



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

April 4, 2016

The Honorable City Council
Palo Alto, California

Approval of a Contract with Macias Gini & O'Connell LLP (MGO) in an Amount Not-to-Exceed \$875,569 (Including 10 Percent Contingency fee) for External Financial Audit Services for Fiscal Years Ending June 30, 2016, through June 30, 2020

RECOMMENDATION

The City Auditor recommends approval of an agreement with the accounting firm of Macias, Gini & O'Connell LLP (MGO), for external financial audit services for the five fiscal years ending on June 30, 2016, through June 30, 2020. The cost of the agreement is \$795,972, plus a 10 percent contingency of \$79,597, for a total not to exceed amount of \$875,569.

DISCUSSION

The City Charter requires the City Council, through the City Auditor, to engage an independent certified public accounting firm to conduct the annual external audit, and report the results of the audit, in writing, to the City Council. The City's previous contract with MGO expired on January 31, 2016. Accordingly, the City initiated a formal Request for Proposal (RFP) and conducted a competitive procurement process to select a certified public accounting firm to conduct the annual financial audit for the next five years.

The evaluation panel, which included staff from the City Auditor's Office and the Administrative Services Department (ASD), evaluated proposals from the following firms: Badawi & Associates, Maze & Associates, MGO, and Vavrinek, Trine, Day & Co. The panel selected the firm of Macias, Gini & O'Connell LLP (MGO) to recommend to the City Council.

MGO is the principal auditor for 7 of the 10 largest California cities, as well as Santa Clara County, San Mateo County, the Contra Costa Water District, and the Santa Clara Valley Water District.

The cost of the five-year agreement is \$795,972, plus a 10 percent contingency of \$79,597, for a total not to exceed amount of \$875,569.

RESOURCE IMPACT

The total five-year cost of \$875,569 will be absorbed in the City Auditor's Office operating non-salary funds in the General Fund beginning in Fiscal Year 2016 through the life of the contract. The payment per year for professional services and reimbursable expenses shall not exceed:

2016 – 2017	\$149,925.00
2017 – 2018	\$154,423.00
2018 – 2019	\$159,055.00
2019 – 2020	\$163,827.00
2020 – 2021	\$168,742.00

POLICY IMPLICATIONS

The recommendations in this report do not represent a change in City policies.

ENVIRONMENTAL REVIEW

The recommendation in this report does not constitute a project requiring review under the California Environmental Quality Act (CEQA).

Respectfully submitted,



Harriet Richardson
City Auditor

ATTACHMENTS:

- Attachment A: Request for Proposal for External Auditing Services (PDF)
- Attachment B: Contract C16161769 Macias Gini & O'Connell (PDF)

Department Head: Harriet Richardson, City Auditor



Office of the City Auditor

**Request for Proposal (RFP) Number 161769
for Professional Services**

External Auditing Services

RFP submittal deadline:	3:00 p.m. Tuesday, December 15, 2015
Contract Administrator: (Email address)	Chris Anastole chris.anastole@cityofpaloalto.org

**CITY OF PALO ALTO
PURCHASING/CONTRACT ADMINISTRATION
250 HAMILTON AVENUE
PALO ALTO, CA 94301
(650) 329-2271**

**REQUEST FOR PROPOSAL (RFP) NO. 161769
FOR PROFESSIONAL SERVICES**

TITLE: EXTERNAL AUDITING SERVICES

1. INTRODUCTION

The City of Palo Alto is seeking proposals from qualified firms to provide professional services for the provision of external audit services for the audit of certain City financial statements and the preparation of certain tax returns. The required services and performance conditions are described in the Scope of Work (or Services).

2. ATTACHMENTS

The attachments below are included with this Request for Proposals (RFP) for your review and submittal (see asterisk):

Attachment A – Proposer's Information Form*
Attachment B – Scope of Work/Services
Attachment C – Sample Agreement for Professional Services
Attachment D – Sample Table, Qualifications of Firm Relative to City's Needs
Attachment E – Cost Proposal Format
Attachment F – Insurance Requirement

The items identified with an asterisk (*) shall be filled out, signed by the appropriate representative of the company and returned with submittal.

3. INSTRUCTIONS TO PROPOSERS

3.1 Pre-proposal Conference (Not Applicable)

3.2 Examination of Proposal Documents

The submission of a proposal shall be deemed a representation and certification by the Proposer that they:

- 3.2.1 Have carefully read and fully understand the information that was provided by the City to serve as the basis for submission of this proposal.
- 3.2.2 Have the capability to successfully undertake and complete the responsibilities and obligations of the proposal being submitted.
- 3.2.3 Represent that all information contained in the proposal is true and correct.

- 3.2.4 Did not, in any way, collude, conspire to agree, directly or indirectly, with any person, firm, corporation or other Proposer in regard to the amount, terms or conditions of this proposal.
- 3.2.5 Acknowledge that the City has the right to make any inquiry it deems appropriate to substantiate or supplement information supplied by Proposer, and Proposer hereby grants the City permission to make these inquiries, and to provide any and all related documentation in a timely manner.

No request for modification of the proposal shall be considered after its submission on grounds that Proposer was not fully informed to any fact or condition.

3.3 Addenda/Clarifications

Should discrepancies or omissions be found in this RFP or should there be a need to clarify this RFP, questions or comments regarding this RFP must be put in writing and received by the City no later than 1:00 p.m., Wednesday, December 2, 2015. Correspondence shall be sent through the City's e-procurement system. Responses from the City will be communicated in writing to all recipients of this RFP through the e-procurement system. Responses from the City will be communicated through the City's e-procurement system to all recipients of this RFP via bid addendum. Inquiries received after the date and time stated may not be accepted. All addenda shall become a part of this RFP and shall be acknowledged on the Proposer's submittal.

The City shall not be responsible for nor be bound by any oral instructions, interpretations or explanations issued by the City or its representatives.

3.4 Submission of Proposals

In order to submit bids/proposals to the City of Palo Alto you must comply with the following:

All proposals shall be submitted through the City's e-procurement system. Proposals must be received no later than 3:00 p.m. on the day and date specified. The e-procurement system will not accept any proposals after the specified close time.

3.5 Withdrawal of Proposals

A Proposer may withdraw its proposal at any time before the expiration of the time for submission of proposals as provided in the RFP by delivering a written request for withdrawal signed by, or on behalf of, the Proposer.

3.6 Rights of the City of Palo Alto

This RFP does not commit the City to enter into a contract, nor does it obligate the City to pay for any costs incurred in preparation and submission of proposals or in anticipation of a contract. The City reserves the right to:

- Make the selection based on its sole discretion;
- Reject any and all proposals;
- Issue subsequent Requests for Proposals;
- Postpone opening for its own convenience;
- Remedy technical errors in the Request for Proposals process;
- Approve or disapprove the use of particular subconsultants;
- Negotiate with any, all or none of the Proposers;
- Accept other than the lowest offer;
- Waive informalities and irregularities in the Proposals and/or
- Enter into an agreement with another Proposer in the event the originally selected Proposer defaults or fails to execute an agreement with the City.

An agreement shall not be binding or valid with the City unless and until it is executed by authorized representatives of the City and of the Proposer.

4. **PROPOSED TENTATIVE TIMELINE**

The tentative RFP timeline is as follows:

RFP Issued	November 23, 2015
Deadline for questions, clarifications	1:00 p.m., Wednesday, December 2, 2015
Proposals Due	3:00 p.m., Tuesday, December 15, 2015
Finalist Identified	Week of December 21, 2015
Consultant Interviews (If applicable)	Week of January 4, 2015
Consultant selection and contract preparation	Week of January 11, 2015
Contract awarded	1 st Quarter 2016
Work commences	1 st Quarter 2016

5. **INFORMATION TO BE SUBMITTED (to be submitted in this order only)**

These instructions outline the guidelines governing the format and content of the proposal and the approach to be used in its development and presentation. The intent of the RFP is to encourage responses that clearly communicate the Proposer's understanding of the City's requirements and its approach to successfully provide the products and/or services on time and within budget. Only that information which is essential to an understanding and evaluation of the proposal should be submitted. Items not specifically and explicitly related to the

RFP and proposal, e.g. brochures, marketing material, etc. will not be considered in the evaluation.

All proposals shall address the following items in the order listed below and shall be numbered 1 through 8 in the proposal document.

5.1 Chapter 1 – Proposal Summary

This Chapter shall discuss the highlights, key features and distinguishing points of the Proposal. A separate sheet shall include a list of individuals and contacts for this Proposal and how to communicate with them. Limit this Chapter to a total of three (3) pages including the separate sheet.

5.2 Chapter 2 – Profile on the Proposing Firm(s)

This Chapter shall include a brief description of the Prime Proposer's firm size as well as the proposed local organization structure. Include a discussion of the Prime Proposer firm's financial stability, capacity and resources. Include all other firms participating in the Proposal, including similar information about the firms.

Additionally, this section shall include a listing of any lawsuit or litigation and the result of that action resulting from (a) any public project undertaken by the Proposer or by its subcontractors where litigation is still pending or has occurred within the last five years or (b) any type of project where claims or settlements were paid by the consultant or its insurers within the last five years.

5.3 Chapter 3 – Qualifications of the Firm

This Chapter shall include a brief description of the Proposer's and sub-Proposer's qualifications and previous experience on similar or related projects. Provide in a table format (see Sample Table, Attachment D) descriptions of pertinent project experience with other public municipalities and private sector that includes a summary of the work performed, the total project cost, the percentage of work the firm was responsible for, the period over which the work was completed, and the name, title, and phone number of client's to be contacted for references. Give a brief statement of the firm's adherence to the schedule and budget for the project.

This chapter shall include information regarding any relationships with firms and/or individuals who may submit proposals in response to the RFPs being developed.

5.4 Chapter 4 – Work Plan or Proposal

This Chapter shall present a well-conceived service plan. Include a full description of major tasks and subtasks. This section of the proposal shall establish that the Proposer understands the City's objectives and work requirements and Proposer's ability to satisfy those objectives and requirements. Succinctly describe the proposed approach for addressing the required services and the firm's ability to meet the City's schedule, outlining the approach that would be undertaken in providing the requested services.

5.5 Chapter 5 – Proposed Innovations (Optional)

The Proposer may also suggest technical or procedural innovations that have been used successfully on other engagements and which may provide the City with better service delivery. In this Chapter discuss any ideas, innovative approaches, or specific new concepts included in the Proposal that would provide benefit to the City.

5.6 Chapter 6 – Project Staffing

This Chapter shall discuss how the Proposer would propose to staff this project. Key project team members shall be identified by name, title and specific responsibilities on the project. An organizational chart for the project team and resumes for key Proposer personnel shall be included. Key personnel will be an important factor considered by the review committee. Changes in key personnel may be cause for rejection of the proposal.

5.7 Chapter 7 – Proposal Exceptions

This Chapter shall discuss any exceptions or requested changes that Proposer has to the City's RFP conditions, requirements and sample contract. If there are no exceptions noted, it is assumed the Proposer will accept all conditions and requirements identified in the Attachment C – "Sample Agreement for Services." Items not excepted will not be open to later negotiation.

5.8 Chapter 8 – Proposal Costs Sheet and Rates (Optional to provide in separate sealed envelope)

The fee information is relevant to a determination of whether the fee is fair and reasonable in light of the services to be provided. Provision of this information assists the City in determining the firm's understanding of the project, and provides staff with tools to negotiate the cost, provide in a table (See Table, Attachment E).

Consultant shall provide the following information

- Direct labor rates for proposed staff;

- Overhead rate and breakdown of overhead elements;
- Subconsultant billing rates and mark-up percentage for ODC's (other direct costs); and identify all reimbursable expenses.

This Chapter shall include the proposed costs to provide the services desired. Include any other cost and price information, plus a not-to-exceed amount, that would be contained in a potential agreement with the City. The hourly rates may be used for pricing the cost of additional services outlined in the Scope of Work.

PLEASE NOTE: The City of Palo Alto does not pay for services before it receives them. Therefore, do not propose contract terms that call for upfront payments or deposits.

6. CONTRACT TYPE AND METHOD OF PAYMENT

It is anticipated that the agreement resulting from this solicitation, if awarded, will be a not-to-exceed budget per task form of contract. A Sample Agreement of Services is provided as Attachment C. The method of payment to the successful Proposer shall be on per task basis with a maximum "not to exceed" fee as set by the Proposer in the proposal or as negotiated between the Proposer and the City as being the maximum cost to perform all work. This figure shall include direct costs and overhead, such as, but limited to, transportation, communications, subsistence and materials and any subcontracted items of work. Progress payments will be based on a percentage of project completed.

Proposers shall be prepared to accept the terms and conditions of the Agreement, including Insurance Requirements in Attachment F. If a Proposer desires to take exception to the Agreement, Proposer shall provide the following information in Chapter 7 of their submittal package. Please include the following:

- Proposer shall clearly identify each proposed change to the Agreement, including all relevant Attachments.
- Proposer shall furnish the reasons for, as well as specific recommendations, for alternative language.

The above factors will be taken into account in evaluating proposals. Proposals that take substantial exceptions to the proposed Agreement may be determined by the City, at its sole discretion, to be unacceptable and no longer considered for award.

