

SERVICE PROVIDER AGREEMENT

This SERVICE PROVIDER AGREEMENT ("Agreement") is entered into this 3rd day of March, 2020 ("Effective Date"), by and between the CITY OF ALAMEDA, a municipal corporation (the "City"), and URBAN FUTURES, Inc., whose address is 17821 17th Street, Ste. 245, Tustin CA 92780 (the "Provider"), in reference to the following facts and circumstances:

RECITALS

- A. City is a municipal corporation duly organized and validly existing under the laws of the State of California with the power to carry on its business as it is now being conducted under the statutes of the State of California and the Charter of the City.
- B. The City is in need of the following services: to provide Pension/OPEB Analysis and Financial Modeling Services. City staff issued a RFP/RFQ on November 16, 2019 and after a submittal period of twenty 20 days received three timely submitted proposals. Staff reviewed the proposals, interviewed qualified firms and selected the service provider that best meets the City's needs.
- C. Provider is specially trained, experienced and competent to perform the special services which will be required by this Agreement.
- D. City and Provider desire to enter into an agreement, upon the terms and conditions herein.

AGREEMENT

NOW, THEREFORE, in consideration of the forgoing, which are incorporated herein by reference, and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the City and Provider agree as follows:

1. TERM:

The term of this Agreement shall commence on the 3rd day of March 2020, and shall terminate on the 3rd day of March 2021, unless terminated earlier as set forth herein.

SERVICES TO BE PERFORMED:

Provider agrees to do all necessary work at its own cost and expense, to furnish all labor, tools, equipment, materials, except as otherwise specified, and to do all necessary work included in Exhibit A as requested. The Provider acknowledges that the work plan included in Exhibit A is tentative and does not commit the City to request Provider to perform all tasks included therein.

2. COMPENSATION TO PROVIDER:

a. By the 7th day of each month, Provider shall submit to the City an invoice for the total amount of work done the previous month. Pricing and accounting of charges are to be according to the fee schedule as set forth in Exhibit A and incorporated herein by this reference.

b. Compensation for this Agreement shall not exceed \$45,000.

3. **TIME IS OF THE ESSENCE:**

Provider and City agree that time is of the essence regarding the performance of this Agreement.

4. **STANDARD OF CARE:**

Provider agrees to perform all services hereunder in a manner commensurate with the prevailing standards of like professionals or service providers, as applicable, in the San Francisco Bay Area and agrees that all services shall be performed by qualified and experienced personnel who are not employed by the City.

5. **INDEPENDENT PARTIES:**

Provider hereby declares that Provider is engaged as an independent business and Provider agrees to perform the services as an independent contractor. The manner and means of conducting the services and tasks are under the control of Provider, except to the extent they are limited by statute, rule or regulation and the express terms of this Agreement. No civil service status or other right of employment will be acquired by virtue of Provider's services. None of the benefits provided by City to its employees, including but not limited to unemployment insurance, workers' compensation plans, vacation and sick leave are available from City to Provider, its employees or agents. Deductions shall not be made for any state or federal taxes, FICA payments, PERS payments, or other purposes normally associated with an employer-employee relationship from any compensation due to Provider. Payments of the above items, if required, are the responsibility of Provider.

6. **IMMIGRATION REFORM AND CONTROL ACT (IRCA):**

Provider assumes any and all responsibility for verifying the identity and employment authorization of all of its employees performing work hereunder, pursuant to all applicable IRCA or other federal, or state rules and regulations. Provider shall indemnify, defend, and hold City harmless from and against any loss, damage, liability, costs or expenses arising from any noncompliance of this provision by Provider.

7. **NON-DISCRIMINATION:**

Consistent with the City's policy and state and federal law that harassment and discrimination are unacceptable conduct, Provider and its employees, contractors, and agents shall not harass or discriminate against any job applicant, City employee, or any other person on the basis of any kind of any statutorily (federal, state or local) protected class, including but not limited to: race, religious creed, color, national origin, ancestry, physical disability (including HIV and AIDS), mental disability, medical condition (ex. Cancer), genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, pregnancy, political affiliation, military and veteran status or legitimate Union activities. Provider agrees that any violation of this provision shall constitute a material breach of this Agreement.

