE FALSE ALARM RESPONSE  | 15 Min/Mo - Billing | 0.01      | 520   | 2.98     | 0.18%   |
|         |                              |                     |           |       | 1,653.00 | 100.00% |

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## COMPANY DESCRIPTION AND EXPERIENCE

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### HISTORY OF REVENUE & COST SPECIALISTS

RCS was established in 1980 as Management Services Institute by two former City Managers and a Finance Director in the wake of the passage of Propositions 4 and 13. They had already been costing services in their respective cities but now saw that more and more cities would need this information. These early studies would provide the template for costing work done throughout the state.

Management Services Institute changed its name to Revenue & Specialists in 1996 so as to have a name that better reflects what we do. RCS has continued that same tradition of helping public agencies identify their service costs, either directly through a study or by providing software.

All RCS Principals have prior city experience, and we are aware that our specialization and expertise in cost allocation plans and user fee studies allow City staff to focus on other City functions. Combined, RCS principals have over 65 years of experience in cost allocation plans and fee studies and have served over 250 municipalities. No other consulting firm can match our experience and reputation in this field.



### CAPABILITIES OF STAFF & QUALIFICATIONS

The principals of RCS have a long and respected history of performing our studies in a professional and expedient manner. We do not send out junior staff to perform these vital services to our clients.

Mr. Kermer has been providing costing services for almost 38 years and Mr. Johnson has been providing these same services for more than 28 years. Mr. Thai recently joined the firm with 22 years of municipal experience. There is no other company that has this level of experience that will be provided directly to you.

We have provided these services to a wide array of public agencies, from the smallest special district to larger and more complex cities and counties. By using only principals with unparalleled experience in the operations of municipal agencies, we are able to set up and conduct meetings that will be productive. This efficient use of resources means that we are able to provide these services using less hours than less experienced consultants. This allows us to complete projects with more accurate information in a more timely fashion.

Mr. Thai will be project coordinator and point of contact with the City of Morro Bay. Mr. Thai will coordinate the interviews with staff as well as the presentations to the City Council. Mr. Johnson and Mr. Kermer will provide assistance as needed. RCS does not rely on producing Status Memoranda, because we will be at City Hall quite often to tell you in person how the project is going.

A check of the references included in this proposal will confirm that Mr. Thai, Johnson and Kermer have the experience to not only produce a Cost Allocation Plan and Fee Study Report that City staff can support, but also a Report that the City Council can easily understand and adopt. Mr. Thai remains involved in the California Society Municipal Finance Officer and can provide references from his municipal finance peers.

The resumes for Mr. Johnson, Mr. Kermer, and Mr. Thai are included in the Appendix at the end of this proposal.

## REFERENCES – COST ALLOCATION PLAN AND USER FEE STUDY

Revenue & Cost Specialists has recently completed similar projects for the following public agencies and would request you to contact them for references:

| Jurisdiction  | Contact                               | Title   |
|---|---------------------------------------|---|
| City of La Habra Heights  | Jarad Hildenbrand<br>(562) 694-6302   | City Manager<br><a href="mailto:jhildenbrand@lhcity.org">jhildenbrand@lhcity.org</a>                |
| RCS recently completed the Cost Allocation Plan and Comprehensive Fee Study for the City. The City Council reviewed and approved fee recommendations.   |                                       |   |
| City of Carmel-by-the-Sea   | Sharon Friedrichsen<br>(831) 620-2009 | Budget Director<br><a href="mailto:sfriedrichsen@ci.carmel.ca.us">sfriedrichsen@ci.carmel.ca.us</a> |
| RCS recently completed a Comprehensive Fee Study for the City in 2016. The City Council reviewed and approved fee recommendations.  |                                       |   |
| City of Diamond Bar   | Dianna Honeywell<br>(909) 839-7051    | Finance Director<br><a href="mailto:dhoneywell@diamondbarca.gov">dhoneywell@diamondbarca.gov</a>    |
| RCS recently completed a Cost Allocation Plan and Comprehensive Fee Study for the City in 2017. The City Council recently adopted changes to its fee schedule.  |                                       |   |
| City of Marina  | Lauren Lai<br>(831) 241-3854          | Finance Director<br><a href="mailto:llai@ci.marina.ca.us">llai@ci.marina.ca.us</a>                  |
| Marina City Council adopted its Cost Allocation Plan and Comprehensive Fee Study in April 2018. RCS conducted its previous CAP and User Fee Study in 2007.  |                                       |   |
| City of Santa Clarita   | Carmen Magana<br>(661) 255-4997       | Admin Services Director<br><a href="mailto:cmagana@santa-clarita.com">cmagana@santa-clarita.com</a> |
| RCS developed a Cost Allocation Plan and Comprehensive Fee Study for the City most recently in 2014 and has also updated the Cost Allocation Plan in 2011, 2012, and 2013, 2014, 2015, and 2016. RCS has been providing these services for the City since 1995. |                                       |   |
| City of Hermosa Beach   | Viki Copeland<br>(310) 318-0225       | Finance Director<br><a href="mailto:vcopeland@hermosabch.org">vcopeland@hermosabch.org</a>          |
| RCS developed a Cost Allocation Plan and Comprehensive Fee Study in 2006 and 2016. The fee recommendations were approved by the City Council.   |                                       |   |

## **RESUMES OF RCS STAFF**

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# ERIC S. JOHNSON

## EDUCATION

Bachelor of Arts - University of Redlands, Redlands, California

## PROFESSIONAL EXPERIENCE

### Revenue & Cost Specialists/Management Services Institute - Partner

(January 1990 - Present) Provide general financial management assistance to municipalities, counties, and special districts.

### Unit Distribution - Customer Service Representative

(July 1989 - January 1990) Administered a distribution account for client and acted as a liaison between client and their customers.

### City of Redlands Redevelopment Agency - Redevelopment Intern

(November 1987 - May 1989) Researched issues related to Redevelopment for the Director. Audited the Agency budget. Researched and reported on the Agency's 20% "set-aside" responsibilities for Low & Moderate Income Housing.