Insurance Requirements

The selected Proposer(s), at Proposer's sole cost and expense and for the full term of the Agreement or any extension thereof, shall obtain and maintain, at a minimum, all of the insurance requirements outlined in Attachment F.

All policies, endorsements, certificates and/or binders shall be subject to the approval of the Risk Manager of the City of Palo Alto as to form and content. These requirements are subject to amendment or waiver if so approved in writing by the Risk Manager. The selected Proposer agrees to provide the City with a copy of said policies, certificates and/or endorsement upon award of contract.

7. REVIEW AND SELECTION PROCESS

City staff will evaluate the proposals provided based on the following criteria:

- 7.1 Overall quality and completeness of proposal, including a demonstrated understanding of the project's objectives and scope.
- 7.2 Proposer's experience in conducting financial audits in a local government environment comparable to the City of Palo Alto, including experience auditing utility funds, information systems, and retiree medical plans; conducting compliance audits; and assessing control risk.
- 7.3 Proposer's specific experience, including the experience of staff to be assigned to the project, especially the proposed project manager, with engagements of similar scope and complexity.
- 7.4 Proposer's past performance on similar projects in comparable jurisdictions with respect to quality of services performed, adherence to schedules, on-time delivery, and completion of tasks.
- 7.5 Planned hours and cost to the City and reasonableness of the fee requested to complete this work within the approved schedule.
- 7.6 Proposer's financial stability, length of time in business, and size of company to demonstrate the availability of resources to complete the project.
- 7.7 Cost

The selection committee will make a recommendation to the awarding authority. The acceptance of the proposal will be evidenced by written Notice of Award from the City's Purchasing/Contract Administration Division to the successful Proposer.

8. ORAL INTERVIEWS

Proposers may be required to participate in an oral interview. The oral interview will be a panel comprised of members of the selection committee.

Proposers may only ask questions that are intended to clarify the questions that they are being asked to respond.

Each Proposer's time slot for oral interviews will be determined randomly. Proposers who are selected shall make every effort to attend. If representatives of the City experience difficulty on the part of any Proposer in scheduling a time for the oral interview, it may result in disqualification from further consideration.

9. PUBLIC NATURE OF MATERIALS

Responses to this RFP become the exclusive property of the City of Palo Alto. At such time as the Administrative Services Department recommends to form to the City Manager or to the City Council, as applicable, all proposals received in response to this RFP becomes a matter of public record and shall be regarded as public records, with the exception of those elements in each proposal which are defined by the Proposer as business or trade secrets and plainly marked as "Confidential," "Trade Secret," or "Proprietary". The City shall not in any way be liable or responsible for the disclosure of any such proposal or portions thereof, if they are not plainly marked as "Confidential," "Trade Secret," or "Proprietary" or if disclosure is required under the Public Records Act. Any proposal which contains language purporting to render all or significant portions of the proposal "Confidential," "Trade Secret," or "Proprietary" shall be regarded as non-responsive.

Although the California Public Records Act recognizes that certain confidential trade secret information may be protected from disclosure, the City of Palo Alto may not accept or approve that the information that a Proposer submits is a trade secret. If a request is made for information marked "Confidential," "Trade Secret," or "Proprietary," the City shall provide the Proposer who submitted the information with reasonable notice to allow the Proposer to seek protection from disclosure by a court of competent jurisdiction.

10. COLLUSION

By submitting a proposal, each Proposer represents and warrants that its proposal is genuine and not a sham or collusive or made in the interest of or on behalf of any person not named therein; that the Proposer has not directly induced or solicited any other person to submit a sham proposal or any other person to refrain from submitting a proposal; and that the Proposer has not in any manner sought collusion to secure any improper advantage over any other person submitting a proposal.

11. DISQUALIFICATION

Factors such as, but not limited to, any of the following may be considered just cause to disqualify a proposal without further consideration:

- 11.1 Evidence of collusion, directly or indirectly, among Proposers in regard to the amount, terms or conditions of this proposal;
- 11.2 Any attempt to improperly influence any member of the evaluation team;
- 11.3 Existence of any lawsuit, unresolved contractual claim or dispute between Proposer and the City;
- 11.4 Evidence of incorrect information submitted as part of the proposal;
- 11.5 Evidence of Proposer's inability to successfully complete the responsibilities and obligation of the proposal; and
- 11.6 Proposer's default under any previous agreement with the City, which results in termination of the Agreement.

12. NON-CONFORMING PROPOSAL

A proposal shall be prepared and submitted in accordance with the provisions of these RFP instructions and specifications. Any alteration, omission, addition, variance, or limitation of, from or to a proposal may be sufficient grounds for non-acceptance of the proposal, at the sole discretion of the City.

13. GRATUITIES

No person shall offer, give or agree to give any City employee any gratuity, discount or offer of employment in connection with the award of contract by the city. No city employee shall solicit, demand, accept or agree to accept from any other person a gratuity, discount or offer of employment in connection with a city contract.

14. FIRMS OR PERSONS NOT ELIGIBLE TO SUBMIT A PROPOSAL

In order to avoid any conflict of interest or perception of a conflict of interest, Proposer(s) selected to provide professional services under this RFP will be subject to the following requirements:

- 14.1 The Proposer(s) who works on the procurement will be precluded from submitting proposals or bids as a prime contractor or subcontractor in the ultimate procurement.
- 14.2 The Proposer(s) may not have interest in any potential Proposer for the ultimate procurement.

~ End of Section ~

Attachment A Proposer's Information Form

PROPOSER (please print):

Name: _____

Address: _____

Telephone: _____ Email: _____

Contact person, title, email, and telephone: _____

Proposer, if selected, intends to carry on the business as (check one):

☐ Individual ☐ Joint Venture☐ Partnership☐ Corporation

When incorporated? _____

In what state? _____

When authorized to do business in California? _____

☐ Other (explain): _____**ADDENDA**

To assure that all Proposers have received each addendum, check the appropriate box(es) below. Failure to acknowledge receipt of an addendum/addenda may be considered an irregularity in the Proposal:

Addendum number(s) received: ☐ 1; ☐ 2; ☐ 3; ☐ 4; ☐ 5; ☐ 6;Or, ☐ _____ No Addendum/Addenda Were Received (**check and initial**).**PROPOSER'S SIGNATURE**

No proposal shall be accepted which has not been signed in ink in the appropriate space below:

By signing below, the submission of a proposal shall be deemed a representation and certification by the Proposer that they have investigated all aspects of the RFP, that they are aware of the applicable facts pertaining to the RFP process, its procedures and requirements, and they have read and understand the RFP. No request for modification of the proposal shall be considered after its submission on the grounds that the Proposer was not fully informed as to any fact or condition.

Attachment A – Proposer Information continued...

1. If Proposer is **INDIVIDUAL**, sign here

Date: _____

 Proposer's Signature

 Proposer's typed name and title

2. If Proposer is **PARTNERSHIP** or **JOINT VENTURE**; at least two (2) Partners shall sign here:

 Partnership or Joint Venture Name (type or print)

Date: _____

 Member of the Partnership or Joint Venture signature

Date: _____

 Member of the Partnership or Joint Venture signature

3. If Proposer is a **CORPORATION**, the duly authorized officer shall sign as follows:

The undersigned certify that he/she is respectively:

_____ and _____
 Signature Title

Of the corporation named below; that they are designated to sign the Proposal Cost Form by resolution (attach a certified copy, with corporate seal, if applicable, notarized as to its authenticity or Secretary's certificate of authorization) for and on behalf of the below named CORPORATION, and that they are authorized to execute same for and on behalf of said CORPORATION.

 Corporation Name (type or print)

By: _____ Date: _____

Title: _____

ATTACHEMNT B – SCOPE OF WORK

Project Description

The City of Palo Alto requests proposals for the provision of external audit services for the audit of certain City financial statements and the preparation of certain tax returns as described below.

GENERAL INFORMATION ABOUT THE CITY

Background

The City of Palo Alto is a chartered city with a population of approximately 66,000. An elected nine-member City Council governs the City. The City Council appoints the City Manager, who is responsible for overall management of the City. The City Manager oversees nine departments, with approximately 1,000 full-time equivalent employees. The City Council also appoints the City Attorney, City Auditor, and City Clerk, who report directly to the City Council.

The City provides a full range of municipal services including police and fire protection, street maintenance, recreational activities, and cultural events. The City maintains municipal utilities, including electric, gas, water, refuse and landfill operations, storm drainage, wastewater collection, and wastewater treatment. In August 2014, the City assumed responsibility from Santa Clara County for Palo Alto Airport operations.

Description of Systems, Records, and Procedures

The City maintains its financial records through an integrated software system developed by SAP, Inc. This system operates on the City's computer hardware and processes online inquiry and entry of financial transactions. SAP encompasses all general ledger accounting, including subsidiary ledgers, issuing payments, cost accounting, payroll, and budgetary accounting. Other SAP components used include human resources, procurement and inventory, work/service orders, and project management.

The City also has separate software packages to handle issuing permits, cash receipts, class and facilities registration, public safety records management, computer-aided dispatch, library management, meter reading, geographic information (GIS), and utility billing information. These systems allow online inquiry and entry of transactions. Where required, the City uses interface programs to transfer transactions from these packages into SAP.

The City's Information Technology Department plans to select a consulting firm in fiscal year 2016 to assist with the request for proposal process for a new integrated government-oriented enterprise resource planning system and utilities billing system.

Additional information about the City, including the financial statements and budget, fund structure, federal and state financial assistance, pension plan, and joint ventures is included in the Comprehensive Annual Financial Report (CAFR) at <http://www.cityofpaloalto.org/civicax/filebank/documents/44860>.

Office of the City Auditor

The City's Office of the City Auditor conducts performance audits and reviews of City departments, programs, and services, and revenue monitoring. By ordinance, the City Auditor selects and recommends to the City Council for approval an independent certified public accounting firm to conduct the city's annual external financial audit and coordinates the annual external financial audit with the approved firm.

Reports from Prior Years

Audit reports and management letters from prior years issued by the external auditors and the City Auditor are available at <http://www.cityofpaloalto.org/gov/depts/aud/reports/default.asp>.

PROJECT SPECIFICATIONS

Unless otherwise noted, all audit services cover the City's fiscal years ending on June 30, 2016, through June 30, 2020. The audit services are to be performed in accordance with generally accepted auditing standards; the standards for financial audits set forth in the United States Government Accountability Office's Government Auditing Standards (2011 revision); the provisions of the federal Single Audit Act of 1984, as amended in 1996; and the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Basic Audit Services Required and Related Deliverables

The auditor shall audit the City's financial statements and prepare the City's federal and state tax returns for the Palo Alto Public Improvement Corporation for the fiscal years ending on June 30, 2016, through June 30, 2020. In providing these services, the auditor shall:¹

- A. Prior to year-end, and preferably during March and April, the auditor shall perform interim work to test the internal controls of accounting processes.

Deliverables:

- 1) No later than the last working day in May of each year, provide the City Auditor and the Director of Administrative Services with a draft management letter of the issues identified.
- 2) Within three weeks after receiving the City's response to any issues in the draft management letter (the Accounting Division in the Administrative

¹ Please note that all dates cited will be confirmed each year during the entrance conference.

Services Department will respond in a written memo), provide written comments to the response to the City Auditor and the Director of Administrative Services.

- B. Use the City's worksheet and template to prepare the CAFR, including the entity-wide statements. The CAFR should be prepared in the format recommended by the Government Finance Officers Association, in accordance with City standards, and with website-compatibility. *NOTE: The City of Palo Alto may transition during the contract period to preparing the CAFR itself. If it does, this item would no longer be a required service.*

Deliverables:

- 1) No later than the fifteenth (15th) day of November of each year, provide the electronic data used to prepare the CAFR to the Administrative Services Department.
- C. Audit the basic financial statements and supplementary entity-wide combining and individual fund financial statements included in the City's CAFR, including all funds under the jurisdiction and control of the City, and render a professional opinion thereon.

Deliverables:

- 1) No later than the 15th day in November of each year, provide a complete electronic version of the Comprehensive Annual Financial Report, including the opinion letter and the Single Audit Report, in a website-compatible format, to the City Auditor and the Director of Administrative Services.
 - 2) No later than the fifteenth (15th) day of November of each year, provide fifteen (15) color and ten (10) black and white bound copies of the Comprehensive Annual Financial Report, including the opinion letter and the Single Audit Report, to the City Auditor.
- D. Audit the City's federal financial assistance program and issue reports thereon in accordance with the provisions of the Single Audit Act of 1984, including 1996 amendments to the Single Audit Act, and any other amendments which become effective during the term of this contract.

Deliverables:

- 1) See deliverables under Item C above.
- E. Prepare a management letter to the City Council that includes observations and recommendations identified during the audit. This may include:
- issues regarding internal control structure (e.g., information systems, functions, and procedures)
 - items concerning compliance with laws, rules, and regulations
 - opportunities for economies and efficiencies inherent in the accounting functions or reporting activities of the City
 - other matters of interest to the City Council and management

Deliverables:

- 1) One week after completing field work each year, provide a draft management letter for completed field work to the City Auditor and the Director of Administrative Services
- 2) No later than the fifteenth (15th) day of November of each year, provide the final comprehensive management letter to the City Auditor and the Director of Administrative Services.