8. **HOLD HARMLESS:**

a. Provider shall indemnify, defend, and hold harmless the City, its City Council, boards, commissions, officials, employees, and volunteers ("**Indemnitees**") from and against any

and all loss, damages, liability, claims, suits, costs and expenses whatsoever, including reasonable attorneys' fees ("Claims"), arising from or in any manner connected to Provider's negligent, reckless or intentional act or omission, whether alleged or actual, regarding performance of services or work conducted or performed pursuant to this Agreement. If Claims are filed against Indemnites which allege negligence, recklessness or willful misconduct on behalf of the Provider, Provider shall have no right of reimbursement against Indemnites for the costs of defense even if negligence, recklessness or willful misconduct is not found on the part of Provider. However, Provider shall not be obligated to indemnify Indemnites from Claims arising from the sole negligence or willful misconduct of Indemnites.

b. **Indemnification for Claims for Professional Liability Only:** As to Claims for professional liability only, Provider's obligation to defend Indemnites (as set forth above) is limited as provided in California Civil Code Section 2782.8.

c. Provider's obligation to indemnify, defend and hold harmless Indemnities shall expressly survive the expiration or early termination of this Agreement.

9. **INSURANCE:**

a. On or before the commencement of the terms of this Agreement, Provider shall furnish the City's Risk Manager with certificates showing the type, amount, class of operations covered, effective dates and dates of expiration of insurance coverage in compliance with subsections 10A, B, C and D. Such certificates, which do not limit Provider's indemnification, shall also contain substantially the following statement:

"Should any of the above insurance covered by this certificate be canceled or coverage reduced before the expiration date thereof, the insurer affording coverage shall provide ten (10) days' advance written notice to the City of Alameda. Attention: Risk Manager."

b. It is agreed that Provider shall maintain in force at all times during the performance of this Agreement all appropriate coverage of insurance required by this Agreement with an insurance company that is acceptable to City and licensed to do insurance business in the State of California.

c. Provider shall deliver updated insurance certificates to the City at the address described in Section 17.f. prior to the expiration of the existing insurance certificate for the duration of the term of Agreement. Endorsements naming the City, its City Council, boards, commissions, officials, employees, and volunteers as additional insured shall be submitted with the insurance certificates.

Provider Initials

A. COVERAGE:

Provider shall maintain the following insurance coverage:

(1) Workers' Compensation:

Statutory coverage as required by the State of California.

(2) Liability:

Commercial general liability coverage in the following minimum limits:

Bodily Injury: \$1,000,000 each occurrence
 \$2,000,000 aggregate - all other

Property Damage: \$1,000,000 each occurrence
 \$2,000,000 aggregate

If submitted, combined single limit policy with aggregate limits in the amounts of \$2,000,000 will be considered equivalent to the required minimum limits shown above. Additional Insured Endorsement naming the City, its City Council, boards, commissions, officials, employees, and volunteers is required.

(3) Automotive:

Comprehensive automobile liability coverage (any auto) in the following minimum limits:

Bodily injury: \$1,000,000 each occurrence
Property Damage: \$1,000,000 each occurrence

or

Combined Single Limit: \$2,000,000 each occurrence

Additional Insured Endorsement naming the City, its City Council, boards, commissions, officials, employees, and volunteers is required.

(4) Professional Liability:

Professional liability insurance which includes coverage for the professional acts, errors and omissions of Provider in the following minimum limits:

\$1,000,000 each occurrence

Additional Insured Endorsement naming the City, its City Council, boards, commissions, officials, employees, and volunteers is required.

B. SUBROGATION WAIVER:

Provider agrees that in the event of loss due to any of the perils for which it has agreed to provide comprehensive general and automotive liability insurance, Provider shall look solely to its insurance for recovery. Provider hereby grants to City, on behalf of any insurer providing comprehensive general and automotive liability insurance to either Provider or City with respect

to the services of Provider herein, a waiver of any right to subrogation which any such insurer of said Provider may acquire against City by virtue of the payment of any loss under such insurance.

C. FAILURE TO SECURE:

If Provider at any time during the term hereof should fail to secure or maintain the foregoing insurance, City shall be permitted to obtain such insurance in the Provider's name or as an agent of the Provider and shall be compensated by the Provider for the costs of the insurance premiums at the maximum rate permitted by law and computed from the date written notice is received that the premiums have not been paid.

D. ADDITIONAL INSURED:

City, its City Council, boards, commissions, officials, employees, and volunteers shall be named as an additional insured under all insurance coverages, except workers' compensation and professional liability insurance. The naming of an additional insured shall not affect any recovery to which such additional insured would be entitled under this policy if not named as such additional insured. An additional insured named herein shall not be held liable for any premium, deductible portion of any loss, or expense of any nature on this policy or any extension thereof. Any other insurance held by an additional insured shall not be required to contribute anything toward any loss or expense covered by the insurance provided by this policy.