## CLIENTS SERVED

### COST OF SERVICE FEE STUDIES

City of Arcadia  
City of Atascadero  
City of Azusa  
City of Banning  
City of Barstow  
City of Beverly Hills  
City of Carlsbad  
City of Carmel-by-the-Sea  
Carpinteria-Summerland Fire District  
City of Corona  
Contra Costa County  
City of Desert Hot Springs  
City of Diamond Bar  
City of Dublin, Ohio  
City of El Segundo  
City of Elk Grove  
City of Eureka  
City of Folsom  
City of Glendale  
City of Glendora  
City of Hermosa Beach  
City of Highland  
City of Huntington Beach  
Imperial County  
City of La Canada-Flintridge  
City of Lakewood  
City of La Mirada  
City of Lancaster  
City of La Puente  
City of Lincoln  
City of Lindsay  
City of Loma Linda  
City of Long Beach Marine Bureau  
City of Los Altos  
Town of Mammoth Lakes  
City of Manhattan Beach  
City of Marina  
City of Menifee  
City of Milpitas  
City of Monterey  
City of Morgan Hill  
City of Morro Bay  
City of Needles  
City of Oakdale

### COST OF SERVICE FEE STUDIES

Orange County Fire Authority  
City of Oroville  
City of Oxnard  
City of Palm Springs  
City of Peoria, Arizona  
City of Pico Rivera  
City of Pismo Beach  
City of Redlands  
City of Rialto  
City of San Clemente  
City of San Gabriel  
City of San Marino  
City of Santa Clarita  
City of Santa Paula  
City of Seaside  
City of Simi Valley  
City of Solana Beach  
City of South Lake Tahoe  
City of South Pasadena  
City of Stockton  
City of Thousand Oaks  
City of Tracy  
Town of Truckee  
Ventura County Fire District  
City of West Covina  
City of West Jordan, Utah  
City of Westminster  
City of Yuba City

### COST ALLOCATION PLANS

Town of Apple Valley  
City of Arcadia  
City of Atascadero  
City of Azusa  
City of Barstow  
City of Beverly Hills  
City of Carlsbad  
Coachella Valley Assoc of Gov't  
County of Cobb, GA  
City of Concord  
City of Corona  
City of Desert Hot Springs  
City of Diamond Bar

### COST ALLOCATION PLANS

City of El Segundo  
City of Elk Grove  
City of Folsom  
City of Glendora  
City of Hermosa Beach  
City of La Canada-Flintridge  
City of Lakewood  
City of La Mirada  
City of Lancaster  
City of La Puente  
City of Lathrop  
City of Lincoln  
City of Los Altos  
City of Lynwood  
City of Manhattan Beach  
City of Menifee  
City of Marina  
City of Needles  
City of Oakdale  
City of Oroville  
City of Oxnard  
City of Palmdale  
City of Pasadena  
City of Peoria, Arizona  
City of Pico Rivera  
City of Pismo Beach  
Placer County Water Agency  
Riverside County Transport. Comm.  
San Bernardino Assoc. Gov't  
County of San Bernardino Spec Dist.  
City of San Gabriel  
City of San Marino  
City of Santa Clarita  
City of Santa Monica  
City of Santa Paula  
City of Seaside  
City of Solana Beach  
City of South Pasadena  
City of Suisun City  
City of Thousand Oaks  
City of Tracy  
County of Tulare  
City of Westminster

**ALBERT RICHARD ("RICK") KERMER, JR.**

**EDUCATION**

Bachelor of Arts - University of Chicago-Economics

Master of Business Administration - University of Chicago-Accounting and Math Methods/Computers

**PROFESSIONAL CERTIFICATION**

Certified Public Accountant-Retired, State of California

**PROFESSIONAL EXPERIENCE**

**Revenue & Cost Specialists/Management Services Institute - President**

(1979-Present) Chief Executive Officer of a diversified management services company.

**City of Buena Park-Director of Finance/City Treasurer**

(1976-1979) Managed a department responsible for administering the budget and general accounting plus water billing, treasury management, business licensing and data processing of a full-service city. Developed and implemented an integrated on-line financial and program budgeting system. Prepared City's first Annual Financial Report for FY 1978-79 which received a CSMFO Meritorious Award.

**Municipal Finance Consultant, Lecturer and Author**

(1976-Present) Performed accounting and financial assistance to numerous municipal governments. Assisted redevelopment agencies, housing authorities, and other specialized districts. Provided contractual accounting services to cities including service as Acting Controller of Compton.

Lecturer on governmental accounting, budgeting, cost accounting and risk management at the University of Southern California. Speaker at several League of California Cities meetings on risk management and cost accounting. Co-author of several articles on risk management published by the Municipal Finance Officers Association and Western Cities magazine. Co-author of the League of California Cities publication, Cost Accounting for California Cities.

**City of Lynwood-Fiscal Officer**

(1975-1976) Created Finance Department. Established centralized purchasing and review of accounts payable. Administered risk management program. Organized utility billing system for accounting control and follow-up on delinquents.

**Lance, Soll & Lunghard, CPAs-Senior Auditor**

(1971-1975) Audited the Cities of Bell, California City, Claremont, Costa Mesa, Duarte, Torrance, Lynwood, Montclair, Oxnard, Rialto, San Dimas and Whittier. Recommended warrant processing and receipting procedures. Reviewed internal control and recommended changes to strengthen same. Prepared annual financial reports and monitored adherence to generally accepted accounting procedures.

**Publications:**

Co-Author of Cost Accounting for California Cities, League of California Cities, 1981 Sacramento, CA

**ALBERT RICHARD ("RICK") KERMER, JR.- (continued)**  
**CLIENTS SERVED**

**SERVICE COST STUDIES**

City of Alhambra  
City of Banning  
City of Big Bear Lake  
City of Brea  
City of Carlsbad  
City of Carpinteria  
City of Ceres  
City of Chino  
City of Claremont  
City of Coachella  
County of Contra Costa  
City of Corona  
City of Cudahy  
City of Dinuba  
City of Dublin, Ohio  
City of Folsom  
City of Fontana  
City of Foster City  
City of Fountain Valley  
City of Fullerton  
City of Goodyear, Arizona  
City of Hemet  
City of Highland  
City of Huntington Beach  
County of Imperial  
City of La Mirada  
City of La Palma  
City of Lake Forest  
City of Lemoore  
City of Lindsay  
City of Los Altos  
City of Lynwood  
City of Mammoth Lakes  
City of Marina  
City of Merced  
City of Milpitas  
City of Monrovia  
City of Monterey  
City of Moreno Valley  
City of Morgan Hill  
City of Norwalk  
City of Oakdale  
City of Oceanside  
Oceanside Harbor District  
City of Palmdale  
City of Palm Desert  
City of Pasadena  
City of Pittsburg  
City of Pomona  
City of Port Hueneme  
City of Rancho Cucamonga  
City of Rancho Palos Verdes  
City of Red Bluff  
City of Redlands  
City of Rialto  
City of Richmond  
City of Riverside  
City of Rocklin  
City of Salinas  
City of San Clemente  
City of San Juan Capistrano  
City of San Rafael  
City of Sanger  
City of Santa Clarita  
City of Scotts Valley  
City of Seal Beach  
City of Selma  
City of Sierra Madre  
City of Solana Beach