F. Audit the financial statements of the Regional Water Quality Control (RWQC) Plant and issue a report thereon in accordance with the requirements in the "Basic Agreement between the Cities of Palo Alto, Mountain View, and Los Altos for Acquisition, Construction, and Maintenance of a Joint Sewer System," and all addenda thereto.

Deliverables:

- 1) No later than the last working day in October of each year, provide an electronic copy of the draft RWQC report to the City Auditor and the Director of Administrative Services.
- 2) No later than the fifteenth (15th) day of November of each year, provide an electronic copy of the final RWQC report to the City Auditor and the Director of Administrative Services.

G. Audit and issue a report on the financial statements of the Palo Alto Public Improvement Corporation, which the City has created to finance construction of specific facilities and prepare their applicable federal and state informational and tax returns.

Deliverables:

- 1) No later than the last working day in October of each year, provide an electronic copy of the draft Public Improvement Corporation report to the City Auditor and the Director of Administrative Services.
- 2) No later than the last working day of November of each year, provide an electronic copy of the final Public Improvement Corporation report to the City Auditor and the Director of Administrative Services.
- 3) No later than the fifteenth (15th) day of February of each year, provide an electronic copy of the federal and state tax returns to the City Auditor and the Director of Administrative Services.

H. Audit the City's state financial assistance program (Transportation Development Act) and issue reports thereon in accordance with applicable state requirements.

Deliverables:

- 1) No later than the last working day in October of each year, provide an electronic copy of the draft financial assistance program report to the City Auditor and the Director of Administrative Services.
- 2) No later than the fifteenth (15th) day of November of each year, provide an electronic copy of the final financial assistance program report to the City Auditor and the Director of Administrative Services.

- I. Perform agreed-upon procedures on the Gann Limit calculation and prepare a letter certifying compliance, as required.

Deliverables:

- 1) No later than the last working day in May of each year, provide an electronic copy of the Gann Limit letter to the City Auditor and the Director of Administrative Services.
- J. Audit the statements of, and issue a report thereon, cable television franchise receipts and disbursements, for the current period, relating to the Joint Operating Agreement signed on October 13, 1988, by and among the City of Palo Alto, Town of Atherton, City of Menlo Park, City of East Palo Alto, County of San Mateo, and County of Santa Clara.

Deliverables:

- 1) No later than the fifteenth (15th) day of November of each year, provide an electronic copy of the cable report to the City Auditor and the Director of Administrative Services.
- K. Prepare the Annual Financial Transactions Report and Annual Street Report in accordance with instructions from the California State Controller's Office. *NOTE: The City of Palo Alto may transition during the contract period to preparing these reports itself. If it does, this item would no longer be a required service.*

Deliverables:

- 1) No later than the second Friday in September of each year, provide an electronic copy of the Annual Street Report to the Director of Administrative Services for signature and mailing, with a courtesy copy to the City Auditor.
 - 2) No later than the fifteenth (15th) day of October of each year, provide an electronic copy of the Annual Financial Transactions Report to the Director of Administrative Services for signature and mailing, with a courtesy copy to the City Auditor.
- L. Audit and issue a report on the financial statements of the Palo Alto Library Bond Fund, and perform agreed-upon procedures on the Library Bond Fund and issue a report of compliance as required. *NOTE: We are anticipating that activity in this fund will cease at some point during the contract period. If it does, this item would no longer be a required service.*

Deliverables:

- 1) No later than the last working day in October of each year, provide an electronic copy of the library bond report to the City Auditor and the Director of Administrative Services.
- 2) No later than the fifteenth (15th) day of November of each year, provide an electronic copy of the library bond report of compliance to the City Auditor and the Director of Administrative Services.

- M. The auditor is required to attend the following meetings, at no additional cost, during each audit engagement period:
- Entrance Conference – Prior to conducting interim work, the auditor shall meet with the City Auditor and the Director of Administrative Services or their designees, to establish timelines for completing required tasks.
 - The auditor shall meet regularly with the City Auditor and the Assistant Director of Administrative Services or their designees to report on the progress of the auditor's examinations and on the preliminary audit findings and recommendations.
 - The auditor shall meet with the City Auditor or designee independently to review internal control issues identified during the audit. This will include reportable conditions, if applicable, reflected in the draft management letter.
 - The auditor shall hold an exit conference with the City Auditor, Director of Administrative Services, and appropriate staff upon completion of the audit. The auditor will present the financial statements and draft management letter at this meeting.
 - The auditor shall attend a Council Finance Committee meeting to present and discuss the audit results and the management letter.
- N. Provide training for City staff, at no additional cost, regarding important industry developments and technical matters:
- Proactive guidance on complying with any GASB pronouncements and/or other requirements that may significantly impact the City's financial reporting over the next several years.
 - Provide formal training regarding industry developments and new accounting regulations.
- O. Assist the City in the transition to comply with any new Governmental Accounting Standards Board (GASB) pronouncements. To the extent possible, this assistance should be provided during the interim work, and may include reviewing reports, transactions, and Management Discussion and Analysis.
- P. The auditor will provide to the City Auditor and Director of Administrative Services or designee, at no additional cost, any publications produced by the auditor, the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), the GASB, the Government Finance Officers Association (GFOA), and the United States Government Accountability Office (GAO). Examples of these publications include:
- AICPA Professional Standards
 - AICPA State and Local Governments – Audit and Accounting Guide
 - FASB Accounting Standards
 - GASB Codifications of Governmental Accounting and Financial Reporting Standards

- GFOA publications related to governmental accounting, auditing and financial reporting
- GAO's Government Auditing Standards

ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

Administrative Services Department (ASD) and Clerical Assistance

ASD staff and responsible management will be available during the audit to assist the firm by providing information, documentation and explanations. ASD staff will prepare statements and schedules for the auditor as requested.

Report editing and compilation shall be the responsibility of the auditor. ASD staff will print copies, as needed, of the electronic reports provided by the auditor.

Work Area, Photocopying, and Parking

The City will provide the auditor with reasonable workspace and access to a copying machine/scanner and parking for the auditor's staff.

WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS

The auditor shall maintain its audit workpapers and reports, at the auditor's expense, for at least seven years after final payment under the agreement is made, unless the firm is notified in writing by the City of Palo Alto of the need to extend the retention period.

Upon request and after reasonable notice, the auditor may be required to make workpapers available to the City of Palo Alto or other organizations designated by the City of Palo Alto, during the auditor's normal business hours. There will be no charge for any such reviews or inspections.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review workpapers relating to matters of continuing accounting significance.

STATEMENTS OF QUALIFICATION

Specific Items to be Addressed

1. Describe the firm's past experience in conducting local government audits. Specifically, include experience in auditing enterprise funds including electrical, gas and water utilities. Highlight experience with audits, including compliance audits, in local government comparable to the City of Palo Alto. Provide the contact information of client officials responsible for five of the audits listed.

2. Discuss the firm's process or approach in conducting the audit, including a conceptual timeline for completing the audit.
3. Identify and describe the client base of the firm's office that would be responsible for the City of Palo Alto audit.
4. Provide an overview and detailed resumes of staff the firm has tentatively identified as the reviewing partner, the partner in charge, the engagement manager, and the seniors on the City of Palo Alto audit. Highlight their experience, skills, continuing professional education, and training in governmental accounting and auditing.
5. Provide a detailed schedule by audit segment as outlined in Basic Audit Services Required and Related Deliverables. Each schedule should show (1) the hourly rate by partner, manager, senior, staff, and any other level considered necessary, (2) the number of hours to be worked per level, (3) the dollar amount per level, and (4) a grand total. A summary page should be attached to the detailed schedules showing the total fee, which shall be all-inclusive, including all out-of-pocket expenses.

It is optional for the firm to provide alternate pricing based on the staffing of the audit by different audit teams.

6. Describe the firm's approach to assessing control risk in a local government.
7. Describe the firm's approach to auditing information systems.
8. Describe the firm's experience auditing retiree medical plans for a local government.
9. Describe the firm's policy on staff and management rotation or continuity, both during and between audits.
10. List and briefly describe books, periodicals, newsletters, training courses, computer software, or other forms of assistance that could be made available, along with any costs for such items, other than those required under Item N in Basic Audit Services Required and Related Deliverables.
11. Submit a copy of the report on the firm's most recent external quality control review, with a statement on the number of government engagements that were included in the review.
12. Provide information on the results of any federal or state desk reviews or field reviews of the firm's audits during the past three years.
13. Provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three years with state regulatory bodies or professional organizations.

14. Describe the firm's approach to containing the costs of financial statement audits of local governments.
15. Describe the firm's approach for implementing new GASB pronouncements.
16. Provide affirmation that the firm meets the requirements of the Government Auditing Standards, (2011 Revision), published by the United States Government Accountability Office, including the standard of independence. Specifically, in all matters relating to the audit work, the firm should be free both in fact and appearance from personal, external, and organizational impairments to independence.
17. Provide verification that the firm is properly licensed for public practice as a certified public accountant in the State of California and that the firm and any employees to be assigned to this audit do not have a record of substandard work or unsatisfactory performance pending with the State Board of Accountancy.

TIME REQUIREMENTS

Audit schedule (exact dates to be confirmed at the entrance conference each year):

Interim Work Completed and that draft management letter	May 31 – for subsequent years, it is anticipated interim work be completed in March and April
Field Work Completed	October 15
Initial Draft Report	November 1
Final Report	November 15
Presentation of Audit Results to Finance Committee	Third Tuesday in November

SAMPLE SAMPLE SAMPLE SAMPLE SAMPLE SAMPLE

CITY OF PALO ALTO CONTRACT NO. XXXXXXXXXX

AGREEMENT BETWEEN THE CITY OF PALO ALTO AND

FOR PROFESSIONAL SERVICES

This Agreement is entered into on this day of ,
 ("Agreement") by and between the CITY OF PALO ALTO, a California chartered municipal
 corporation ("CITY"), and , a , located at ("CONSULTANT").

RECITALS

The following recitals are a substantive portion of this Agreement.

- A. CITY intends to ("Project") and desires to engage a consultant to in
 connection with the Project ("Services").
- B. CONSULTANT has represented that it has the necessary professional expertise,
 qualifications, and capability, and all required licenses and/or certifications to provide the
 Services.
- C. CITY in reliance on these representations desires to engage CONSULTANT to provide
 the Services as more fully described in Exhibit "A", attached to and made a part of this
 Agreement.

NOW, THEREFORE, in consideration of the recitals, covenants, terms, and conditions,
 in this Agreement, the parties agree:

AGREEMENT

SECTION 1. SCOPE OF SERVICES. CONSULTANT shall perform the Services described in
 Exhibit "A" in accordance with the terms and conditions contained in this Agreement. The
 performance of all Services shall be to the reasonable satisfaction of CITY.

☐ **Optional On-Call Provision** (This provision only applies if checked and only applies to on-
 call agreements.)

Services will be authorized by the City, as needed, with a Task Order assigned and approved by
 the City's Project Manager. Each Task Order shall be in substantially the same form as Exhibit
 A-1. Each Task Order shall designate a City Project Manager and shall contain a specific scope
 of work, a specific schedule of performance and a specific compensation amount. The total price
 of all Task Orders issued under this Agreement shall not exceed the amount of Compensation set
 forth in Section 4 of this Agreement. CONSULTANT shall only be compensated for work
 performed under an authorized Task Order and the City may elect, but is not required, to
 authorize work up to the maximum compensation amount set forth in Section 4.

SECTION 2. TERM.

The term of this Agreement shall be from the date of its full execution through _____ unless terminated earlier pursuant to Section 19 of this Agreement.

OR

The term of this Agreement shall be from the date of its full execution through completion of the services in accordance with the Schedule of Performance attached as Exhibit "B" unless terminated earlier pursuant to Section 19 of this Agreement.

SECTION 3. SCHEDULE OF PERFORMANCE. Time is of the essence in the performance of Services under this Agreement. CONSULTANT shall complete the Services within the term of this Agreement and in accordance with the schedule set forth in Exhibit "B", attached to and made a part of this Agreement. Any Services for which times for performance are not specified in this Agreement shall be commenced and completed by CONSULTANT in a reasonably prompt and timely manner based upon the circumstances and direction communicated to the CONSULTANT. CITY's agreement to extend the term or the schedule for performance shall not preclude recovery of damages for delay if the extension is required due to the fault of CONSULTANT.

SECTION 4. NOT TO EXCEED COMPENSATION. The compensation to be paid to CONSULTANT for performance of the Services described in Exhibit "A", including both payment for professional services and reimbursable expenses, shall not exceed _____ Dollars (\$ _____). In the event Additional Services are authorized, the total compensation for Services, Additional Services and reimbursable expenses shall not exceed _____ Dollars (\$ _____). The applicable rates and schedule of payment are set out in Exhibit "C-1", entitled "HOURLY RATE SCHEDULE," which is attached to and made a part of this Agreement.