E. SUFFICIENCY OF INSURANCE:

The insurance limits required by City are not represented as being sufficient to protect Provider. Provider is advised to consult Provider's insurance broker to determine adequate coverage for Provider.

10. CONFLICT OF INTEREST:

Provider warrants that it is not a conflict of interest for Provider to perform the services required by this Agreement. Provider may be required to fill out a conflict of interest form if the services provided under this Agreement require Provider to make certain governmental decisions or serve in a staff capacity as defined in Title 2, Division 6, Section 18700 of the California Code of Regulations.

11. PROHIBITION AGAINST TRANSFERS:

a. Provider shall not assign, sublease, hypothecate, or transfer this Agreement, or any interest therein, directly or indirectly, by operation of law or otherwise, without prior written consent of the City Manager. Provider shall submit a written request for consent to transfer to the City Manager at least thirty (30) days in advance of the desired transfer. The City Manager or his or her designee may consent or reject such request in his/her sole and absolute discretion. Any attempt to do so without said consent shall be null and void, and any assignee, sublessee, hypothecate or transferee shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. However, claims for money against the City under this Agreement may be assigned by Provider to a bank, trust company or other financial institution without prior written consent.

b. The sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock of Provider, or of the interest of any general partner or joint venturer or syndicate member or cotenant, if Provider is a partnership or joint venture or syndicate or cotenancy, which shall result in changing the control of Provider, shall be construed as an assignment of this Agreement. Control means fifty percent or more of the voting power of the corporation.

12. APPROVAL OF SUB-PROVIDERS:

a. Only those persons and/or businesses whose names and resumés are attached to this Agreement shall be used in the performance of this Agreement. However, if after the start of this Agreement, Provider wishes to use sub-providers, at no additional costs to the City, then Provider shall submit a written request for consent to add sub-providers including the names of the sub-providers and the reasons for the request to the City Manager at least five (5) days in advance. The City Manager may consent or reject such requests in his/her sole and absolute discretion.

b. Each sub-provider shall be required to furnish proof of workers' compensation insurance and shall also be required to carry general, automobile and professional liability insurance (as applicable) in reasonable conformity to the insurance carried by the Provider. In addition, any tasks or services performed by sub-providers shall be subject to each provision of this Agreement.

c. The requirements in this Section 13 shall not apply to persons who are merely providing materials, supplies, data or information which the Provider then analyzes and incorporates into its work product.

13. PERMITS AND LICENSES:

Provider, at its sole expense, shall obtain and maintain during the term of this Agreement, all appropriate permits, certificates and licenses, including a City Business License that may be required in connection with the performance of the services and tasks hereunder.

14. REPORTS:

a. Each and every report, draft, work product, map, record and other document produced, prepared or caused to be prepared by Provider pursuant to or in connection with this Agreement shall be the exclusive property of City.

b. No report, information or other data given to or prepared or assembled by Provider pursuant to this Agreement shall be made available to any individual or organization by Provider without prior approval of the City Manager or his/her designee.

c. Provider shall, at such time and in such form as City Manager or his/her designee may require, furnish reports concerning the status of services and tasks required under this Agreement.

15. RECORDS:

a. Provider shall maintain complete and accurate records with respect to the services, tasks, work, documents and data in sufficient detail to permit an evaluation of the Provider's

performance under the Agreement, as well as maintain books and records related to sales, costs, expenses, receipts and other such information required by City that relate to the performance of the services and tasks under this Agreement (collectively the "**Records**").

b. All Records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. Provider shall provide free access to the Records to the representatives of City or its designees during regular business hours upon reasonable prior notice. The City has the right to examine and audit the Records, and to make copies or transcripts therefrom as necessary, and to allow inspection of all proceedings and activities related to this Agreement. Such Records, together with supporting documents, shall be kept separate from other documents and records and shall be maintained by Provider for a period of three (3) years after receipt of final payment.

c. If supplemental examination or audit of the Records is necessary due to concerns raised by City's preliminary examination or audit of records, and the City's supplemental examination or audit of the records discloses a failure to adhere to appropriate internal financial controls, or other breach of this Agreement or failure to act in good faith, then Provider shall reimburse the City for all reasonable costs and expenses associated with the supplemental examination or audit.