**SERVICE COST STUDIES (cont.)**

City of South Gate  
City of South Lake Tahoe  
City of Springville, Utah  
City of Thousand Oaks  
City of Tulare  
City of Turlock  
City of Upland  
City of Villa Park  
City of Vista  
City of Westminster  
City of West Jordan, Utah

**COST ALLOCATION PLAN**

City of Alhambra  
City of Buena Park  
City of Carlsbad  
City of El Cajon  
City of Lynwood  
City of Rialto  
City of San Rafael  
City of Solana Beach  
City of Thousand Oaks  
Orange County Vector Control District

**CASH MANAGEMENT**

City of Buena Park  
City of Commerce  
City of Compton  
La Mirada Civic Theater  
City of Palmdale

**ACCOUNTING PROCEDURES**

City of Buena Park  
Commerce Redevelopment City  
City of Compton  
City of La Habra  
City of La Palma  
City of Morgan Hill  
City of Palmdale  
South Gate Housing Authority

**DATA PROCESSING**

City of La Palma  
Ontario-Montclair School District  
City of Palmdale  
City of San Clemente  
City of South Gate  
City of Villa Park

**ORGANIZATIONAL AND MANAGEMENT**

City of La Mirada  
Ontario-Montclair School District  
City of South Gate  
City of Vista

**UTILITY RATE STUDIES**

City of Brea  
City of Chino  
City of El Segundo

**LONG RANGE FINANCIAL PLAN**

City of Chino  
City of Cudahy  
City of Lake Elsinore  
City of South Gate  
City of Hesperia  
City of Turlock

## CHU THAI

### WORK EXPERIENCE

**Impact Fees:** Cities of Morgan Hill and Monterey Park

**Utility Rates:** Cities of Morgan Hill, Beverly Hills, South Pasadena and Monterey Park

**User Fees:** Cities of Claremont, Morgan Hill, Beverly Hills, South Pasadena, Monterey Park, La Habra Heights, Marina, Antioch and Solana Beach

#### **January 2014 to April 2017 – Director of Management Services, City of Monterey Park, CA**

- Managed department of 15 to provide financial planning and reporting, revenue collections, treasury, information technology, telecommunication and support services
- Improved city's revenues through updated user fees, utility rates, and impact fees
- Conducted long-term financial forecasting and analysis for all funds
- Streamlined and enforced purchasing process
- Participated in risk management financial analysis and claims committee
- Transitioned to new City auditors, business license auditors, and TOT auditors

#### **April 2013 to August 2013 – Administrative Services Director, City of Stanton, CA**

- Managed department of four to provide general accounting, accounts payable, purchasing, payroll, business tax, treasury, IT and telecommunication services
- Updated the City's Investment Policy and strategy
- Developed long-term revenue strategy
- Performed communications audit and reduced expenses by 75%

#### **January 2009 to April 2013 – Finance Director, City of South Pasadena, CA**

- Managed department of eight to provide finance, business tax, utility billing, animal licensing, filming, IT and telecommunication services
- Outsourced utility billing and customer service
- Completed \$43.4 Million Water Bond Issuance and \$12 Million Refunding
- Coordinated the passage of Utility Users Tax Ballot Measure
- Worked with City Treasurer and Finance Committee on fiscal matters affecting the City
- Negotiated lease agreements for city property and cell towers

#### **October 2006 to December 2008 – Budget and Management Officer, City of Beverly Hills, CA**

- Managed \$400 million citywide budget for 750 full-time employees
- Developed comprehensive capital improvement program
- Developed quarterly performance report presented to the City Council
- Implemented performance based budget, including goals and objectives
- Assisted in management audits of various departments
- Updated the city's user fees and utility rates

#### **April 2001 to September 2006 – Budget Manager, City of Morgan Hill, CA**

- Managed utility billing, purchasing, business license and accounts receivable functions
- Developed \$120 million budget for 250 full-time employees
- Coordinated IT overhaul, including finance, utility billing and recreation software conversions, standardization, training, disaster recovery and outsourcing.
- Assisted RDA with analysis of development agreements and economic impact
- Developed pro-formas for proposed aquatics and community centers
- Updated the city's impact fees, user fees and utility rates

**April 1999 to March 2001 – Senior Management Analyst, City of Tustin, CA**

- Coordinated the City's \$80 million operating and CIP budget with all departments
- Managed finance software upgrade, focusing on departmental reports
- Deployed online payment system for utility customers

**June 1995 to March 1999 – Management Analyst – Community Services, City of Claremont, CA**

- Assisted in the development of effective parks and recreation programs
- Assisted in the construction and programming of the Claremont Youth Activity Center, Claremont Skate Park and Hughes Community Center
- Coordinated Non-Profit Funding Program utilizing CDBG and General Funds
- Coordinated budget and evaluated cost recovery for the department

**April 1994 to May 1995 – Intern – Human Services and Public Works, City of La Mirada, CA**

- Assisted the Human Services and Public Works department with studies and projects.

**EDUCATION**

- Claremont Graduate University – Completed coursework towards Masters in Public Policy
- Cal State Northridge – MA Public Administration
- Cal Poly, Pomona – BS in Urban and Regional Planning

**PROFESSIONAL ASSOCIATIONS & EXPERIENCES**

- California Society of Municipal Finance Officers (CSMFO – Board Member)
- Government Finance Officers Association (GFOA)
- International City/County Management Association (ICMA) and (Cal-ICMA)
- Municipal Information Systems Association of California (MISAC)

## OPTION A – DEVELOPMENT IMPACT FEE EXECUTIVE SUMMARY

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To make certain that the City of Morro Bay continues to provide basic municipal services as the City grows, RCS proposes to undertake the calculation and textual support of a new Development Impact Fee Calculation and Nexus Report. RCS staff will perform the following to complete the Development Impact Fee (DIF) calculation and quantify the costs generated by new development in terms of an Impact Fee Schedule for city land uses.