Additional Services, if any, shall be authorized in accordance with and subject to the provisions of Exhibit "C". CONSULTANT shall not receive any compensation for Additional Services performed without the prior written authorization of CITY. Additional Services shall mean any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described in Exhibit "A".

SECTION 5. INVOICES. In order to request payment, CONSULTANT shall submit monthly invoices to the CITY describing the services performed and the applicable charges (including an identification of personnel who performed the services, hours worked, hourly rates, and reimbursable expenses), based upon the CONSULTANT's billing rates (set forth in Exhibit "C-1"). If applicable, the invoice shall also describe the percentage of completion of each task. The information in CONSULTANT's payment requests shall be subject to verification by CITY. CONSULTANT shall send all invoices to the City's project manager at the address specified in Section 13 below. The City will generally process and pay invoices within thirty (30) days of receipt.

SECTION 6. QUALIFICATIONS/STANDARD OF CARE. All of the Services shall be performed by CONSULTANT or under CONSULTANT's supervision. CONSULTANT represents that it possesses the professional and technical personnel necessary to perform the

Services required by this Agreement and that the personnel have sufficient skill and experience to perform the Services assigned to them. CONSULTANT represents that it, its employees and subconsultants, if permitted, have and shall maintain during the term of this Agreement all licenses, permits, qualifications, insurance and approvals of whatever nature that are legally required to perform the Services.

All of the services to be furnished by CONSULTANT under this agreement shall meet the professional standard and quality that prevail among professionals in the same discipline and of similar knowledge and skill engaged in related work throughout California under the same or similar circumstances.

SECTION 7. COMPLIANCE WITH LAWS. CONSULTANT shall keep itself informed of and in compliance with all federal, state and local laws, ordinances, regulations, and orders that may affect in any manner the Project or the performance of the Services or those engaged to perform Services under this Agreement. CONSULTANT shall procure all permits and licenses, pay all charges and fees, and give all notices required by law in the performance of the Services.

SECTION 8. ERRORS/OMISSIONS. CONSULTANT shall correct, at no cost to CITY, any and all errors, omissions, or ambiguities in the work product submitted to CITY, provided CITY gives notice to CONSULTANT. If CONSULTANT has prepared plans and specifications or other design documents to construct the Project, CONSULTANT shall be obligated to correct any and all errors, omissions or ambiguities discovered prior to and during the course of construction of the Project. This obligation shall survive termination of the Agreement.

SECTION 9. COST ESTIMATES. If this Agreement pertains to the design of a public works project, CONSULTANT shall submit estimates of probable construction costs at each phase of design submittal. If the total estimated construction cost at any submittal exceeds ten percent (10%) of the CITY's stated construction budget, CONSULTANT shall make recommendations to the CITY for aligning the PROJECT design with the budget, incorporate CITY approved recommendations, and revise the design to meet the Project budget, at no additional cost to CITY.

SECTION 10. INDEPENDENT CONTRACTOR. It is understood and agreed that in performing the Services under this Agreement CONSULTANT, and any person employed by or contracted with CONSULTANT to furnish labor and/or materials under this Agreement, shall act as and be an independent contractor and not an agent or employee of the CITY.

SECTION 11. ASSIGNMENT. The parties agree that the expertise and experience of CONSULTANT are material considerations for this Agreement. CONSULTANT shall not assign or transfer any interest in this Agreement nor the performance of any of CONSULTANT's obligations hereunder without the prior written consent of the city manager. Consent to one assignment will not be deemed to be consent to any subsequent assignment. Any assignment made without the approval of the city manager will be void.

SECTION 12. SUBCONTRACTING.

☐ **Option A: No Subcontractor:** CONSULTANT shall not subcontract any portion of the work

to be performed under this Agreement without the prior written authorization of the city manager or designee.

☐ **Option B: Subcontracts Authorized:** Notwithstanding Section 11 above, CITY agrees that subconsultants may be used to complete the Services. The subconsultants authorized by CITY to perform work on this Project are:

CONSULTANT shall be responsible for directing the work of any subconsultants and for any compensation due to subconsultants. CITY assumes no responsibility whatsoever concerning compensation. CONSULTANT shall be fully responsible to CITY for all acts and omissions of a subconsultant. CONSULTANT shall change or add subconsultants only with the prior approval of the city manager or his designee.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT will assign _____ as the _____ to have supervisory responsibility for the performance, progress, and execution of the Services and _____ as the project _____ to represent CONSULTANT during the day-to-day work on the Project. If circumstances cause the substitution of the project director, project coordinator, or any other key personnel for any reason, the appointment of a substitute project director and the assignment of any key new or replacement personnel will be subject to the prior written approval of the CITY's project manager. CONSULTANT, at CITY's request, shall promptly remove personnel who CITY finds do not perform the Services in an acceptable manner, are uncooperative, or present a threat to the adequate or timely completion of the Project or a threat to the safety of persons or property.

The City's project manager is _____, _____ Department, _____ Division, _____ Palo Alto, CA 94303, Telephone: _____. The project manager will be CONSULTANT's point of contact with respect to performance, progress and execution of the Services. The CITY may designate an alternate project manager from time to time.

SECTION 14. OWNERSHIP OF MATERIALS. Upon delivery, all work product, including without limitation, all writings, drawings, plans, reports, specifications, calculations, documents, other materials and copyright interests developed under this Agreement shall be and remain the exclusive property of CITY without restriction or limitation upon their use. CONSULTANT agrees that all copyrights which arise from creation of the work pursuant to this Agreement shall be vested in CITY, and CONSULTANT waives and relinquishes all claims to copyright or other intellectual property rights in favor of the CITY. Neither CONSULTANT nor its contractors, if any, shall make any of such materials available to any individual or organization without the prior written approval of the City Manager or designee. CONSULTANT makes no representation of the suitability of the work product for use in or application to circumstances not contemplated by the scope of work.

SECTION 15. AUDITS. CONSULTANT will permit CITY to audit, at any reasonable time during the term of this Agreement and for three (3) years thereafter, CONSULTANT's records pertaining to matters covered by this Agreement. CONSULTANT further agrees to maintain and retain such records for at least three (3) years after the expiration or earlier termination of this Agreement.

SECTION 16. INDEMNITY.

☐[Option A applies to the following design professionals pursuant to Civil Code Section 2782.8: architects; landscape architects; registered professional engineers and licensed professional land surveyors.] 16.1. To the fullest extent permitted by law, CONSULTANT shall protect, indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents (each an "Indemnified Party") from and against any and all demands, claims, or liability of any nature, including death or injury to any person, property damage or any other loss, including all costs and expenses of whatever nature including attorneys fees, experts fees, court costs and disbursements ("Claims") that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the CONSULTANT, its officers, employees, agents or contractors under this Agreement, regardless of whether or not it is caused in part by an Indemnified Party.

☐[Option B applies to any consultant who does not qualify as a design professional as defined in Civil Code Section 2782.8.] 16.1. To the fullest extent permitted by law, CONSULTANT shall protect, indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents (each an "Indemnified Party") from and against any and all demands, claims, or liability of any nature, including death or injury to any person, property damage or any other loss, including all costs and expenses of whatever nature including attorneys fees, experts fees, court costs and disbursements ("Claims") resulting from, arising out of or in any manner related to performance or nonperformance by CONSULTANT, its officers, employees, agents or contractors under this Agreement, regardless of whether or not it is caused in part by an Indemnified Party.

16.2. Notwithstanding the above, nothing in this Section 16 shall be construed to require CONSULTANT to indemnify an Indemnified Party from Claims arising from the active negligence, sole negligence or willful misconduct of an Indemnified Party.

16.3. The acceptance of CONSULTANT's services and duties by CITY shall not operate as a waiver of the right of indemnification. The provisions of this Section 16 shall survive the expiration or early termination of this Agreement.

SECTION 17. WAIVERS. The waiver by either party of any breach or violation of any covenant, term, condition or provision of this Agreement, or of the provisions of any ordinance or law, will not be deemed to be a waiver of any other term, covenant, condition, provisions, ordinance or law, or of any subsequent breach or violation of the same or of any other term, covenant, condition, provision, ordinance or law.

SECTION 18. INSURANCE.

18.1. CONSULTANT, at its sole cost and expense, shall obtain and maintain, in full force and effect during the term of this Agreement, the insurance coverage described in Exhibit "D". CONSULTANT and its contractors, if any, shall obtain a policy endorsement naming CITY as an additional insured under any general liability or automobile policy or policies.

18.2. All insurance coverage required hereunder shall be provided through carriers with AM Best's Key Rating Guide ratings of A-:VII or higher which are licensed or authorized to transact insurance business in the State of California. Any and all contractors of CONSULTANT retained to perform Services under this Agreement will obtain and maintain, in full force and effect during the term of this Agreement, identical insurance coverage, naming CITY as an additional insured under such policies as required above.

18.3. Certificates evidencing such insurance shall be filed with CITY concurrently with the execution of this Agreement. The certificates will be subject to the approval of CITY's Risk Manager and will contain an endorsement stating that the insurance is primary coverage and will not be canceled, or materially reduced in coverage or limits, by the insurer except after filing with the Purchasing Manager thirty (30) days' prior written notice of the cancellation or modification. If the insurer cancels or modifies the insurance and provides less than thirty (30) days' notice to CONSULTANT, CONSULTANT shall provide the Purchasing Manager written notice of the cancellation or modification within two (2) business days of the CONSULTANT's receipt of such notice. CONSULTANT shall be responsible for ensuring that current certificates evidencing the insurance are provided to CITY's Purchasing Manager during the entire term of this Agreement.

18.4. The procuring of such required policy or policies of insurance will not be construed to limit CONSULTANT's liability hereunder nor to fulfill the indemnification provisions of this Agreement. Notwithstanding the policy or policies of insurance, CONSULTANT will be obligated for the full and total amount of any damage, injury, or loss caused by or directly arising as a result of the Services performed under this Agreement, including such damage, injury, or loss arising after the Agreement is terminated or the term has expired.

SECTION 19. TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES.

19.1. The City Manager may suspend the performance of the Services, in whole or in part, or terminate this Agreement, with or without cause, by giving ten (10) days prior written notice thereof to CONSULTANT. Upon receipt of such notice, CONSULTANT will immediately discontinue its performance of the Services.

19.2. CONSULTANT may terminate this Agreement or suspend its performance of the Services by giving thirty (30) days prior written notice thereof to CITY, but only in the event of a substantial failure of performance by CITY.

19.3. Upon such suspension or termination, CONSULTANT shall deliver to the City Manager immediately any and all copies of studies, sketches, drawings, computations, and other data, whether or not completed, prepared by CONSULTANT or its contractors, if any, or

given to CONSULTANT or its contractors, if any, in connection with this Agreement. Such materials will become the property of CITY.

19.4. Upon such suspension or termination by CITY, CONSULTANT will be paid for the Services rendered or materials delivered to CITY in accordance with the scope of services on or before the effective date (i.e., 10 days after giving notice) of suspension or termination; provided, however, if this Agreement is suspended or terminated on account of a default by CONSULTANT, CITY will be obligated to compensate CONSULTANT only for that portion of CONSULTANT's services which are of direct and immediate benefit to CITY as such determination may be made by the City Manager acting in the reasonable exercise of his/her discretion. The following Sections will survive any expiration or termination of this Agreement: 14, 15, 16, 19.4, 20, and 25.

19.5. No payment, partial payment, acceptance, or partial acceptance by CITY will operate as a waiver on the part of CITY of any of its rights under this Agreement.

SECTION 20. NOTICES.

All notices hereunder will be given in writing and mailed, postage prepaid, by certified mail, addressed as follows:

To CITY: Office of the City Clerk
 City of Palo Alto
 Post Office Box 10250
 Palo Alto, CA 94303

With a copy to the Purchasing Manager

To CONSULTANT: Attention of the project director
 at the address of CONSULTANT recited above

SECTION 21. CONFLICT OF INTEREST.

21.1. In accepting this Agreement, CONSULTANT covenants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services.

21.2. CONSULTANT further covenants that, in the performance of this Agreement, it will not employ subconsultants, contractors or persons having such an interest. CONSULTANT certifies that no person who has or will have any financial interest under this Agreement is an officer or employee of CITY; this provision will be interpreted in accordance with the applicable provisions of the Palo Alto Municipal Code and the Government Code of the State of California.

21.3. If the Project Manager determines that CONSULTANT is a "Consultant" as that term is defined by the Regulations of the Fair Political Practices Commission,

CONSULTANT shall be required and agrees to file the appropriate financial disclosure documents required by the Palo Alto Municipal Code and the Political Reform Act.

SECTION 22. NONDISCRIMINATION. As set forth in Palo Alto Municipal Code section 2.30.510, CONSULTANT certifies that in the performance of this Agreement, it shall not discriminate in the employment of any person because of the race, skin color, gender, age, religion, disability, national origin, ancestry, sexual orientation, housing status, marital status, familial status, weight or height of such person. CONSULTANT acknowledges that it has read and understands the provisions of Section 2.30.510 of the Palo Alto Municipal Code relating to Nondiscrimination Requirements and the penalties for violation thereof, and agrees to meet all requirements of Section 2.30.510 pertaining to nondiscrimination in employment.