16. **NOTICES:**

a. All notices shall be in writing and delivered: (i) by hand; or (ii) sent by registered, express, or certified mail, with return receipt requested or with delivery confirmation requested from the U.S. postal service; or (iii) sent by overnight or same day courier service at the party's respective address listed in this Section.

b. Each notice shall be deemed to have been received on the earlier to occur of: (x) actual delivery or the date on which delivery is refused; or (y) three (3) days after notice is deposited in the U.S. mail or with a courier service in the manner described above (Sundays and City holidays excepted).

c. Either party may, at any time, change its notice address (other than to a post office box address) by giving the other party three (3) days prior written notice of the new address.

d. All notices, demands, requests, or approvals from Provider to City shall be addressed to City at:

City of Alameda
City Manager's Office
2263 Santa Clara Ave, Room 320
Alameda, CA 94501
ATTENTION: Assistant City Manager
Ph: (510) 747-4714

e. All notices, demands, requests, or approvals from City to Provider shall be addressed to Provider at:

UFI Financial Solutions
Valerie Elliott
17821 17th Street, Suite 245
Tustin CA 92780
ATTENTION: Valerie Elliott
Ph: 714-923-3562

f. All updated insurance certificates from Provider to City shall be addressed to City at:

City of Alameda
City Manager's Office
2263 Santa Clara Ave., Room 320
Alameda, CA 94501
ATTENTION: Jodi Owens, Executive Assistant
Ph: (510) 747-4715 / jowens@alamedaca.gov

17. SAFETY:

a. The Provider will be solely and completely responsible for conditions of all vehicles owned or operated by Provider, including the safety of all persons and property during performance of the services and tasks under this Agreement. This requirement will apply continuously and not be limited to normal working hours. In addition, Provider will comply with all safety provisions in conformance with U.S. Department of Labor Occupational Safety and Health Act, any equivalent state law, and all other applicable federal, state, county and local laws, ordinances, codes, and any regulations that may be detailed in other parts of the Agreement. Where any of these are in conflict, the more stringent requirements will be followed. The Provider's failure to thoroughly familiarize itself with the aforementioned safety provisions will not relieve it from compliance with the obligations and penalties set forth herein.

b. The Provider will immediately notify the City within 24 hours of any incident of death, serious personal injury or substantial property damage that occurs in connection with the performance of this Agreement. The Provider will promptly submit to the City a written report of all incidents that occur in connection with this Agreement. This report must include the following information: (i) name and address of injured or deceased person(s); (ii) name and address of Provider's employee(s) involved in the incident; (iii) name and address of Provider's liability insurance carrier; (iv) a detailed description of the incident; and (v) a police report.

18. TERMINATION:

a. In the event Provider fails or refuses to perform any of the provisions hereof at the time and in the manner required hereunder, Provider shall be deemed in default in the performance of this Agreement. If such default is not cured within two (2) business days after receipt by Provider from City of written notice of default, specifying the nature of such default and the steps necessary to cure such default, City may thereafter immediately terminate the Agreement forthwith by giving to the Provider written notice thereof.

b. The foregoing notwithstanding, City shall have the option, at its sole discretion and without cause, of terminating this Agreement by giving seven (7) days' prior written notice to Provider as provided herein.

c. Upon termination of this Agreement either for cause or for convenience, each party shall pay to the other party that portion of compensation specified in this Agreement that is earned and unpaid prior to the effective date of termination. The obligation of the parties under this Section 19.c. shall survive the expiration or early termination of this Agreement.

19. ATTORNEYS' FEES:

In the event of the bringing of any action or suit by a party hereto against the other party by reason of any breach of any covenants, conditions, obligation or provision arising out of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party all of its costs and expenses of the action or suit, including reasonable attorneys' fees, experts' fees, all court costs and other costs of action incurred by the prevailing party in connection with the prosecution or defense of such action and enforcing or establishing its rights hereunder (whether or not such action is prosecuted to a judgment). For the purposes of this Agreement, reasonable fees of attorneys of the Alameda City Attorney's office shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the services were rendered who practice in Alameda County in law firms with approximately the same number of attorneys as employed by the Alameda City Attorney's Office.

20. COMPLIANCE WITH ALL APPLICABLE LAWS:

During the term of this Agreement, Provider shall keep fully informed of all existing and future state and federal laws and all municipal ordinances and regulations of the City of Alameda which affect the manner in which the services or tasks are to be performed by the Provider, as well as all such orders and decrees of bodies or tribunals having any jurisdiction or authority over the same. Provider shall comply with all applicable laws, state and federal and all ordinances, rules and regulations enacted or issued by City.