Based on RCS' preliminary review of the reports and documentations provided by the City of Morro Bay, we propose Development Impact Fees for the following infrastructures. The nexus by which the development costs will be distributed to the various land-uses used by RCS are also listed.

- **Law Enforcement Facilities, Vehicles and Equipment**
  - *Actual city law enforcement calls-for-service*
- **Fire Suppression/Medics facilities Vehicles and Equipment**
  - *Actual city fire suppression/medic calls-for-service*
- **Traffic and Circulation System Facilities**
  - *Combined trip-end frequency and distance*
- **Storm Drainage Collection System**
  - *Coefficient of Drainage Statistics*
- **Water Supply, Storage and Distribution System**
- **Wastewater Collection System and Treatment**
  - *Wastewater Master Plan demand planning statistics*
- **General Government-Public Use Facilities** (.e.g. Community/Senior Center)
- **Park Land Acquisition and Park Facilities Improvements (Quimby and Fee Mitigation Act)**
  - *Census data-based residential per capita by type of dwelling (i.e. detached, attached, etc.)*
  - *Open Space Land Acquisition (business use only)*

RCS is the only firm with the experience and determination to research and identify the maximum financial impact from future developments in Morro Bay. With this information, staff can realize what the best funding and implementation policies are for the City.

We plan to use a series of on-site meetings with staff. These focused meetings between RCS experts and knowledgeable City staff produces a final product that is accurate, logical and defensible. RCS's objective is to ensure that City staff feels confident about the data and the report, therefore, confident in supporting the results in public hearings.

The fee recommendations included in RCS' final Development Impact Fee Calculation and Nexus Report will be legally defensible, easy to understand and supported by City staff. RCS's experience as both local government finance officers and impact fee consultants makes certain this project will be completed successfully on time.

# OPTION A – DEVELOPMENT IMPACT FEE

## SCOPE OF WORK/METHODOLOGY

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### WORK PLAN

To provide the basis for the Development Impact Fees, the following steps would be taken by the Revenue & Cost Specialist staff, working with City staff and other consultants where necessary and appropriate:

#### **Task 1: Preliminary Research**

Prior to any meetings, RCS will perform a field "windshield" survey to become acquainted with the physical characteristics and general improvement needs and standards of the City. We will request and review all City maps, land use documents and available master plans, especially the Comprehensive General Plan prior to the kick-off meeting. We will review the City's history of impact fee schedules, resolutions, ordinances, Annual and Five-Year Reports per Government Code Sections 66006 and 66001. RCS will review recent Operating Budgets, CIP Budgets, Comprehensive Annual Financial Reports and fixed asset reports

#### **Task 2: ~~Meeting # 1 – Kick-off Meeting Between City and RCS~~**

~~RCS will conduct an initial meeting with the City's management staff to clarify the parameters of the study, explaining the operational methodology of the study and the role of City staff. We will review any possible issues that may arise as well as answer any questions from City staff about the process. This meeting is crucial for the process as we want to ensure that everyone understands the various steps in the process and what is expected of them. No Kick-Off meeting is necessary. RCS will work with individual departments during the CAP/User Fee project to begin the impact fee update. Some of the necessary documents, such as budget, facility valuation, staffing and equipment, will become available through the CAP/User Fee project.~~

RCS will meet and discuss the City planning, capital financing process and community development standards with the City Engineer, City Planner, Director of Finance, other department staff to determine the level of improvements which most likely will evolve from the project planning documents and are needed to support, and give validity to, the City's Comprehensive General Plan.

RCS will work with the Finance Director, City Planner, City Engineer and other interested staff to determine the land-use based Development Impact Fee categories and land-use data. This would be determined at this point in time. RCS will identify the existing Levels of Service (LOS) provided by the infrastructure and appropriations currently afforded by the City.

### **Task 3: Series of Working Meetings**

RCS will meet with City staff responsible for each infrastructure to assist in the identification of all projects needed through theoretical build-out via use of master plans, specific plans, and other service requirement studies. The more supporting documents we can find, the better the Study will be. The greatest support is an engineer-prepared Master Plan. If such a document is not available, RCS will endeavor to increase the validity of available information. RCS will request from the City all reports, master plans, specific plans, and other related reports identifying needed infrastructure. If needed, RCS can assist the City with developing project lists and supporting data (i.e. fire station sizes and costs). RCS will review project cost estimates and textual explanations for accuracy and completeness.

RCS will identify and analyze the demand driver's specific to each infrastructure or service area. The drivers are the factors of nexus demand related to each land use and would be based upon the project plans or City productivity records. Apply these demand drivers for the distribution of the benefits of, nexus for, and impact of each group of projects on each of the above categories of land use. Undertake the proportional analysis necessary to identify the appropriate burden to be placed upon both the existing and future infrastructure.

### **Task 4: Meeting # 2 – Draft *Development Impact Fee Calculation and Nexus Report***

Since the Report is based on information and estimates provided by City staff, it is important that all participants are comfortable with the methodology and data presented. RCS will prepare a draft report<sup>(1)</sup> consisting of the fee-structures and the necessary relevant nexus text and Report with recommended fees. This meeting will include discussions on policy issues, implementation strategies and revenue collection procedures. RCS will provide the draft report for staff consideration and distribution. The report is expected to include:

- Executive Summary
- Population Projections
- Facilities and Improvements List
- Fee Calculations

**Optional** – Based on the preliminary findings of the study, a desire by staff to present preliminary findings, or external interests in the study, an optional public meeting may be scheduled. RCS can co-facilitate a public meeting and present the draft study report. The meeting is to share findings with stakeholders, including developers and engineers. RCS will provide exhibits and a formal presentation, collect input and prepare meeting minutes capturing public input. RCS will work with City staff to prepare for any possible questions prior to the meeting.