SECTION 23. ENVIRONMENTALLY PREFERRED PURCHASING AND ZERO WASTE REQUIREMENTS. CONSULTANT shall comply with the City's Environmentally Preferred Purchasing policies which are available at the City's Purchasing Department, incorporated by reference and may be amended from time to time. CONSULTANT shall comply with waste reduction, reuse, recycling and disposal requirements of the City's Zero Waste Program. Zero Waste best practices include first minimizing and reducing waste; second, reusing waste and third, recycling or composting waste. In particular, Consultant shall comply with the following zero waste requirements:

- All printed materials provided by Consultant to City generated from a personal computer and printer including but not limited to, proposals, quotes, invoices, reports, and public education materials, shall be double-sided and printed on a minimum of 30% or greater post-consumer content paper, unless otherwise approved by the City's Project Manager. Any submitted materials printed by a professional printing company shall be a minimum of 30% or greater post-consumer material and printed with vegetable based inks.
- Goods purchased by Consultant on behalf of the City shall be purchased in accordance with the City's Environmental Purchasing Policy including but not limited to Extended Producer Responsibility requirements for products and packaging. A copy of this policy is on file at the Purchasing Office.
- Reusable/returnable pallets shall be taken back by the Consultant, at no additional cost to the City, for reuse or recycling. Consultant shall provide documentation from the facility accepting the pallets to verify that pallets are not being disposed.

SECTION 24. NON-APPROPRIATION

24.1. This Agreement is subject to the fiscal provisions of the Charter of the City of Palo Alto and the Palo Alto Municipal Code. This Agreement will terminate without any penalty (a) at the end of any fiscal year in the event that funds are not appropriated for the following fiscal year, or (b) at any time within a fiscal year in the event that funds are only appropriated for a portion of the fiscal year and funds for this Agreement are no longer available. This section shall take precedence in the event of a conflict with any other covenant, term, condition, or provision of this Agreement.

SECTION 25. MISCELLANEOUS PROVISIONS.

25.1. This Agreement will be governed by the laws of the State of California.

25.2. In the event that an action is brought, the parties agree that trial of such action will be vested exclusively in the state courts of California in the County of Santa Clara, State of California.

25.3. The prevailing party in any action brought to enforce the provisions of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with that action. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys' fees paid to third parties.

25.4. This document represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and contracts, either written or oral. This document may be amended only by a written instrument, which is signed by the parties.

25.5. The covenants, terms, conditions and provisions of this Agreement will apply to, and will bind, the heirs, successors, executors, administrators, assignees, and consultants of the parties.

25.6. If a court of competent jurisdiction finds or rules that any provision of this Agreement or any amendment thereto is void or unenforceable, the unaffected provisions of this Agreement and any amendments thereto will remain in full force and effect.

25.7. All exhibits referred to in this Agreement and any addenda, appendices, attachments, and schedules to this Agreement which, from time to time, may be referred to in any duly executed amendment hereto are by such reference incorporated in this Agreement and will be deemed to be a part of this Agreement.

25.8 If, pursuant to this contract with CONSULTANT, City shares with CONSULTANT personal information as defined in California Civil Code section 1798.81.5(d) about a California resident ("Personal Information"), CONSULTANT shall maintain reasonable and appropriate security procedures to protect that Personal Information, and shall inform City immediately upon learning that there has been a breach in the security of the system or in the security of the Personal Information. CONSULTANT shall not use Personal Information for direct marketing purposes without City's express written consent.

25.9 All unchecked boxes do not apply to this agreement.

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25.10 The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

25.11 This Agreement may be signed in multiple counterparts, which shall, when executed by all the parties, constitute a single binding agreement

IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Agreement on the date first above written.

CITY OF PALO ALTO

_____ **SAMPLE** _____
 City Manager (Required on contracts over \$85,000)
 Purchasing Manager (Required on contracts over \$25,000)
 Contracts Administrator (Required on contracts under \$25,000)

APPROVED AS TO FORM:

_____ **SAMPLE** _____
 Senior Asst. City Attorney
 (Required on Contracts over \$25,000)

CONSULTANT

By: _____ **SAMPLE** _____
 Name: _____
 Title: _____

Attachments:

EXHIBIT "A":	SCOPE OF WORK
EXHIBIT "A-1"	ON CALL TASK ORDER (Optional)
EXHIBIT "B":	SCHEDULE OF PERFORMANCE
EXHIBIT "C":	COMPENSATION
EXHIBIT "C-1":	SCHEDULE OF RATES
EXHIBIT "D":	INSURANCE REQUIREMENTS

Attachment D
SAMPLE TABLE FORMAT
QUALIFICATIONS OF FIRM RELATIVE TO CITY'S NEEDS

Project Name	Client	Description of work performed	Total Project Cost	Percentage of work firm as responsible for	Period work was completed	Client contact information*
<p>Did your firm meet the project schedule (Circle one) : Yes No</p> <p>Give a brief statement of the firm's adherence to the schedule and budget for the project:</p>						
<p>Did your firm meet the project schedule (Circle one) : Yes No</p> <p>Give a brief statement of the firm's adherence to the schedule and budget for the project:</p>						
<p>Did your firm meet the project schedule (Circle one) : Yes No</p> <p>Give a brief statement of the firm's adherence to the schedule and budget for the project:</p>						
<p>Did your firm meet the project schedule (Circle one) : Yes No</p> <p>Give a brief statement of the firm's adherence to the schedule and budget for the project:</p>						

*Include name, title and phone number.

Attachment E
SAMPLE COST PROPOSAL FORMAT – RFP

(The City is looking for a submittal in this format – content should match cost for scope of services required)

Scope	Labor Categories (e.g., Consultant, Sr. Consultant, etc.)	Est. Hours	Hourly Rate	Extended Rate
Task 1			\$	\$
			\$	\$
			\$	\$
TOTAL NOT TO EXCEED, TASK 1			\$	\$
Task 2			\$	\$
			\$	\$
			\$	\$
TOTAL NOT TO EXCEED, TASK 2			\$	\$
Task 3			\$	\$
			\$	\$
			\$	\$
TOTAL NOT TO EXCEED, TASK 3			\$	\$
TOTAL NOT TO EXCEED (TASKS 1 – 3)			\$	\$

**Attachment “F”
INSURANCE REQUIREMENTS**

CONTRACTORS TO THE CITY OF PALO ALTO (CITY), AT THEIR SOLE EXPENSE, SHALL FOR THE TERM OF THE CONTRACT OBTAIN AND MAINTAIN INSURANCE IN THE AMOUNTS FOR THE COVERAGE SPECIFIED BELOW, **AFFORDED BY COMPANIES WITH AM BEST’S KEY RATING OF A-:VII, OR HIGHER, LICENSED OR AUTHORIZED TO TRANSACT INSURANCE BUSINESS IN THE STATE OF CALIFORNIA.**

AWARD IS CONTINGENT ON COMPLIANCE WITH CITY’S INSURANCE REQUIREMENTS, AS SPECIFIED, BELOW:

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES YES	WORKER’S COMPENSATION EMPLOYER’S LIABILITY	STATUTORY STATUTORY		
YES	GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY	BODILY INJURY	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY & PROPERTY DAMAGE COMBINED.	\$1,000,000	\$1,000,000
YES	AUTOMOBILE LIABILITY, INCLUDING ALL OWNED, HIRED, NON-OWNED	BODILY INJURY	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY AND PROPERTY DAMAGE, COMBINED	\$1,000,000	\$1,000,000
	PROFESSIONAL LIABILITY, INCLUDING, ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE			
		ALL DAMAGES		\$1,000,000
YES	THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED: CONTRACTOR, AT ITS SOLE COST AND EXPENSE, SHALL OBTAIN AND MAINTAIN, IN FULL FORCE AND EFFECT THROUGHOUT THE ENTIRE TERM OF ANY RESULTANT AGREEMENT, THE INSURANCE COVERAGE HEREIN DESCRIBED, INSURING NOT ONLY CONTRACTOR AND ITS SUBCONSULTANTS, IF ANY, BUT ALSO, WITH THE EXCEPTION OF WORKERS’ COMPENSATION, EMPLOYER’S LIABILITY AND PROFESSIONAL INSURANCE, NAMING AS ADDITIONAL INSUREDS CITY, ITS COUNCIL MEMBERS, OFFICERS, AGENTS, AND EMPLOYEES.			

I. INSURANCE COVERAGE MUST INCLUDE:

- A. A PROVISION FOR A WRITTEN THIRTY DAY ADVANCE NOTICE TO CITY OF CHANGE IN COVERAGE OR OF COVERAGE CANCELLATION; AND
- B. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONTRACTOR’S AGREEMENT TO INDEMNIFY CITY.
- C. DEDUCTIBLE AMOUNTS IN EXCESS OF \$5,000 REQUIRE CITY’S PRIOR APPROVAL.

II. CONTACTOR MUST SUBMIT CERTIFICATES(S) OF INSURANCE EVIDENCING REQUIRED COVERAGE.

III. ENDORSEMENT PROVISIONS, WITH RESPECT TO THE INSURANCE AFFORDED TO “ADDITIONAL INSUREDS”

A. PRIMARY COVERAGE

WITH RESPECT TO CLAIMS ARISING OUT OF THE OPERATIONS OF THE NAMED INSURED, INSURANCE AS AFFORDED BY THIS POLICY IS PRIMARY AND IS NOT ADDITIONAL TO OR CONTRIBUTING WITH ANY OTHER INSURANCE CARRIED BY OR FOR THE BENEFIT OF THE ADDITIONAL INSUREDS.

B. CROSS LIABILITY

Attachment "F"
INSURANCE REQUIREMENTS

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSURED UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSURED, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.
2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

NOTICES SHALL BE MAILED TO:

**PURCHASING AND
CONTRACT ADMINISTRATION
CITY OF PALO ALTO
P.O. BOX 10250
PALO ALTO, CA 94303.**

**CITY OF PALO ALTO CONTRACT NO. C16161769
AGREEMENT BETWEEN THE CITY OF PALO ALTO AND
MACIAS GINI & O'CONNELL LLP FOR PROFESSIONAL SERVICES**

This Agreement is entered into on this 11th day of April 2016, ("Agreement") by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and MACIAS GINI & O'CONNELL LLP, a Limited Liability Partnership, located at 2121 N. California Blvd., Suite 750, Walnut Creek, California, 94596 ("CONSULTANT").

RECITALS

The following recitals are a substantive portion of this Agreement.

A. CITY intends to use an external auditing service ("Project") and desires to engage a consultant to provide auditing services in connection with the Project ("Services").

B. CONSULTANT has represented that it has the necessary professional expertise, qualifications, and capability, and all required licenses and/or certifications to provide the Services.

C. CITY, in reliance on these representations, desires to engage CONSULTANT to provide the Services as more fully described in Exhibit "A," attached to and made a part of this Agreement.

NOW, THEREFORE, in consideration of the recitals, covenants, terms, and conditions, in this Agreement, the parties agree:

AGREEMENT

SECTION 1. SCOPE OF SERVICES. CONSULTANT shall perform the Services described at Exhibit "A" in accordance with the terms and conditions contained in this Agreement. The performance of all Services shall be to the reasonable satisfaction of CITY.

SECTION 2. TERM. The term of this Agreement shall be from the date of its full execution through January 21, 2021, unless terminated earlier pursuant to Section 19 of this Agreement.

SECTION 3. SCHEDULE OF PERFORMANCE. Time is of the essence in the performance of Services under this Agreement. CONSULTANT shall complete the Services within the term of this Agreement and in accordance with the schedule set forth in Exhibit "B," attached to and made a part of this Agreement. Any Services for which times for performance are not specified in this Agreement shall be commenced and completed by CONSULTANT in a reasonably prompt and timely manner based upon the circumstances and direction communicated to the CONSULTANT. CITY's agreement to extend the term or the schedule for performance shall not preclude recovery of damages for delay if the extension is required due to the fault of CONSULTANT.

SECTION 4. NOT TO EXCEED COMPENSATION. The compensation to be paid to CONSULTANT for performance of the Services described in Exhibit "A," including both payment for professional services and reimbursable expenses, shall not exceed per year as follows:

2016 – 2017	\$149,925.00
2017 – 2018	\$154,423.00
2018 – 2019	\$159,055.00
2019 – 2020	\$163,827.00
2020 – 2021	\$168,742.00

Total compensation for services and reimbursable expenses shall not exceed Seven Hundred Ninety Five Thousand Nine Hundred Seventy Two Dollars (\$795,972.00). In the event Additional Services are authorized, the total compensation for Services, Additional Services, and reimbursable expenses shall not exceed Eight Hundred Seventy Five Thousand Five Hundred Sixty Nine Dollars (\$875,569.00). The applicable rates and schedule of payment are set out at Exhibit "C-1," entitled "HOURLY RATE SCHEDULE," which is attached to and made a part of this Agreement.