21. CONFLICT OF LAW:

This Agreement shall be interpreted under, and enforced by the laws of the State of California without regard to any choice of law rules which may direct the application of laws of another jurisdiction. The Agreement and obligations of the parties are subject to all valid laws, orders, rules, and regulations of the authorities having jurisdiction over this Agreement (or the successors of those authorities). Any suits brought pursuant to this Agreement shall be filed with the courts of the County of Alameda, State of California.

22. WAIVER:

A waiver by City of any breach of any term, covenant, or condition contained herein shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained herein, whether of the same or a different character.

23. INTEGRATED CONTRACT:

The Recitals and Exhibits are a material part of this Agreement and are expressly incorporated herein. This Agreement represents the full and complete understanding of every kind or nature whatsoever between the parties hereto, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No verbal agreement or implied covenant shall be held to vary the provisions hereof. Any modification of this Agreement will be effective only by written execution signed by both City and Provider.

24. CAPTIONS:

The captions in this Agreement are for convenience only, are not a part of the Agreement and in no way affect, limit or amplify the terms or provisions of this Agreement.

26. COUNTERPARTS:

This Agreement may be executed in any number of counterparts (including by fax, PDF, DocuSign, or other electronic means), each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

27. SIGNATORY:

By signing this Agreement, signatory warrants and represents that he/she executed this Agreement in his/her authorized capacity and that by his/her signature on this Agreement, he/she or the entity upon behalf of which he/she acted, executed this Agreement.

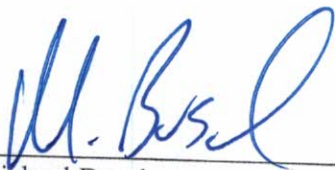
28. CONTROLLING AGREEMENT:

In the event of a conflict between the terms and conditions of this Agreement and any other terms and conditions wherever contained, including, without limitation, terms and conditions included within exhibits, the terms and conditions of this Agreement shall control and be primary.

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IN WITNESS WHEREOF, the parties have each caused this Agreement to be duly executed on its behalf as of the Effective Date.

URBAN FUTURES, INC.



Michael Busch
President & CEO

CITY OF ALAMEDA
a municipal corporation

Eric J. Levitt
City Manager

RECOMMENDED FOR APPROVAL

Gerry Beaudin
Assistant City Manager

APPROVED AS TO FORM:
City Attorney

Michael H. Roush
Chief Assistant City Attorney



February 12, 2020

Eric Levitt
City Manager
City of Alameda
Alameda, CA 94501

RE: Pension & OPEB Analysis & Financial Modeling Services

Dear Eric,

Thank you for considering Urban Futures, Inc. (UFI) to serve as your Municipal Advisor. Per your request, we have drafted the following proposal to provide Pension/OPEB Analysis & Financial Modeling Services.

UFI is at the forefront of pension and OPEB issues in California. We create a customized pension model, based on CalPERS actuarial data. We will develop individual amortizations schedules for each of the City's Amortization Bases which will facilitate the review of funding options and decision-making relating to the City's pension/OPEB liability. Additionally, UFI will be available on an as-needed basis to assist the City on various finance and budget matters related to your pension and OPEB liabilities and funding policies.

The focus of our initial engagement will be on addressing your retirement costs, which will be comprised of five (5) integrated and successive phases:

1. Develop a pension/OPEB model.
2. Analyze and recommend financial strategies to help address your pension/OPEB liabilities
3. Facilitate City Council and Committee Review Process
4. Assist the City in drafting Pension Funding Policies
5. Implementing and executing financial strategies

1. CALPERS UAL PENSION + OPEB ANALYSIS & MODELING

We commence by building a customized pension model that incorporates an amortization schedule for each of the City's 40 Amortization Bases.

The City's UAL, as of June 30, 2018 actuarial report, is equal to \$273 million:

- \$85 million for Miscellaneous Plan – 22 Amortization Bases
- \$188 million Safety Plan – 18 Amortization bases

UFI will create an amortization schedule for each Amortization Base for each plan. These schedules serve as the foundation of the pension model, which enables the City to perform scenario analysis and determine the optimal Strategy for the use of Additional Discretionary Payments (ADPs) to CalPERS.