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<sup>(1)</sup> One draft report (cycle) is included in the proposal and then the final Report. Any additional draft reports or final reports beyond those included in this proposal will be invoiced separately at an amount reflecting the magnitude of the requested changes. A period of thirty days will be deemed adequate for staff review of a draft. Delay beyond that point will likely require an additional draft.

**Task 5: Meeting # 3 – Presentation of Proposed Development Impact Fee Calculation and Nexus Report to the City Council**

RCS will attend the City Council meeting to discuss the report methodology and present findings. RCS will provide a formal presentation and answer questions about the findings. RCS will have all necessary supporting documentation for the meeting and will be the primary contact to answer all questions asked. RCS will follow-up with any City Council direction, with the assistance of City staff.

**Task 6: Meeting # 4 – Second City Council meeting**

RCS will attend the second City Council meeting to answer any additional questions. RCS will provide the City with twenty (20) bound copies and a single PDF file of the final report.

**Client input** – During the process, RCS will make every effort to advise, seek input from, and in general explain the work as it is being performed to interested parties by attending meetings of various groups and meet with any local chapter of organized builders or contractors to explain the process and receive any constructive input. This would be accomplished according to the process determined by City management staff.

**Staff time required/project timing** – RCS will require some Department Head, City Planner and City Engineer time, to develop the basic cost distribution structure once the capital needs are identified by the various planning documents and approved by Council. Time requirements will vary depending upon the current availability of needed information. RCS will use the best information possible to complete legally supportable DIFs. RCS will endeavor to limit the amount of time needed from the above staff members.

## OPTION A – DEVELOPMENT IMPACT FEE

### PROJECT TIMELINE

The project timeline below meets the City’s deadline for the Development Impact Fee Study. However, RCS recommends extending the delivery of the final Development Impact Fee Study to January 31, 2019, as it will reduce impact on City staff. RCS further recommends presenting the DIF Study to the City Council at a separate meeting from the CAP/User Fee Study, as both projects require thorough comprehension and dialog.

Work would begin immediately on notification by the City. It is very important that staff has the time to review and absorb the information. This will insure that the resulting Report is accurate and that staff supports the results. Therefore, RCS proposes the following schedule of tasks over the course of the project to meet the City’s needs. This schedule, of course, will require the cooperation of staff.

| OPTION A – Impact Fee Study              | Jul/Aug | Sep/Oct | Nov/Dec | Jan/Feb |
|--|---------|---------|---------|---------|
| Land-use Database Compilation            |         |         |         |         |
| Determine Infrastructure LOS             |         |         |         |         |
| Discuss Desired Projects w. Staff        |         |         |         |         |
| Review Project Costs & Descriptions      |         |         |         |         |
| Review Demand Drivers (Nexus)            |         |         |         |         |
| Apply Nexus Distribution Factors         |         |         |         |         |
| Review Draft DIF Report with Staff       |         |         |         |         |
| Prepare Final DIF Report                 |         |         |         |         |
|  |         |         |         |         |
| <b>Present DIF Report to the Council</b> |         |         |         |         |

## **OPTION A – DEVELOPMENT IMPACT FEE**

### **CAPABILITIES OF STAFF & QUALIFICATIONS**

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Scott Thorpe, Senior Vice President, will manage and undertake the Development Impact *Fee Calculation and Nexus Report* effort for the City.

Chu Thai, Vice President, who successfully adopted impact fees while serving as Finance Director at several cities, will have an equal amount of time involved in this project, assisting with data analysis and fee implementation.

Mr. Thorpe has been providing impact fee consulting services since 1988. Prior to joining RCS, he spent 12 years working for California cities. In thirty years, Mr. Thorpe has conducted over 75 separate Development Impact Fee and Master Facilities Planning engagements in three western US states, and he continues to annually update and advise many of his clients on the subject. His early SDF efforts immediately after the passage of AB1600, established the standard by which other consultants followed.

Mr. Thai recently joined RCS after 22 years of municipal experience, serving as Finance Director for several cities. The focus of his career has been to evaluate and implement operational effectiveness and efficiencies in local government. Mr. Thai is equally adept in municipal revenue augmentation and cost management, and his resume highlights direct experience in several impact fee updates.

Combined, the two principals have an unparalleled level of experience in municipal financing. Mr. Thorpe is keen on identifying capital requirements and assuring legal compliance of the fees. Mr. Thai will use his recent city experience to focus on maximum cost recovery for the City. RCS partners perform all our studies in a professional and efficient manner, and we do not use junior staff to perform these vital services. Work from our partners insure Gilbert will receive clear, concise and correct direction to complex issues. We will also be ready to respond to any questions by staff, elected officials and any interested party. Having partners conduct the work, RCS also promises to be on-time and within budget.

If needed, RCS can assign additional partner(s) to a project, for their expertise, maintenance of the proposed schedule or to maintain to assure continuance of the quality of the product. Documentation representing their qualifications would be submitted to the City for approval prior to their participation.

The resumes for Mr. Thorpe is included in the Appendix at the end of this proposal.

## OPTION A – DEVELOPMENT IMPACT FEE

### REFERENCES

We have recently completed similar *Development Impact Fee Calculation and Nexus Report* projects for the following jurisdictions. We encourage you to contact any RCS client regarding our understanding of the nature of municipalities and working relationship with city staff. Copies of recent impact fee reports can be provided upon your request.