Additional Services, if any, shall be authorized in accordance with and subject to the provisions of Exhibit "C." CONSULTANT shall not receive any compensation for Additional Services performed without the prior written authorization of CITY. Additional Services shall mean any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described at Exhibit "A."

SECTION 5. INVOICES. In order to request payment, CONSULTANT shall submit monthly invoices to the CITY describing the services performed and the applicable charges (including an identification of personnel who performed the services, hours worked, hourly rates, and reimbursable expenses), based upon the CONSULTANT's billing rates (set forth in Exhibit "C-1"). If applicable, the invoice shall also describe the percentage of completion of each task. The information in CONSULTANT's payment requests shall be subject to verification by CITY. CONSULTANT shall send all invoices to the City's project manager at the address specified in Section 13 below. The City will generally process and pay invoices within thirty (30) days of receipt.

SECTION 6. QUALIFICATIONS/STANDARD OF CARE. All of the Services shall be performed by CONSULTANT or under CONSULTANT's supervision. CONSULTANT represents that it possesses the professional and technical personnel necessary to perform the Services required by this Agreement and that the personnel have sufficient skill and experience to perform the Services assigned to them. CONSULTANT represents that it, its employees and subconsultants, if permitted, have and shall maintain during the term of this Agreement all licenses, permits, qualifications, insurance and approvals of whatever nature that are legally required to perform the Services.

All of the services to be furnished by CONSULTANT under this agreement shall meet the professional standard and quality that prevail among professionals in the same discipline and of similar knowledge and skill engaged in related work throughout California under the same or similar circumstances.

SECTION 7. COMPLIANCE WITH LAWS. CONSULTANT shall keep itself informed of and in compliance with all federal, state and local laws, ordinances, regulations, and orders that may affect in any manner the Project or the performance of the Services or those engaged to perform Services under this Agreement. CONSULTANT shall procure all permits and licenses, pay all charges and fees, and give all notices required by law in the performance of the Services.

SECTION 8. ERRORS/OMISSIONS. CONSULTANT shall correct, at no cost to CITY, any and all errors, omissions, or ambiguities in the work product submitted to CITY, provided CITY gives notice to CONSULTANT. This obligation shall survive termination of the Agreement.

SECTION 9. COST ESTIMATES. (NOT APPLICABLE)

SECTION 10. INDEPENDENT CONTRACTOR. It is understood and agreed that in performing the Services under this Agreement CONSULTANT, and any person employed by or contracted with CONSULTANT to furnish labor and/or materials under this Agreement, shall act as and be an independent contractor and not an agent or employee of CITY.

SECTION 11. ASSIGNMENT. The parties agree that the expertise and experience of CONSULTANT are material considerations for this Agreement. CONSULTANT shall not assign or transfer any interest in this Agreement nor the performance of any of CONSULTANT's obligations hereunder without the prior written consent of the city auditor. Consent to one assignment will not be deemed to be consent to any subsequent assignment. Any assignment made without the approval of the city auditor will be void.

SECTION 12. SUBCONTRACTING. CONSULTANT shall not subcontract any portion of the work to be performed under this Agreement without the prior written authorization of the city auditor or designee.

However, if CITY authorizes use of subconsultants, CONSULTANT shall be responsible for directing the work of any subconsultants and for any compensation due to subconsultants. CITY assumes no responsibility whatsoever concerning compensation. CONSULTANT shall be fully responsible to CITY for all acts and omissions of a subconsultant. CONSULTANT shall change or add subconsultants only with the prior approval of the city manager or his designee.

SECTION 13. PROJECT MANAGEMENT. CONSULTANT will assign David Bullock as the Project Manager to have supervisory responsibility for the performance, progress, and execution of the Services and to represent CONSULTANT during the day-to-day work on the Project. If circumstances cause the substitution of the project manager, project coordinator, or any other key personnel for any reason, the appointment of a substitute project manager and the assignment of any key new or replacement personnel will be subject to the prior written approval of the CITY's project manager. CONSULTANT, at CITY's request, shall promptly remove personnel who CITY finds do not perform the Services in an acceptable manner, are uncooperative, or present a threat to the adequate or timely completion of the Project or a threat to the safety of persons or property.

CITY's project manager is Harriet Richardson, City Auditor, Office of the City Auditor, 250 Hamilton Avenue, Palo Alto, CA 94301, Telephone: (650) 329-2667 The CITY's project manager will be CONSULTANT's point of contact with respect to performance, progress and execution of the Services. CITY may designate an alternate project manager from time to time.

SECTION 14. OWNERSHIP OF MATERIALS. All programs, working papers, files, and other materials of the CONSULTANT made pursuant to this Agreement shall remain the property of the CONSULTANT. The City will have access to this material during normal business hours. The CONSULTANT shall not disclose to any third party the contents of the programs, working papers, files, or any other material without prior written approval of the CITY. Reports issued by the CONSULTANT shall become the property of the City.

SECTION 15. AUDITS AND RECORDS RETENTION. CONSULTANT will permit CITY to audit, at any reasonable time during the term of this Agreement and for seven (7) years thereafter, CONSULTANT's records pertaining to matters covered by this Agreement. CONSULTANT further agrees to maintain and retain such records for at least seven (7) years after the expiration or earlier termination of this Agreement, whichever is later, unless CITY notifies CONSULTANT in writing of the need to extend the retention period. Upon request and after reasonable notice, CONSULTANT may be required to make workpapers available to CITY or other organizations designated by CITY during CONSULTANT's normal business hours. In addition, CONSULTANT shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review workpapers relating to matters of continuing audit and accounting significance. There will be no charge for any such reviews or inspections.

SECTION 16. INDEMNITY.

16.1. To the fullest extent permitted by law, CONSULTANT shall protect, indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents (each an "Indemnified Party") from and against any and all demands, claims, or liability of any nature, including death or injury to any person, property damage or any other loss, including all costs and expenses of whatever nature including attorneys fees, experts fees, court costs and disbursements ("Claims") resulting from, arising out of or in any manner related to performance or nonperformance by CONSULTANT, its officers, employees, agents or contractors under this Agreement, regardless of whether or not it is caused in part by an Indemnified Party.

16.2. Notwithstanding the above, nothing in this Section 16 shall be construed to require CONSULTANT to indemnify an Indemnified Party from Claims arising from the active negligence, sole negligence or willful misconduct of an Indemnified Party.

16.3. The acceptance of CONSULTANT's services and duties by CITY shall not operate as a waiver of the right of indemnification. The provisions of this Section 16 shall survive the expiration or early termination of this Agreement.

SECTION 17. WAIVERS. The waiver by either party of any breach or violation of any covenant, term, condition or provision of this Agreement, or of the provisions of any ordinance or law, will not be deemed to be a waiver of any other term, covenant, condition, provisions, ordinance or

law, or of any subsequent breach or violation of the same or of any other term, covenant, condition, provision, ordinance or law.

SECTION 18. INSURANCE.

18.1. CONSULTANT, at its sole cost and expense, shall obtain and maintain, in full force and effect during the term of this Agreement, the insurance coverage described in Exhibit "D." CONSULTANT and its contractors, if any, shall obtain a policy endorsement naming CITY as an additional insured under any general liability or automobile policy or policies.

18.2. All insurance coverage required hereunder shall be provided through carriers with AM Best's Key Rating Guide ratings of A:-VII or higher that are licensed or authorized to transact insurance business in the State of California. Any and all contractors of CONSULTANT retained to perform Services under this Agreement will obtain and maintain, in full force and effect during the term of this Agreement, identical insurance coverage, naming CITY as an additional insured under such policies as required above.

18.3. Certificates evidencing such insurance shall be filed with CITY concurrently with the execution of this Agreement. The certificates will be subject to the approval of CITY's Risk Manager and will contain an endorsement stating that the insurance is primary coverage and will not be canceled, or materially reduced in coverage or limits, by the insurer except after filing with the Purchasing Manager thirty (30) days' prior written notice of the cancellation or modification. If the insurer cancels or modifies the insurance and provides less than thirty (30) days' notice to CONSULTANT, CONSULTANT shall provide the Chief Procurement Manager written notice of the cancellation or modification within two (2) business days of the CONSULTANT's receipt of such notice. CONSULTANT shall be responsible for ensuring that current certificates evidencing the insurance are provided to CITY's Chief Procurement Officer during the entire term of this Agreement.

18.4. The procuring of such required policy or policies of insurance will not be construed to limit CONSULTANT's liability hereunder nor to fulfill the indemnification provisions of this Agreement. Notwithstanding the policy or policies of insurance, CONSULTANT will be obligated for the full and total amount of any damage, injury, or loss caused by or directly arising as a result of the Services performed under this Agreement, including such damage, injury, or loss arising after the Agreement is terminated or the term has expired.

SECTION 19. TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES.

19.1. The City Auditor may suspend the performance of the Services, in whole or in part, or terminate this Agreement, with or without cause, by giving ten (10) days prior written notice thereof to CONSULTANT. Upon receipt of such notice, CONSULTANT will immediately discontinue its performance of the Services.

19.2. CONSULTANT may terminate this Agreement or suspend its performance of the Services by giving thirty (30) days prior written notice thereof to CITY, but only in the event of a substantial failure of performance by CITY.

19.3. Upon such suspension or termination, CONSULTANT shall deliver to the CITY immediately any and all copies of data given to the CONSULTANT or its contractors, if any, in connection with this Agreement. Such materials will become the property of CITY.

19.4. Upon such suspension or termination by CITY, CONSULTANT will be paid for the Services rendered or materials delivered to CITY in accordance with the scope of services on or before the effective date (i.e., 10 days after giving notice) of suspension or termination; provided, however, if this Agreement is suspended or terminated on account of a default by CONSULTANT, CITY will be obligated to compensate CONSULTANT only for that portion of CONSULTANT's services which are of direct and immediate benefit to CITY as such determination may be made by the City Auditor acting in the reasonable exercise of his/her discretion. The following Sections will survive any expiration or termination of this Agreement: 14, 15, 16, 19.4, 20, and 25.

19.5. No payment, partial payment, acceptance, or partial acceptance by CITY will operate as a waiver on the part of CITY of any of its rights under this Agreement.

SECTION 20. NOTICES.

All notices hereunder will be given in writing and mailed, postage prepaid, by certified mail, addressed as follows:

To CITY: Office of the City Auditor
 City of Palo Alto
 Post Office Box 10250
 Palo Alto, CA 94303

With a copy to the Purchasing Manager

To CONSULTANT: Attention of the project director
 at the address of CONSULTANT recited above

SECTION 21. CONFLICT OF INTEREST.

21.1. In accepting this Agreement, CONSULTANT covenants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services.

21.2. CONSULTANT further covenants that, in the performance of this Agreement, it will not employ subconsultants, contractors or persons having such an interest. CONSULTANT certifies that no person who has or will have any financial interest under this Agreement is an officer or employee of CITY; this provision will be interpreted in accordance with the applicable provisions of the Palo Alto Municipal Code and the Government Code of the State of California.

21.3. If the Project Manager determines that CONSULTANT is a "Consultant" as that term is defined by the Regulations of the Fair Political Practices Commission, CONSULTANT

shall be required and agrees to file the appropriate financial disclosure documents required by the Palo Alto Municipal Code and the Political Reform Act.

SECTION 22. NONDISCRIMINATION. As set forth in Palo Alto Municipal Code section 2.30.510, CONSULTANT certifies that in the performance of this Agreement, it shall not discriminate in the employment of any person because of the race, skin color, gender, age, religion, disability, national origin, ancestry, sexual orientation, housing status, marital status, familial status, weight or height of such person. CONSULTANT acknowledges that it has read and understands the provisions of Section 2.30.510 of the Palo Alto Municipal Code relating to Nondiscrimination Requirements and the penalties for violation thereof, and agrees to meet all requirements of Section 2.30.510 pertaining to nondiscrimination in employment.

SECTION 23. ENVIRONMENTALLY PREFERRED PURCHASING AND ZERO WASTE REQUIREMENTS. CONSULTANT shall comply with the CITY's Environmentally Preferred Purchasing policies which are available at CITY's Purchasing Department, incorporated by reference, and may be amended from time to time. CONSULTANT shall comply with waste reduction, reuse, recycling and disposal requirements of CITY's Zero Waste Program. Zero Waste best practices include first minimizing and reducing waste; second, reusing waste; and third, recycling or composting waste. In particular, CONSULTANT shall comply with the following zero waste requirements:

- All printed materials provided by CCONSULTANT to CITY generated from a personal computer and printer including but not limited to, proposals, quotes, invoices, reports, and public education materials, shall be double-sided and printed on a minimum of 30% or greater post-consumer content paper, unless otherwise approved by CITY's Project Manager. Any submitted materials printed by a professional printing company shall be a minimum of 30% or greater post-consumer material and printed with vegetable based inks.
- Goods purchased by CONSULTANT on behalf of CITY shall be purchased in accordance with CITY's Environmental Purchasing Policy including but not limited to Extended Producer Responsibility requirements for products and packaging. A copy of this policy is on file at the Purchasing Division's office.
- Reusable/returnable pallets shall be taken back by CONSULTANT, at no additional cost to CITY, for reuse or recycling. CONSULTANT shall provide documentation from the facility accepting the pallets to verify that pallets are not being disposed.