OPEB

Employees that retire from the City with at age 50 and above with a minimum 5 years of service are eligible for retiree medical benefits. Miscellaneous employees receive the PEMCHA minimum of \$133 per month

Unfunded Accrued Liability

As of the June 30, 2017 CalPERS Actuarial Valuation, the City's unfunded accrued liability (UAL) was equal to **\$273 million – 64.3%**

The City's annual UAL payments will increase from **\$15 million** in FY 19-20 to **\$27.4 million** in FY 2031-32.

These payments are in addition, to the City's Normal Costs, which are based on a percentage of payroll = **8.0% -15%**.

in 2018. City contributions for Safety employees depends on the bargaining unit, date of hire, and date of retirement, which are divided into two benefit tiers:

- Retire *before* January 1, 2011 – lifetime medical for the employee & spouse
- Retire *after* January 1, 2011 –up to 2-party Kaiser or Blue Shield Bay Area rateage

The City reported, in its June 30, 2018 financial statements, \$114.7 million OPEB liability and \$11.9 million in market value assets in an OPEB trust with CalPERS (CERBT), resulting in \$102.9 million Net OPEB liability – 10% funded ratio.

We will work with the City's actuary to determine the cash or "pay-go" retiree medical premiums for the next 30-50 years. These cash flows will be incorporated into our financial projections. Given the scale of the unfunded liability and the projected increase in pay-go costs, we will place equal emphasis in addressing the City's Net OPEB Liability.

Once the model is developed and data is analyzed, we will hold an in-person meeting to present basic findings and discuss potential financial strategies to the City Manager and Finance Director, which include "7 Strategies":

1. Full Cost Recovery – Allocation to All Funds
2. Invest Reserves / 1-time Monies
3. Pre-Funding OPEB & Pension Stabilization Fund
4. Leveraged Refunding
5. Tax-Exempt Exchange
6. Synthetic Fresh Start
7. Pension / OPEB Bonds

After our initial meeting, we obtain feedback from City staff regarding the most viable financial strategies. UFI will refine these financial strategies, perform scenario analyses, and develop more specific recommendations.

2. DEVELOP FINANCIAL STRATEGIES AND RECOMMENDATIONS

Data outputs from customized pension model will be used to analyze the impact of different options to address these liabilities. UFI takes a comprehensive perspective of the City's financial position, we will review the City's major financial documents, including the CAFR, budget, CIP, MOUs, and bond documents. In developing potential financial Strategies and recommendations, we will examine all the City's major long-term financial obligations, including:

- UAL + Normal Costs
- OPEB
- Debt Service on existing bonds
- Capital Improvement Plan (CIP)
- Projected Salary and Rate Increases

We also develop recession and risk scenarios for the City to understand the potential impact of an economic downturn on the UAL, as well as to understand the potential risks with issuing POBs. The cash flows from the pension model, including potential financing and recession scenarios, will be incorporated into the long-range financial planning model.

We will present our recommendations in a PowerPoint presentation to the City's Management, City Council, and Committee/Board & Stakeholders.

3. CITY COUNCIL AND COMMITTEE REVIEW PROCESS

Addressing rising retirement costs is complex and involves many financial and legal/administrative intricacies. We have found that this issue requires a significant education process before buy-in can be achieved for a recommended strategy. UFI believes that this education process is so critical that we highlighted it as a key step in the proposal.

Conducting City Council or Committee workshop is often the best initial step toward the implementation of financial strategies. UFI can conduct a Council Workshop: 1) to explain the pension/OPEB liabilities and 2) to present potential strategies to addressing these costs as well implementation requirements.

Should the City Council request that this issue be reviewed by the Pension Board (although it was intended to administer the closed Fire and Police plans) in order to provide a recommendation prior to the City Council taking action. We will be available to make presentations to the Board or any other community and stakeholder groups, to facilitate the approval process.

We have also found that conducting one-on-one or "2-2-1" meetings before the Council Meetings/Workshop provides an ideal setting for council to learn, ask key questions, and formulate opinions. Perhaps of greater importance, these "pre-sessions" provide staff with a clearer picture of council leanings regarding potential strategies.

4. ADOPTING PENSION / OPEB FUNDING POLICIES

The City has accrued significant unfunded pension and OPEB liabilities over time. Addressing these issues will require a comprehensive plan and long-term, sustained financial discipline. We strongly recommend all our clients to adopt a formal pension funding policy. The City's current policies focus on the investment parameters for monies held in a 115 Trust. Alternatively, these policies will serve as a roadmap for current and future City Councils, and a key reference point for the City's management team. These policies typically include:

- Plan Descriptions
- Funding Objectives & Funding Strategies
- Use of 1-time Excess Monies
- Integration with Reserve & Debt Management Policies
- Guidelines for use of 115 Trust or Special Reserves
- Guideline for issuance of related debt

The process of consensus building, and the dialogue established during the process of drafting process these policies is just as critical as their adoption – by simply adopting another City's policies one would forego this critical step and opportunity.