| Jurisdiction  | Reference Contact  |
|---|--|
| <b>City of Atascadero</b><br>(805) 470-3400   | Rachelle Rickard, City Manager<br>Jeri Rangel, Admin Svcs. Director            |
| Currently under contract to update a prior RCS-conducted SDF/DIF Report and Master Facilities Plan. RCS has also provided assistance in calculating specific impact of a number of development proposals.   |  |
| <b>City of Chino</b><br>(909) 334-3408  | Jose Alire, Assistant City Manager/PW<br>Michael A. Kolling, C.I.P. Manager    |
| Currently updating the City's DIF Calculation and Nexus Report and comprehensive 320 project Master Facilities Plan. RCS Staff has enjoyed a 28 year relationship with the City having first calculated the City's initial DIF Calculation in 1989 and has since undertaken a number of updates. Chino's DIF Nexus Report is based upon the City facing an additional 16,250 dwelling units and 23.0 million square feet. |  |
| <b>City of Loma Linda</b><br>(909) 384-5057   | T. Jarb Thaipejr, City Manager<br>Konrad Bolowich, MBA, Assistant City Manager |
| RCS staff generated the City's first DIF Report and numerous updates since that time, helping the City negotiate a 58% increase in its housing stock and 145% increase in business square feet.   |  |
| <b>City of Selma</b><br>(559) 891-2208  | Bryant C. Hemby, Planner<br>Jerry Howell, IT/GIS coordinator                   |
| RCS staff generated the City's first DIF Report and has undertaken a number of updates since that time. The City's most recent RCS Update was used to demonstrate to the State of California of the City's capability of providing infrastructure and service capacity while increasing its housing stock by 175% and its business square feet by 340%.   |  |
| <b>City of Ontario</b><br>(909) 395-2000  | Grant Yee, Admin. Services Director<br>Scott Murphey, Planning Director        |
| Ontario is also a long-term RCS client with RCS conducting its first full-infrastructure DIF Nexus Report and two major updates. The City DIF Calculation and Nexus Report supports the doubling of the size and population of the City within the Ontario Ranch Specific Plan area boosting the City's housing by 59,000 dwelling units (150% increase) and its business square feet by 100,000,000 (71% increase).      |  |

**OPTION A – DEVELOPMENT IMPACT FEE**  
**RESUME OF RCS STAFF**

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## SCOTT IAN THORPE

### EDUCATION

Bachelor of Public Administration (B.P.A.) - San Diego State University

Master of Public Administration (M.P.A.) - California State University Fullerton

### PROFESSIONAL EXPERIENCE

#### Revenue & Cost Specialists, L.L.C. - Senior Vice President

(1998-Present) The principals of Management Services Institute reformed MSI into Revenue & Cost Specialists, as an LLC.

#### Management Services Institute - Senior Vice President

(1985-1998) Principal in a municipal management services company providing diversified municipal financial services.

#### City of Brea-Management and Budget Manager

(1984-1985) Developed budget preparation and management information reporting systems. Established personal computer operations including acquisition, placement, and maintenance of all equipment to initial and on-going employee training. Created a comprehensive legislative program for reviewing all federal, state, and local legislation.

#### City of Anaheim - Budget Analyst/Management Operations Auditor

(1979-1984) Assisted in the preparation of \$350,000,000 annual budget. Provided centralized management support and assistance of line departments with a variety of services including work measurement and management techniques program development, productivity improvement, internal management audits, budget review/analysis, revenue forecasting and auditing, and data processing systems development. Specialized in management assistance to public safety, stadium, convention center and golf operations. Responsible for fiscal, work-unit measurement and management training sessions required of all city management staff.

#### City of Covina-Administrative Assistant to the City Manager

(1974-1979) Performed general program development with significant emphasis on the improvement of the budget process, legislative, public information, and agenda process systems. Conducted a major annexation study and effort.

#### City of Chula Vista-Administrative Aide

(1973-1974) Entry level job which involved completion of a City-wide Policy and Procedure Manual, operation reviews of long term fire vehicle equipment purchases and of the municipal bus system stop locations.

### OTHER ACCOMPLISHMENTS

ABC Elementary School District Closure Project-Enrollment Projections  
Charter Oak Unified School District Facility Closure Committee-Board Appointee  
Guest Lecturer on various municipal government/management topics at two universities

### PUBLICATIONS (Both available at [www.reveunecost.com](http://www.reveunecost.com))

"Financing Capital Improvements", *Journal American Water Works Association*, August, 1991, pages 50-52

"Impact Fees: Practical Guide for Calculation and Implementation", *Journal of Urban Planning and Development*, Vol. 18, No. 3, September, 1992, pages 106-118

"The Missing Ingredient in State-Mandated General Plans", *Public Management*, International City Management Association", March 2014. Pages 21-22.

**CLIENTS SERVED**

**DEVELOPMENT IMPACT FEES**

City of Alhambra Utilities, CA  
 City of Anaheim CA, Fire/Police/Library Services (1)  
 Town of Apple Valley, CA  
 Antelope Valley Fire Protection District, CA  
 Apple Valley Fire Protection District, CA  
 City of Atascadero, CA (1)  
 City of Baldwin Park Law Enforcement DIF  
 City of Barstow, CA Bridge/Interchange  
 City of Barstow, CA  
 Barstow Fire Protection District, CA  
 Bridgeport Fire Protection District, CA  
 City of Big Bear Lake, CA (1)  
 Brigham City Corporation, UT  
 City of Calimesa, CA (in progress)  
 Carpinteria-Summerland, CA Fire Protection District (1)  
 Chalfant Public Services (Fire) District, CA  
 City of Calimesa, CA  
 City of Carpinteria, CA (1)  
 City of Chino, CA (1)  
 City of Chino Preserve (Sub-area II)  
 City of Colton Delhi Sands Flower-Loving Fly DIF  
 City of Coachella, CA  
 City of Corona, CA (1)  
 City of Corona - South Corona Specific Plan Impact Fees  
 City of Desert Hot Springs, CA (1)  
 City of Folsom, CA (1)  
 City of Gilroy, CA, Review of Existing DIFs  
 City of Glendale CA, Parks, Open Space and Community Facilities  
 City of Gonzales, CA (1)  
 City of Grand Terrace, CA  
 City of Greenfield, CA, Police/Fire/Community Centers  
 Feather River Recreation and Park District  
 City of Hemet, CA (1)  
 City of Highland, CA (1)  
 City of Huntington Beach, CA  
 June Lake (CA) Fire Protection District  
 City of Jurupa Valley, CA (in progress)  
 King City, CA (1)  
 City of Laguna Hills, CA - Quality of Life DIFs  
 City of Lake Havasu City, AZ  
 City of Lemoore, CA  
 Long Valley (CA) Fire Protection District  
 City of Loma Linda, CA (1)  
 City of Menifee, CA (in progress)  
 Town of Mammoth Lakes, CA (1)  
 City of Monterey Park, CA (in progress)  
 County of Monterey Sheriff's Department DIFs  
 City of Morgan Hill, CA  
 City of Murrieta, CA (1)  
 City of Needles, CA (1)  
 City of Newport Beach, CA Circulation System DIFs  
 City of Norco, CA (1)  
 City of North Ogden City, UT  
 North Central Fire Protection District, CA  
 North View Fire Department, UT  
 Oceanside CA Storm Drainage (in progress)  
 City of Ontario, Core/New Model Colony, CA (1)  
 City of Orange - Fire Services, CA