SECTION 24. NONAPPROPRIATION

24.1. This Agreement is subject to the fiscal provisions of the Charter of the City of Palo Alto and the Palo Alto Municipal Code. This Agreement will terminate without any penalty (a) at the end of any fiscal year in the event that funds are not appropriated for the following fiscal year, or (b) at any time within a fiscal year in the event that funds are only appropriated for a portion of the fiscal year and funds for this Agreement are no longer available. This section shall take precedence in the event of a conflict with any other covenant, term, condition, or provision of this Agreement.

SECTION 25. MISCELLANEOUS PROVISIONS.

25.1. This Agreement will be governed by the laws of the State of California.

25.2. In the event that an action is brought, the parties agree that trial of such action will be vested exclusively in the state courts of California in the County of Santa Clara, State of California.

25.3. The prevailing party in any action brought to enforce the provisions of this Agreement may recover its reasonable costs and attorneys' fees expended in connection with that action. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys' fees paid to third parties.

25.4. This document represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and contracts, either written or oral. This document may be amended only by a written instrument, which is signed by the parties.

25.5. The covenants, terms, conditions and provisions of this Agreement will apply to, and will bind, the heirs, successors, executors, administrators, assignees, and consultants of the parties.

25.6. If a court of competent jurisdiction finds or rules that any provision of this Agreement or any amendment thereto is void or unenforceable, the unaffected provisions of this Agreement and any amendments thereto will remain in full force and effect.

25.7. All exhibits referred to in this Agreement and any addenda, appendices, attachments, and schedules to this Agreement which, from time to time, may be referred to in any duly executed amendment hereto are by such reference incorporated in this Agreement and will be deemed to be a part of this Agreement.

25.8. If, pursuant to this contract with CONSULTANT, CITY shares with CONSULTANT personal information as defined in California Civil Code section 1798.81.5(d) about a California resident ("Personal Information"), CONSULTANT shall maintain reasonable and appropriate security procedures to protect that Personal Information, and shall inform City immediately upon learning that there has been a breach in the security of the system or in the security of the Personal Information. CONSULTANT shall not use Personal Information for direct marketing purposes without City's express written consent.

25.9. All unchecked boxes do not apply to this agreement (Not applicable).

25.10. The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective legal entities.

25.11. This Agreement may be signed in multiple counterparts, which shall, when executed by all the parties, constitute a single binding agreement

IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Agreement on the date first above written.

CITY OF PALO ALTO

MACIAS GINI & O'CONNELL LLP

B937904B31F148B
David Bullock
DocuSigned By: David Bullock

Partner

APPROVED AS TO FORM:

Attachments:

EXHIBIT "A": SCOPE OF WORK
EXHIBIT "B": SCHEDULE OF PERFORMANCE
EXHIBIT "C": COMPENSATION
EXHIBIT "C-1": SCHEDULE OF RATES
EXHIBIT "D": INSURANCE REQUIREMENTS

EXHIBIT "A"

SCOPE OF SERVICES

CONSULTANT to provide Auditing Services per the following:

PROJECT SPECIFICATIONS

Unless otherwise noted, all audit services cover the City's fiscal years ending on June 30, 2016, through June 30, 2020. The audit services are to be performed in accordance with generally accepted auditing standards; the standards for financial audits set forth in the United States Government Accountability Office's Government Auditing Standards (2011 revision, or subsequent revisions); the provisions of the federal Single Audit Act of 1984, as amended in 1996; and the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Generally accepted accounting principles provide for certain required supplementary information, such as Management's Discussion and Analysis to accompany the City's basic financial statements. CONSULTANT shall apply certain limited procedures consisting principally of inquiries of management regarding the methods of measurement and presentation, which the City shall affirm to the CONSULTANT in the City's Management Letter.

Please note that all dates cited will be confirmed each year during the entrance conference.

Basic Audit Services Required

CONSULTANT shall audit the City's financial statements and prepare the City's federal and state tax returns for the Palo Alto Public Improvement Corporation for the fiscal years ending on June 30, 2016, through June 30, 2020. In providing these services, CONSULTANT shall:

- A. Prior to year-end, and preferably during March and April, the CONSULTANT shall perform interim work to test the internal controls of accounting processes.

Deliverables:

- 1) No later than the last working day in May of each year, provide the City Auditor and the Director of Administrative Services with a draft management letter of the issues identified.
 - 2) Within three weeks after receiving the City's response to any issues in the draft management letter (the Accounting Division in the Administrative Services Department will respond in a written memo), provide written comments to the response to the City Auditor and the Director of Administrative Services.
- B. Use the City's worksheet and template to prepare the Comprehensive Annual Financial Report (CAFR), including the entity wide statements. CAFR should be prepared in the format recommended by the Government Finance Officers Association, in accordance with City standards, and with website-compatibility.

NOTE: The City of Palo Alto may transition during the contract period to preparing the CAFR itself. If it does, this item would no longer be a required service, and the contract price would be adjusted accordingly.

Deliverables:

- 1) No later than the fifteenth (15th) day of November of each year, provide the electronic data used to prepare the CAFR to the Administrative Services Department.

- C. Audit the basic financial statements and supplementary entity-wide combining and individual fund financial statements included in the City's CAFR, including all funds under the jurisdiction and control of the City, and render a professional opinion thereon.

Deliverables:

- 1) No later than the 15th day in November of each year, provide a complete electronic version of the Comprehensive Annual Financial Report, including the opinion letter and the Single Audit Report, in a website-compatible format, to the City Auditor and the Director of Administrative Services.
- 2) No later than the fifteenth (15th) day of November of each year, provide fifteen (15) color and ten (10) black and white bound copies of the Comprehensive Annual Financial Report, including the opinion letter and the Single Audit Report, to the City Auditor.

- D. Audit the City's federal financial assistance program and issue reports thereon in accordance with the provisions of the Single Audit Act of 1984, including the 1996 amendments to the Single Audit Act, and any other amendments which become effective during the term of this contract.

Deliverables:

- 1) See deliverables under Item C above.

- E. Prepare a management letter to the City Council that includes observations and recommendations identified during the audit. This may include:

- issues regarding internal control structure (e.g., information systems, functions, and procedures)
- items concerning compliance with laws, rules, and regulations
- opportunities for economies and efficiencies inherent in the accounting functions or reporting activities of the City
- other matters of interest to the City Council and management

Deliverables:

- 1) One week after completing field work each year, provide a draft management letter for completed field work to the City Auditor and the Director of Administrative Services.
- 2) No later than the fifteenth (15th) day of November of each year, provide the final comprehensive management letter to the City Auditor and the Director of Administrative Services.

- F. Audit the financial statements of the Regional Water Quality Control (RWQC) Plant and issue a report thereon in accordance with the requirements in the "Basic Agreement between the Cities of Palo Alto, Mountain View, and Los Altos for Acquisition, Construction, and Maintenance of a Joint Sewer System," and all addenda thereto.

Deliverables:

- 1) No later than the last working day in October of each year, provide an electronic copy of the draft RWQC report to the City Auditor and the Director of Administrative Services.
 - 2) No later than the fifteenth (15th) day of November of each year, provide an electronic copy of the final RWQC report to the City Auditor and the Director of Administrative Services.
- G. Audit and issue a report on the financial statements of the Palo Alto Public Improvement Corporation, which the City has created to finance construction of specific facilities and prepare their applicable federal and state informational and tax returns.

Deliverables:

- 1) No later than the last working day in October of each year, provide an electronic copy of the draft Public Improvement Corporation report to the City Auditor and the Director of Administrative Services.
 - 2) No later than the last working day of November of each year, provide an electronic copy of the final Public Improvement Corporation report to the City Auditor and the Director of Administrative Services.
 - 3) No later than the fifteenth (15th) day of February of each year, provide an electronic copy of the federal and state tax returns to the City Auditor and the Director of Administrative Services.
- H. Audit the City's state financial assistance program (Transportation Development Act) and issue reports thereon in accordance with applicable state requirements.

Deliverables:

- 1) No later than the last working day in October of each year, provide an electronic copy of the draft financial assistance program report to the City Auditor and the Director of Administrative Services.
 - 2) No later than the fifteenth (15th) day of November of each year, provide an electronic copy of the final financial assistance program report to the City Auditor and the Director of Administrative Services.
- I. Perform agreed-upon procedures on the Gann Limit calculation and prepare a letter certifying compliance, as required.

Deliverables:

- 1) No later than the last working day in May of each year, provide an electronic copy of the Gann Limit letter to the City Auditor and the Director of Administrative Services.

- J. Audit the statements of, and issue a report thereon, cable television franchise receipts and disbursements, for the current period, relating to the Joint Operating Agreement signed on October 13, 1988, by and among the City of Palo Alto, Town of Atherton, City of Menlo Park, City of East Palo Alto, County of San Mateo, and County of Santa Clara.

Deliverables:

- 1) No later than the fifteenth (15th) day of November of each year, provide an electronic copy of the cable report to the City Auditor and the Director of Administrative Services.
- K. Prepare the Annual Financial Transactions Report and Annual Street Report in accordance with instructions from the California State Controller's Office.
- NOTE: The City of Palo Alto may transition during the contract period to preparing these reports itself. If it does, this item would no longer be a required service, and the contract price would be adjusted accordingly.*

Deliverables:

- 1) No later than the second Friday in September of each year, provide an electronic copy of the Annual Street Report to the Director of Administrative Services for signature and mailing, with a courtesy copy to the City Auditor.
 - 2) No later than the fifteenth (15th) day of October of each year, provide an electronic copy of the Annual Financial Transactions Report to the Director of Administrative Services for signature and mailing, with a courtesy copy to the City Auditor.
- L. Audit and issue a report on the financial statements of the Palo Alto Library Bond Fund, and perform agreed-upon procedures on the Library Bond Fund and issue a report of compliance as required.
- NOTE: We are anticipating that activity in this fund will cease at some point during the contract period. If it does, this item would no longer be a required service, and the contract price will be adjusted accordingly.*

Deliverables:

- 1) No later than the last working day in October of each year, provide an electronic copy of the library bond report to the City Auditor and the Director of Administrative Services.
 - 2) No later than the fifteenth (15th) day of November of each year, provide an electronic copy of the library bond report of compliance to the City Auditor and the Director of Administrative Services.
- M. CONSULTANT is required to attend the following meetings, at no additional cost, during each audit engagement period:
- Entrance Conference – Prior to conducting interim work, CONSULTANT shall meet with the City Auditor and the Director of Administrative Services or their designees, to establish timelines for completing required tasks.
 - CONSULTANT shall meet regularly with the City Auditor and the Assistant Director of Administrative Services or their designees to report on the progress of CONSULTANT'S examinations and on the preliminary audit findings and recommendations.

- CONSULTANT shall meet with the City Auditor or designee independently to review internal control issues identified during the audit. This will include reportable conditions, if applicable, reflected in the draft management letter.
 - CONSULTANT shall hold an exit conference with the City Auditor, Director of Administrative Services, and appropriate staff upon completion of the audit. CONSULTANT will present the financial statements and draft management letter at this meeting.
 - CONSULTANT shall attend a Council Finance Committee meeting to present and discuss the audit results and the management letter.
- N. Provide training for City staff, at no additional cost, regarding important industry developments and technical matters:
- Proactive guidance on complying with any GASB pronouncements and/or other requirements that may significantly impact the City's financial reporting over the next several years.
 - Provide formal training regarding industry developments and new accounting regulations.
- O. Assist the City in the transition to comply with any new Governmental Accounting Standards Board (GASB) pronouncements. To the extent possible, this assistance should be provided during the interim work, and may include reviewing reports, transactions, and Management Discussion and Analysis.
- P. CONSULTANT will provide to the City Auditor and Director of Administrative Services or designee, at no additional cost, any publications produced by CONSULTANT, the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), the GASB, the Government Finance Officers Association (GFOA), and the United States Government Accountability Office (GAO). Examples of these publications include:
- AICPA Professional Standards
 - AICPA State and Local Governments – Audit and Accounting Guide
 - FASB Accounting Standards
 - GASB Codifications of Governmental Accounting and Financial Reporting Standards
 - GFOA publications related to governmental accounting, auditing and financial reporting
 - GAO's Government Auditing Standards

ASSISTANCE TO BE PROVIDED TO CONSULTANT AND REPORT PREPARATION

Administrative Services Department (ASD) and Clerical Assistance

ASD staff and responsible management will be available during the audit to assist the firm by providing information, documentation and explanations. ASD staff will prepare statements and schedules for CONSULTANT as requested.

Report editing and compilation shall be the responsibility of CONSULTANT. ASD staff will print copies, as needed, of the electronic reports provided by CONSULTANT.

Work Area, Photocopying, and Parking

The City will provide CONSULTANT with reasonable workspace and access to a copying machine/scanner and parking for CONSULTANT'S staff.