5. IMPLEMENTATION OF FINANCIAL STRATEGIES AND RECOMMENDATIONS

UFI will work with the City staff to provide specific and detailed recommendations regarding addressing its retirement costs and needed steps to maintain or improve its financial position. We anticipate that the City will select more than one financial strategy.

UFI will be available to assist the City in implementing each selected strategy:

- UFI can assist with the issuance of bonds to facilitate tax-exempt exchange
- UFI can help the City select the Amortization Base to provide optimal savings, if you make additional discretionary payments (ADPs)
- UFI can review/refine the investment strategy for monies held in a 115 Trust

Moreover, UFI will actively monitor the City's retirement liability; and will provide follow-up service, such as updating the pension model each year, on an as-needed basis.

FEE ESTIMATES

UFI is willing and prepared to refine, modify and tailor our tasks and work product to meet the City's needs and financial parameters. For purposes of generally estimating costs associated with the work described herein, the following are estimates based on work completed in recent engagements.

1. **Baseline Pension & OPEB Model** - We charge a base rate to develop the pension model of **\$10,000** (Pension & OPEB Model). The baseline pension model can be developed in as little as 1-2 weeks. In order to keep costs down, we typically request that your OPEB actuary provide pay-go costs schedules (i.e., projected retiree medical premiums) to incorporate into our model. Incorporating OPEB cash flows will depend on the responsiveness/availability of pay-go projections from your actuary.
2. **Scenario Analysis / Presentations & Meetings** - Once the baseline model is complete, we charge on a time and materials basis for the costs of running different scenarios, performing additional analysis, developing/making presentations, and attending meetings. This ensures that you receive the level of service and analysis that you require. Typically, these hourly fees range between **\$4,500 – \$8,000**.
3. **City Council and Committee Review Process** - Once staff has developed a recommend plan of strategies, we will be available to facilitate the education and review with the Budget and Pension Committee and City Council. We anticipate that the initial plan approval process may require 3-5 meetings, plus additional subsequent meetings for the implementation of selected strategies. We charge on a time and materials basis for the costs of developing/making presentations, performing requested analysis, and attending meetings. These fees should range between **\$3,500 – \$6,000**.
4. **Drafting & Adopting Pension Funding Policies** – We believe that the City should draft and adopt Pension Funding Policies prior to or concurrent with the implementation of any potential Strategy. The process of drafting and adopting policies should not be viewed as a discrete activity, but rather as an integral step in evaluation and implement of funding strategies. We charge on a time and materials basis for the costs of assisting staff to draft the policies and making presentations to the City Council. These fees should range between **\$2,500 – \$4,000**.
5. **Implementation of Financing Strategies** - Assistance with the implementation of proposed strategies and/or additional services will be addressed in an addendum to this agreement. Depending on the

City's needs, the pension data can be integrated into a Financial Planning/Forecasting Model. Implementation of strategies such as a Fresh Start or Synthetic Fresh Start (make additional payments to CalPERS) will be billed on an hourly basis. The hourly costs for these services are expected to fall between \$3,500 – \$7,000, depending on the number and complexity of the proposed Strategy(s).

The results of pension model and scenario analyses play a critical role in selecting the funding strategies and determining their optimal structure. Given the necessary reliance and integration of the model in the decision-making process, and to ensure the consistency and integrity of the financial projections, it is anticipated that UFI will serve as the financial advisor on any bond transition associated with the implementation of a pension/OPEB funding Strategy.

Should the City decide to issue securities (leverage refunding, tax-exempt exchange or POBs), the financial advisory fees associated with such transaction will be determined under a separate contract.

HOURLY RATES

Due to variables in every engagement and to ensure Alameda maintains flexibility to tailor the work to fit within the City's time and fiscal constraints, UFI proposes to carry out its work on an actual time and materials basis with the overall costs being governed by the financial limits defined by the City, utilizing the following professional service rate schedule:

UFI Professional Staff	Hourly Rates
Chief Executive Officer	\$350
Managing Director / Director	\$325
Associate	\$175
Analyst	\$125

These rates will remain constant through June 30, 2020 and are subject to change thereafter. Costs for telephone, e-mail and facsimile expenses, postage and incidental photocopying are included within the above noted rate schedule. The rate schedule does not include out-of-pocket and travel expenses that may be incurred during the work. Out-of-pocket expenses include inter-regional travel, project specific services or data from third-party vendors (prior approval required), or extraordinary or specifically requested materials, supplies, printing, or electronic data storage. All out-of-pocket expenses will be charged on an actual cost basis.