**DEVELOPMENT IMPACT FEES (continued)**

City of Oroville, CA  
 Town of Paradise, CA  
 City of Paso Robles, CA  
 City of Petaluma, CA  
 City of Pismo Beach Wastewater Recycling DIF  
 City of Rancho Cordova CA, Circulation System DIFs  
 City of Reedley, CA  
 City of Rialto, CA  
 City of Riverside Public Safety/Library  
 City of Riverside, CA Public Works & Public Safety Services  
 City of Riverside, CA, Parks/Open Space (K-Rat Habitat)  
 City of Santa Paula, CA  
 City of Sedona, AZ (1)  
 City of Selma, CA (1)  
 City of Sierra Madre, CA  
 SANBAG, CA  
 City of San Bernardino, CA (1)  
 County of San Bernardino, CA  
 City of Scotts Valley, CA  
 South Jordan City, UT (1)  
 South Ogden City, UT  
 City of Thousand Oaks, CA, Review Existing Impact Fees  
 City of Tracy, CA Public Facilities  
 Town of Truckee, CA  
 City of Tulare, CA  
 Washington Terrace City, UT  
 West Jordan City, UT  
 Wheeler Crest (CA) Fire Protection District  
 City of Wheatland, CA  
 City of Whittier, CA, Parkland and Facilities

**MASTER FACILITIES PLANS/CIPs**

City of Anaheim, CA Police/Fire/Library Services (1)  
 Town of Apple Valley, CA  
 Apple Valley Fire Protection District  
 Antelope Valley Fire Protection District  
 City of Atascadero, CA  
 City of Barstow, CA  
 Barstow Fire Protection District, CA  
 Bridgeport Fire Protection District, CA  
 City of Big Bear Lake, CA (5/10 year)  
 Brigham City Corporation, UT  
 City of Calimesa, CA (in progress)  
 City of Carpinteria, CA  
 Carpinteria-Summerland Fire Protection District  
 Chalfant Public Services (Fire) Protection District  
 City of Chino, CA (1)  
 City of Corona, CA (1)  
 City of Folsom, CA (1)  
 City of Desert Hot Springs, CA (1)  
 City of Gonzales, CA  
 City of Grand Terrace, CA  
 City of Greenfield, CA  
 City of Highland, CA (1)  
 City of Jurupa valley, CA (in progress)

(1) Includes one or more impact fee calculation updates.

**MASTER FACILITIES PLANS/CIPs (continued)**

June Lake (CA) Fire Protection District  
King City, CA  
City of Lake Havasu City, AZ  
City of Huntington Beach, CA  
City of Lancaster, CA  
City of Loma Linda, CA (1)  
Long Valley (CA) Fire Protection District  
City of Menifee, CA (in progress)  
Town of Mammoth Lakes, CA (1)  
City of Murrieta, CA (1)  
City of Needles, CA  
City of Newport Beach  
City of Norco, CA (1)  
North Ogden City, UT  
North Central Fire Protection District  
City of Ontario, CA  
City of Oroville, CA  
City of Orange, CA Fire Suppression System  
Town of Paradise, CA  
City of Paso Robles, CA  
City of Rancho (CA) Cordova Circulation System City of  
Riverside, CA Police/Fire Services  
City of San Bernardino, CA City of San Bernardino, CA  
City of Santa Paula, CA (1)  
City of Sedona, AZ  
City of Selma, CA (1)  
South Jordan City, UT (1)  
South Ogden City, UT  
City of Tracy, CA, Public Facilities  
Town of Truckee, CA  
City of San Bernardino, CA  
City of San Bernardino, CA Storm Drainage  
Wheeler Crest (CA) Fire Protection District  
City of Wheatland, CA  
City of Whittier Park System

**MISCELLANEOUS PROJECTS**

City of Azusa, CA - Plan Check/Inspection Process Review  
Brigham City Corporation - Closed Indian School Use  
Conversion  
City of Colton, CA - Electric Utilities Collection Procedural  
Manual  
City of Corona, CA - I-15 Area Public Safety Facility Financing  
City of Corona, CA - Communication Repeater Cost  
Financing  
City of Fontana, CA - General & Departmental Overhead Plan  
City of Hemet, CA - Supplemental DIF - Public Peril Report  
City of Highland, CA - Capital Financing Plan  
City of Highland, CA - Fee and Rate Schedule  
City of Lake Havasu City, AZ - Capital Financing Plan  
City of Los Altos – Existing DIF Review  
Los Angeles Fire/Police Retirement System - Fiscal Review  
City of Needles - Development Agreement Assistance  
City of Milpitas - Business License Ordinance Review  
City of Redlands, CA - Corporation Yard Debt Financing Cost  
Distribution  
City of Redlands, CA - Solid Waste Collection/Landfill Rate  
Study  
City of Redlands, CA - Street Sweeping Rate Study  
City of Pico Rivera - Business License Ordinance Review

**MISCELLANEOUS PROJECTS (continued)**

City of Port Hueneme, CA - Revenue Search Report  
San Bernardino County, CA, Special Dist. Office, Finance  
Review  
City of San Clemente Business License Review  
City of Santa Paula Park General Plan Element  
City of Seaside - Hayes Housing Development Service  
Demands  
South Jordan City- Business Regulation Costing  
City of South Lake Tahoe, CA - Transfer of Custody Cost  
Verification  
City of Westminster, CA - Productivity Measurement Module  
Town of Windsor, CA - Long Range Capital Financing Plan  
City of San Bernardino, CA - Verdemon Area Financing  
Analysis

**Assistance to City's Attorneys (confidential)**

Cohen and Berliner Litigation Assistance  
Rutan and Tucker – Litigation Assistance  
San Diego County Counsel - DIF Use Litigation Assistance  
San Diego City - Building & Safety Fee Litigation Assistance

