

December 14, 2015

Matt N. Pressey, CPA
Finance Director
City of Salinas
200 Lincoln Avenue
Salinas, CA 93901

Re: Proposal to Perform Acquisition Audit Consulting Services for Community Facilities District No. 2006-1 (Monte Bella)

Dear Matt,

Based on our discussions, we are pleased to provide acquisition audit consulting services for the 3 improvement areas within Community Facilities District No. 2016-1 (Monte Bella). It is our understanding that this will constitute a new Phase 3 to our existing contract related to the CFD.

The following is our Scope of Work and Fees for services pursuant to the Acquisition Agreement between the City and the developer.

SCOPE OF WORK

PHASE 3 – ACQUISITION AUDIT SERVICES

- 3.1 **Review of Developer Payment Requests.** Harris will review each payment request submitted to the City for reimbursement from CFD funds pursuant to the Acquisition Agreement. Harris will request additional documentation from the developer to substantiate acquisition eligibility when required.
- 3.2 **Initial Audit.** Harris will review all invoices, canceled checks, contracts, lien releases, payment bonds, and change orders to establish the eligible costs for acquisition for each facility or discrete component. This will facilitate segregating the costs by facility type and district eligible and non-eligible costs. Eligible costs will be shown in comparison to the original estimates provided by the developer. Non-eligible costs will be broken into 2 categories, Disallowed Costs and Ineligible Costs. Disallowed Costs will be costs that may be eligible for reimbursement if additional supporting documentation is provided. Ineligible Costs will be costs that do not pertain to a district project and cannot be reimbursed from bond proceeds. A detailed explanation as to why costs are ineligible will be provided. Harris will formally request from the developer any missing or additional information that is required for the audit process within 15 business days of receipt of the submittal.
- 3.3 **Detailed Contract Review.** All costs submitted for reimbursement will be compared to the contract and change order items and amounts to ensure that no undocumented costs were included in the payment request. Harris will review all proposed change orders when requested by the developer to confirm separation of public and private costs and reasonableness of costs. An assessment will be made regarding the City's obligation to reimburse the developer for costs or

changes which are either wholly or partially within the control of the developer or consultants to the developer (such as: acceleration, demobilization / mobilization, errors and omissions, etc.)

(Optional Task) Upon notification from the developer of a change of work, Harris will field review the change, review the contract to confirm the validity of the change, and analyze the cost to determine reasonableness of the change order amount. This is especially important if the change order work is to be completed on a time and materials basis. The review of change orders by Harris is for the determination of reimbursement eligibility only, and does not affect the developer's construction schedule.

3.4 Audit Report Preparation. Harris will prepare an Audit Report that includes the following:

- A summary of costs to be reimbursed for each facility and/or discrete component
- An executive summary and audit summary
- Improvement location map
- A summary listing of hard and soft costs
- A contract summary outlining the original price, change orders (if any), final contract price, and the eligible, disallowed and ineligible portions for reimbursement including an analysis based on the lesser of cost or value• A summary of invoices, proof of payment, and lien releases provided by the developer
- A recommendation from Harris of the cost that is eligible and appropriate for reimbursement.

All contracts, change orders, invoices, canceled checks and lien releases will be organized by contract, and will be referenced in the Audit Report as an Appendix.

3.5 Draft Report. Harris will submit to the City an electronic copy in PDF of the Draft Audit Report, without the Appendix, for review for each submittal (a submittal may cover more than one facility or discrete component). Prior to final determination of eligible costs, Harris will schedule a meeting with City staff and the developer to discuss each item proposed to be disallowed from reimbursement and any comments on the draft Audit Report.

3.6 Final Report. Harris will submit one (1) hard copy and one (1) electronic copy in PDF of the Final Audit Report to the City and to the developer for each submittal. (It is anticipated that only one copy of the Appendix will be provided to the City, due to the typical size of this appendix.)

ADDITIONAL SERVICES

Harris will provide additional services, as requested, such as CFD annual administration services, for a mutually agreeable fee.

RESPONSIBILITIES OF THE CITY

- a. City to designate a responsible official to manage and coordinate the project.
- b. City shall make available to Harris all available data, information, reports, maps, plans, specifications, cost estimates and other reasonable information for the proper performance for Harris' services.
- c. City shall provide (by developer) electronic map files of the development plan.



- d. City shall prepare all notices pertaining to the public hearing and post all notices pertaining to the public hearing.
- e. City shall cause to be published all notices of public hearings or other meetings (i.e., newspaper and posting).
- f. Environmental documentation, if required, shall be provided by others.

PROJECT TEAM

Harris' project team has extensive knowledge in forming and administering Mello-Roos Districts, and will provide the services specified in this proposal in a professional manner within the time requirements specified by the City. The proposed project team is as follows:

Alison Bouley, P.E. is a Senior Project Manager with over 17 years of experience in providing civil engineering and public finance services. She has been involved with developing infrastructure financing plans, project cost estimates, development impact fees, capital improvement plans and infrastructure master plans. Alison had been the program manager for the City of Tracy's development program for over 14 years and understands the numerous financing options available to a developer to fund required public infrastructure related to a development.

Anna Tan-Gatue, P.E. is a Project Engineer with over 14 years of experience in acquisition audit services to cities, counties, and special districts on a wide variety of project types. Anna has audited the construction costs on over \$400 million in public infrastructure.

FEES

Based on our knowledge and understanding of the CFD and the scope of work outlined herein, Harris & Associates will provide the services indicated in the Scope of Work as follows:

PHASE 3 – ACQUISITION AUDIT SERVICES

Time & Materials Not to Exceed **1.5% of the acquisition amount** of the facilities. The current estimated improvement fund is \$5.5 million, therefore our estimated not-to-exceed fee is **\$82,500**.

**SCHEDULE OF HOURLY RATES:
Effective January 1, 2016 - December 31, 2016**

Title	Rate
Project Directors	\$225-240
Senior Project Managers	195-220
Project Managers	175-190
Senior Project Engineers	145-160
Project Engineers	120-140
Senior Project Analysts	110-125
Project Analysts	100-105
Technical Support	85-95
Administration	65-75

Attendance at meetings as described in the Scope of Work and indirect expenses (such as mileage, duplicating and postage) are included in the lump sum fee.

Invoices will be submitted monthly for services provided in the previous month and shall be paid within 30 days of receipt in accordance with a mutually agreeable professional services agreement.

If you have any questions regarding the above you may contact me at 800-827-4901 ext. 2326 or via e-mail at dennis.klingelhofer@WeAreHarris.com.

Sincerely,
Harris & Associates



K. Dennis Klingelhofer, P.E.
Vice President, Municipal Services