CONCLUSION

We are enthusiastic about the opportunity to work with you and the city staff. If you have any questions, please do not hesitate to contact me at (714) 923-3541 Work, (714) 316-6150 Cell, or michaelb@urbanfuturesinc.com.

Sincerely,



Michael Busch
CEO & President
Urban Futures, Inc.



POLICY NUMBER:

COMMERCIAL GENERAL LIABILITY
CG 20 10 10 93

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED - OWNERS, LESSEES or PROVIDERS FORM B

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

SCHEDULE

Name of Person or Organization:

City of Alameda
Public Works Department
Alameda Point, Building 1
950 West Mall Square, Room 110
Alameda, CA 94501-7558

SAMPLE
(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

WHO IS AN INSURED (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of your ongoing operations performed for that insured.

REF:

The City of Alameda, its City Council, boards and commissions, officers & employees are additional insured for work done on their behalf by the named insured.

PRIMARY INSURANCE:

IT IS UNDERSTOOD AND AGREED THAT THIS INSURANCE IS PRIMARY AND ANY OTHER INSURANCE MAINTAINED BY THE ADDITIONAL INSURED SHALL BE EXCESS ONLY AND NOT CONTRIBUTING WITH THIS INSURANCE.

SEVERABILITY OF INTEREST:

IT IS AGREED THAT EXCEPT WITH RESPECT TO THE LIMIT OF INSURANCE, THIS COVERAGE SHALL APPLY AS IF EACH ADDITIONAL INSURED WERE THE ONLY INSURED AND SEPARATELY TO EACH INSURED AGAINST WHOM CLAIM IS MADE OR SUIT IS BROUGHT.

WAIVER OF SUBROGATION:

IT IS UNDERSTOOD AND AGREED THAT THE COMPANY WAIVES THE RIGHT OF SUBROGATION AGAINST THE ABOVE ADDITIONAL INSURED (S), BUT ONLY AS RESPECTS THE JOB OR PREMISES DESCRIBED IN THE CERTIFICATE ATTACHED HERETO.

NOTICE OF CANCELLATION:

IT IS UNDERSTOOD AND AGREED THAT IN THE EVENT OF CANCELLATION OF THE POLICY FOR ANY REASON OTHER THAN NON-PAYMENT OF PREMIUM, 30 DAYS WRITTEN NOTICE WILL BE SENT TO THE CERTIFICATE HOLDER BY MAIL. IN THE EVENT THE POLICY IS CANCELED FOR NON-PAYMENT OF PREMIUM, 10 DAYS WRITTEN NOTICE WILL BE SENT TO THE ABOVE.

POLICY NUMBER:

COMMERCIAL AUTO
CG 20 48 02 99

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DESIGNATED INSURED

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM
GARAGE COVERAGE FORM
MOTOR CARRIER COVERAGE FORM
TRUCKERS COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by this endorsement.

This endorsement identifies person(s) or organization(s) who are "insureds" under the Who Is An Insured Provisions of the Coverage Form. This endorsement does not alter coverage provided in the Coverage Form.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

Endorsement Effective:	Countersigned By:
Named Insured:	(Authorized Representative)

Name of Person or Organization:

City of Alameda
Public Works Department
950 West Mall Square, Room 110
Alameda, CA 94501-7558

WHO IS AN INSURED (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of your ongoing operations performed for that insured.

REF: _____

The City of Alameda, its City Council, boards and commissions, officers, employees and volunteers are additional insured for work done on their behalf by the named insured.

NOTICE OF CANCELLATION:

IT IS UNDERSTOOD AND AGREED THAT IN THE EVENT OF CANCELLATION OF THE POLICY FOR ANY REASON OTHER THAN NON-PAYMENT OF PREMIUM, 30 DAYS WRITTEN NOTICE WILL BE SENT TO THE CERTIFICATE HOLDER BY MAIL. IN THE EVENT THE POLICY IS CANCELED FOR NON-PAYMENT OF PREMIUM, 10 DAYS WRITTEN NOTICE WILL BE SENT TO THE ABOVE.