**MUNICIPAL BUSINESS SYSTEM COST OF SERVICES  
CALCULATIONS**

City of Azusa, CA  
City of Banning, CA  
City of Brea, CA  
City of Bend, OR  
City of Carpinteria, CA  
City of Carson, CA  
City of Chino, CA  
Chino Valley Independent Fire District, CA  
City of Corona, CA  
City of Cotati, CA  
City of Fontana, CA  
City of Hesperia, CA  
City of Highland, CA  
City of Kennewick, WA  
City of Lake Elsinore, CA  
City of Long Beach, CA, Marine Bureau  
City of Lynwood, CA  
City of Ontario, CA, Fire Department  
City of Porterville, CA  
City of Rancho Mirage, CA  
City of Redlands, CA  
City of Rialto, CA  
City of Rocklin, CA  
South Jordan City, UT  
City of Shafter, CA  
City of Taft, CA  
City of Upland, CA  
City of West Covina, CA  
County of Imperial, CA  
County of Ventura Consolidated Fire District, CA

**INTERNATIONAL MUNICIPAL MANAGEMENT TRAINING**

Slovenia Ministry of Local Affairs (municipal services)  
Philippine Ministry of Economic and Capital Development

(1) Includes one or more updates.



## PROJECT BUDGET – COST ALLOCATION PLAN & USER FEE

Revenue & Cost Specialists’ proposal will update user fees for the following services: **Finance, Community Development, Public Works, Police, Fire, Harbor, Recreation, Transit, Water and General city services.** The total project, including reimbursable travel, will not exceed **\$35,245.**

| Task                                 | Milestones/Deliverables             | Total Cost      |
|--------------------------------------|-------------------------------------|-----------------|
| <b>Cost Allocation Plan (CAP)</b>    |                                     |                 |
| Review Central Services/Time         | List of Central Services            | 2,400           |
| Develop Allocation Factors           | Index of Allocation Factors         | 2,400           |
| Review Results with Departments      | Review of Initial Results           | 3,600           |
| Prepare Final Cost Allocation Plan   | Final Report                        | 1,800           |
|                                      | Total Cost Allocation Plan          | \$10,200        |
| <b>User Fee Study</b>                |                                     |                 |
| Kick-Off Meeting                     | Informational Meeting               | 600             |
| Develop Service List                 | Preliminary Service List            | 3,000           |
| Develop Staff Time Allocations       | Time Detail Reports                 | 9,000           |
| Develop Fully Allocated Hourly Rates | Fully Allocated Hourly Rate Reports | 600             |
| Prepare Draft Report                 | Draft Fee Study Report              | 3,600           |
| Prepare Final Report                 | Final Report                        | 2,400           |
| Present Report to the City Council   | Council Presentations               | 1,200           |
|                                      | User Fee Study                      | \$20,400        |
|                                      | Total CAP & User Fee Study          | <b>\$30,600</b> |
|                                      | 20 Bounded Copies of Study          | <b>\$500</b>    |
|                                      | Est. Travel Expenses                | <b>\$4,145</b>  |
|                                      | <b>CAP/USER FEE NOT TO EXCEED</b>   | <b>\$35,245</b> |

RCS will invoice the City separately for the following travel, per diem, and out of pocket costs as follows:

- Actual commercial travel costs (airfare/rental car/gas/parking); and
- Actual expenses for hotel and meals during staff residence.

The above fees cover all costs except for the following additional costs which the City may incur:

- insurance coverage beyond our basic general liability and workers compensation requiring an additional premium<sup>(2)</sup>,
- report reproduction beyond identified number of copies of the final Reports, and
- Meeting attendance beyond those identified in this proposal.

The above costs are based on a cost of \$150 per hour. The billing rate for any additional work not covered by this proposal would be \$195 per hour.

RCS will submit four equal invoices plus any miscellaneous costs from the previous paragraph. The first invoice will be submitted ten days after notice to proceed. Each invoice will be due within 30 days of submission.

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<sup>(2)</sup> RCS standard coverage includes workers compensation pursuant to state law, comprehensive liability insurance with a combined single limit coverage of \$1,000,000 and professional liability insurance with a combined coverage of \$2,000,000.

**OPTION A – DEVELOPMENT IMPACT FEE**  
**PROJECT BUDGET**

The total project, including reimbursable travel, will not exceed **\$28,610**. Estimated travel expenses took into consideration combining several CAP/User Fee and DIF Study trips together. The cost of this project may be paid for by the established impact fees.

| Task                       | Hours | Hourly Rate                      | Extended Cost/Rate |
|----------------------------|-------|----------------------------------|--------------------|
| Preliminary Research       | 40.0  | \$150                            | \$6,000            |
| 1. Police                  | 8.0   | \$150                            | \$1,200            |
| 2. Fire                    | 8.0   | \$150                            | \$1,200            |
| 3. Traffic and Circulation | 12.0  | \$150                            | \$1,800            |
| 4. Storm Drainage          | 8.0   | \$150                            | \$1,200            |
| 5. Water                   | 12.0  | \$150                            | \$1,800            |
| 6. Wastewater              | 12.0  | \$150                            | \$1,800            |
| 7. General Government      | 8.0   | \$150                            | \$1,200            |
| 8. Parks and Recreation    | 8.0   | \$150                            | \$1,200            |
| Document Production        | 40.0  | \$150                            | \$6,000            |
| Public Meetings            | 16.0  | \$150                            | \$2,400            |
| Subtotal                   | 160.0 |                                  | <b>\$25,800</b>    |
|                            |       | 20 Bounded Copies of Study       | <b>\$500</b>       |
|                            |       | Est. Travel Expenses             | <b>\$2,310</b>     |
|                            |       | <b>DIF PROJECT NOT TO EXCEED</b> | <b>\$28,610</b>    |

The above costs are based on a cost of \$150 per hour. The billing rate for any additional work not covered by this proposal would be \$195 per hour.

RCS will submit four equal invoices plus any miscellaneous costs from the previous paragraph. The first invoice will be submitted ten days after notice to proceed. Each invoice will be due within 30 days of submission.

The above fees cover all costs except for the following additional costs which the City may incur:

- insurance coverage beyond our basic general liability and workers compensation requiring an additional premium<sup>(3)</sup>,
- report reproduction beyond identified number of copies of the final Reports, and
- Meeting attendance beyond those identified in this proposal.

<sup>(3)</sup> RCS standard coverage includes workers compensation pursuant to state law, comprehensive liability insurance with a combined single limit coverage of \$1,000,000 and professional liability insurance with a combined coverage of \$2,000,000.