TIME REQUIREMENTS

Audit schedule (exact dates to be confirmed at the entrance conference each year):

Interim Work Completed: May 31 – for subsequent years, it is anticipated that draft management letter interim work be completed in March and April

Field Work Completed: October 15

Initial Draft Report: November 1

Final Report: November 15

Presentation of Audit Results: Third Tuesday in November to Finance Committee

EXHIBIT "B"

SCHEDULE OF PERFORMANCE

CONSULTANT shall perform the Services so as to complete each milestone by the dates specified below. The time to complete each milestone may be increased or decreased by mutual written agreement of the project managers for CONSULTANT and CITY so long as all work is completed within the term of the Agreement.

Milestone	Date
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AUDIT TIMELINE - CITY	
Planning	DATES
Client expectations meeting	After contract is awarded
Perform planning procedures	5/2/2016 - 5/6/2016
Interim Fieldwork	
On-site interim fieldwork	5/9/2016 - 5/27/2016(**)
Report interim management letter and provide the client participation schedule for year-end	5/31/2016
Year End Fieldwork	
Obtain final client trial balances and prepared by client (PBC) items	9/6/2016
On-site year-end financial statements fieldwork	09/19/2016*-10/14/2015
Reporting	
Deliver Gann limit letter	05/31/2016
Receipt of draft MD&A, financial statements, notes and other RSI for the City	09/19/2016
Receipt of draft MD&A, financial statements, notes and other RSI for the other reports	09/19/2016
Review Annual Street Report	09/9/2016
Review Annual Financial Transactions Report	9/30/2016
Review of draft CAFR and other reports with the City	10/24/2016
Deliver and submission of Annual Street Report	9/16/2016
Deliver and submission of Annual Financial Transactions Report	10/14/2016
Deliver CAFR and Single Audit Reports to the City	11/02/2016
Deliver all other reports (including Required Communication to City Council)	11/02/2016
Deliver Federal and State tax returns for the Palo Alto Public Improvement Corporation	02/15/2017
Communication	
Weekly status meetings	09/12/2016-10/31/2016
Exit conference: review with Management the results of the engagement	11/15/2016
On-Going Services	
Meet and consult with the City Auditor and City management throughout the year on business and accounting issues.	On-going

* Year-end fieldwork starts two weeks after receipt of agreed-upon PBC items.

** interim fieldworks for subsequent years are anticipated to be completed by April 30.

EXHIBIT "C"

COMPENSATION

The CITY agrees to compensate the CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement based on the hourly rate schedule attached as Exhibit C-1.

The compensation to be paid to CONSULTANT under this Agreement for all services described in Exhibit "A" ("Services") and reimbursable expenses shall not exceed \$795,972.00. CONSULTANT agrees to complete all Services, including reimbursable expenses, within this amount. In the event CITY authorizes any Additional Services, the maximum compensation shall not exceed \$875,569.00. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY.

REIMBURSABLE EXPENSES

The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, insurance, and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses. CITY shall reimburse CONSULTANT for the following reimbursable expenses at cost. Expenses for which CONSULTANT shall be reimbursed are: None

However, if CITY authorizes reimbursable expenses, all requests for payment of expenses shall be accompanied by appropriate backup information. Any expense shall be approved in advance by the CITY's project manager.

ADDITIONAL SERVICES

The CONSULTANT shall provide additional services only by advanced, written authorization from the CITY. The CONSULTANT, at the CITY's project manager's request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT's proposed maximum compensation, including reimbursable expenses, for such services based on the rates set forth in Exhibit C-1. The additional services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by the CITY's Project Manager and CONSULTANT prior to commencement of the services. Payment for additional services is subject to all requirements and restrictions in this Agreement.

EXHIBIT "C-1" (HOURLY RATE SCHEDULE)

Task	Description of Deliverables	Labor Category	Hourly Rate	Estimated Hours	Extended Cost by Labor Category	Total Cost per Task
A	City's Comprehensive Annual Financial Report, including basic financial statements, required supplementary information, and other supplementary information.	Partners	\$ 300	60	\$ 18,000	\$ 98,725
		Senior Manager	\$ 210	90	\$ 18,900	
		IT Consultants	\$ 240	15	\$ 3,600	
		Senior Auditors	\$ 140	180	\$ 25,200	
		Staff Auditors	\$ 110	290	\$ 31,900	
		Support staff	\$ 75	15	\$ 1,125	
B	Management letter and required communications to the City Council that includes observations and recommendations identified during the audit.	Partners	\$ 300	5	\$ 1,500	\$ 3,185
		Senior Manager	\$ 210	5	\$ 1,050	
		Senior Auditors	\$ 140	4	\$ 560	
		Support staff	\$ 75	1	\$ 75	
C	Regional Water Quality Control Plant financial statements	Partners	\$ 300	8	\$ 2,400	\$ 10,245
		Senior Manager	\$ 210	11	\$ 2,310	
		Senior Auditors	\$ 140	17	\$ 2,380	
		Staff Auditors	\$ 110	28	\$ 3,080	
		Support staff	\$ 75	1	\$ 75	
D	Palo Alto Public Improvement Corporation financial statements, including the federal and state tax returns	Partners	\$ 300	4	\$ 1,200	\$ 5,955
		Senior Manager	\$ 210	5	\$ 1,050	
		Senior Auditors	\$ 140	11	\$ 1,540	
		Staff Auditors	\$ 110	19	\$ 2,090	
		Support staff	\$ 75	1	\$ 75	
E	Single Audit (one major program)	Partners	\$ 300	5	\$ 1,500	\$ 9,290
		Senior Manager	\$ 210	6	\$ 1,260	
		Senior Auditors	\$ 140	22	\$ 3,080	
		Staff Auditors	\$ 110	30	\$ 3,300	
		Support staff	\$ 75	2	\$ 150	
F	Transportation Development Act Program financial statements	Partners	\$ 300	1	\$ 300	\$ 2,125
		Senior Manager	\$ 210	2	\$ 420	
		Senior Auditors	\$ 140	4	\$ 560	
		Staff Auditors	\$ 110	7	\$ 770	
		Support staff	\$ 75	1	\$ 75	
G	Gann Appropriations Limit agreed-upon procedures	Partners	\$ 300	1	\$ 300	\$ 1,315
		Senior Auditors	\$ 140	2	\$ 280	
		Staff Auditors	\$ 110	6	\$ 660	
		Support staff	\$ 75	1	\$ 75	
H	Cable Television Franchise Statement of Franchise Revenues and Expenditures	Partners	\$ 300	3	\$ 900	\$ 4,375
		Senior Manager	\$ 210	3	\$ 630	
		Senior Auditors	\$ 140	8	\$ 1,120	
		Staff Auditors	\$ 110	15	\$ 1,650	
		Support staff	\$ 75	1	\$ 75	
I	Preparation of the Annual Financial Transactions Report and the Annual Street Report	Senior Manager	\$ 210	8	\$ 1,680	\$ 10,045
		Senior Auditors	\$ 140	16	\$ 2,240	
		Staff Auditors	\$ 110	55	\$ 6,050	
		Support staff	\$ 75	1	\$ 75	
J	Palo Alto Library Bond Fund financial statements and agreed-upon procedures on compliance	Partners	\$ 300	3	\$ 900	\$ 4,665
		Senior Manager	\$ 210	5	\$ 1,050	
		Senior Auditors	\$ 140	11	\$ 1,540	
		Staff Auditors	\$ 110	10	\$ 1,100	
		Support staff	\$ 75	1	\$ 75	
TOTAL (Initial Year)					\$ 149,925	

Fees for subsequent years shall be adjusted to reflect increases in the consumer price index, up to a maximum of 3% per year. After the initial year, the maximum annual fee amount, if a 3% increase is granted, shall be:

2017 – 2018	\$154,423.00
2018 – 2019	\$159,055.00
2019 – 2020	\$163,827.00
2020 – 2021	\$168,742.00

EXHIBIT "D"

INSURANCE REQUIREMENTS

CONSULTANT TO THE CITY OF PALO ALTO (CITY), AT THEIR SOLE EXPENSE, SHALL, FOR THE TERM OF THE CONTRACT, OBTAIN AND MAINTAIN INSURANCE IN THE COVERAGE AMOUNTS SPECIFIED BELOW, **AFFORDED BY COMPANIES WITH AM BEST'S KEY RATING OF A-:VII, OR HIGHER, LICENSED OR AUTHORIZED TO TRANSACT INSURANCE BUSINESS IN THE STATE OF CALIFORNIA.**

AWARD IS CONTINGENT ON COMPLIANCE WITH CITY'S INSURANCE REQUIREMENTS, AS SPECIFIED, BELOW:

REQUIRED	TYPE OF COVERAGE	REQUIREMENT	MINIMUM LIMITS	
			EACH OCCURRENCE	AGGREGATE
YES YES	WORKER'S COMPENSATION EMPLOYER'S LIABILITY	STATUTORY STATUTORY		
YES	GENERAL LIABILITY, INCLUDING PERSONAL INJURY, BROAD FORM PROPERTY DAMAGE BLANKET CONTRACTUAL, AND FIRE LEGAL LIABILITY	BODILY INJURY	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY & PROPERTY DAMAGE COMBINED	\$1,000,000	\$1,000,000
YES	AUTOMOBILE LIABILITY, INCLUDING ALL OWNED, HIRED, NON-OWNED	BODILY INJURY	\$1,000,000	\$1,000,000
		- EACH PERSON	\$1,000,000	\$1,000,000
		- EACH OCCURRENCE	\$1,000,000	\$1,000,000
		PROPERTY DAMAGE	\$1,000,000	\$1,000,000
		BODILY INJURY AND PROPERTY DAMAGE, COMBINED	\$1,000,000	\$1,000,000
YES	PROFESSIONAL LIABILITY, INCLUDING, ERRORS AND OMISSIONS, MALPRACTICE (WHEN APPLICABLE), AND NEGLIGENT PERFORMANCE			
		ALL DAMAGES	\$1,000,000	
YES	THE CITY OF PALO ALTO IS TO BE NAMED AS AN ADDITIONAL INSURED: CONSULTANT, AT ITS SOLE COST AND EXPENSE, SHALL OBTAIN AND MAINTAIN, IN FULL FORCE AND EFFECT THROUGHOUT THE ENTIRE TERM OF ANY RESULTANT AGREEMENT, THE INSURANCE COVERAGE HEREIN DESCRIBED, INSURING NOT ONLY CONSULTANT AND ITS SUBCONSULTANTS, IF ANY, BUT ALSO, WITH THE EXCEPTION OF WORKERS' COMPENSATION, EMPLOYER'S LIABILITY AND PROFESSIONAL INSURANCE, NAMING AS ADDITIONAL INSUREDS CITY, ITS COUNCIL MEMBERS, OFFICERS, AGENTS, AND EMPLOYEES.			

- I. INSURANCE COVERAGE MUST INCLUDE:
 - A. A PROVISION FOR A WRITTEN THIRTY (30) DAY ADVANCE NOTICE TO CITY OF CHANGE IN COVERAGE OR OF COVERAGE CANCELLATION; AND
 - B. A CONTRACTUAL LIABILITY ENDORSEMENT PROVIDING INSURANCE COVERAGE FOR CONTRACTOR'S AGREEMENT TO INDEMNIFY CITY.
 - C. DEDUCTIBLE AMOUNTS IN EXCESS OF \$5,000 REQUIRE CITY'S PRIOR APPROVAL.
- II. CONSULTANT MUST SUBMIT CERTIFICATE(S) OF INSURANCE EVIDENCING REQUIRED COVERAGE.
- III. ENDORSEMENT PROVISIONS, WITH RESPECT TO THE INSURANCE AFFORDED TO "ADDITIONAL INSUREDS"
 - A. PRIMARY COVERAGE

WITH RESPECT TO CLAIMS ARISING OUT OF THE OPERATIONS OF THE NAMED INSURED, INSURANCE AS AFFORDED BY THIS POLICY IS PRIMARY AND IS NOT ADDITIONAL TO OR CONTRIBUTING WITH ANY OTHER INSURANCE CARRIED BY OR FOR THE BENEFIT OF THE ADDITIONAL INSUREDS.

- B. CROSS LIABILITY

THE NAMING OF MORE THAN ONE PERSON, FIRM, OR CORPORATION AS INSUREDS UNDER THE POLICY SHALL NOT, FOR THAT REASON ALONE, EXTINGUISH ANY RIGHTS OF THE INSURED AGAINST ANOTHER, BUT THIS ENDORSEMENT, AND THE NAMING OF MULTIPLE INSUREDS, SHALL NOT INCREASE THE TOTAL LIABILITY OF THE COMPANY UNDER THIS POLICY.

C. NOTICE OF CANCELLATION

1. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR ANY REASON OTHER THAN THE NON-PAYMENT OF PREMIUM, THE CONSULTANT SHALL PROVIDE CITY AT LEAST A THIRTY (30) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.
2. IF THE POLICY IS CANCELED BEFORE ITS EXPIRATION DATE FOR THE NON-PAYMENT OF PREMIUM, THE ISSUING COMPANY SHALL PROVIDE CITY AT LEAST A TEN (10) DAY WRITTEN NOTICE BEFORE THE EFFECTIVE DATE OF CANCELLATION.

NOTICES SHALL BE EMAILED TO:

InsuranceCerts@CityofPaloAlto.org