

**CONTINUANCE AND FIRST AMENDMENT TO CONSULTANT AGREEMENT
NBS GOVERNMENT FINANCE GROUP dba NBS**

This CONTINUANCE AGREEMENT AND FIRST AMENDMENT TO AGREEMENT is entered into and becomes effective on _____ (Effective Date), by THE CITY OF MORGAN HILL, a municipal corporation, ("CITY") and, NBS Government Finance Group, dba NBS, a California Corporation ("CONSULTANT").

RECITALS

The following recitals are a substantive part of this Agreement:

1. This Continuance Agreement and First Amendment to Agreement is entered into based upon City of Morgan Hill City Council approval on _____.
2. The CITY and CONSULTANT entered into that "Consultant Agreement" made as of March 6, 2015, for consultant services for a maximum compensation of THIRTY-ONE THOUSAND NINE-HUNDRED FIFTY AND NO/100 Dollars ("CONSULTANT AGREEMENT"). The CONSULTANT AGREEMENT is attached as Exhibit "A" to this Agreement.
3. The parties hereto acknowledge that the CONSULTANT AGREEMENT entered into by the parties as of March 6, 2015, expired by its terms as of June 24, 2015. The parties desire to continue the CONSULTANT AGREEMENT from June 24, 2015 to June 30, 2017.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Continuation of Term.** The CONSULTANT AGREEMENT expired by its terms as of June 24, 2015, and the parties to the CONSULTANT AGREEMENT expressly agree that the term of the CONSULTANT AGREEMENT shall be extended from June 24, 2015, to June 30, 2017.
2. **Services Previously Rendered.** It is understood and acknowledged by the parties hereto that CONSULTANT has commenced the services of CONSULTANT described in this Agreement in anticipation of the full execution of this Continuance Agreement and First Amendment to Agreement by the parties. CITY agrees to compensate CONSULTANT pursuant to the terms set forth in this Agreement for those previous services performed by CONSULTANT that CITY determines are wholly consistent with the services that are to be performed and provided by CONSULTANT under this Agreement and that City has accepted and approved. However, in no event shall CONSULTANT be compensated for any work or service performed prior to June 24, 2015.
3. **Amendments:** All terms and conditions of the CONSULTANT AGREEMENT, as amended, as attached as Exhibit "A," shall remain in full force and effect; except that the following amendments shall be made as set forth below:

A. Exhibit A to the CONSULTANT AGREEMENT shall be amended to add:

"Task 12: Update current model with FY16-17 expenditure and salary data, add new budgeted positions and provide an additional review iteration of the model.

Task 13. Add Engineering - Land Development to the current fee model including all

associated tasks required to complete and finalize an Engineering model.

Task 14. Develop a projected model with a non-budgeted position, including a limited level of analysis."

B. Exhibit B to the CONSULTANT AGREEMENT shall be amended to include the attached "Exhibit B Addendum".

C. Paragraph 4.1 of the CONSULTANT AGREEMENT shall be amended and replaced in its entirety by the following:

"4.1. Amount. Compensation under this Agreement shall not exceed FORTY-NINE THOUSAND FOUR HUNDRED FIFTY AND NO/100 Dollars (\$49,450) and shall be based on the rate set forth in Exhibit B and the project cost detail in Exhibit B Addendum."

2. **Conflicts.** In the event of a conflict between the terms and provisions of this Continuance Agreement and First Amendment to Agreement and the terms and provisions of the CONSULTANT AGREEMENT, the terms of this Continuance Agreement and First Amendment to Agreement shall govern and control.

TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS:

(1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND**
(2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:

CITY OF MORGAN HILL

City Clerk

Date: _____

City Manager

Date: _____

APPROVED AS TO FORM:

NBS GOVERNMENT FINANCE GROUP

City Attorney

Date: _____

By:

Title: _____

Print Name and Title of Signer.

If Corporate: Chairman, President or Vice President

Date: _____

By:

Title: _____

Print Name and Title of Signer.

If Corporate: Secretary, Assistant Secretary, Chief Financial Officer or Assistant Treasurer

Date: _____

Exhibit A

126-04-15-025

CONSULTANT AGREEMENT NBS GOVERNMENT FINANCE GROUP dba NBS

THIS AGREEMENT is entered into and becomes effective on 3/6/15 (Effective Date), by and between the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and NBS Government Finance Group, dba NBS a California corporation ("CONSULTANT") hereinafter referred to collectively as "Parties." In consideration of the promises and the mutual covenants contained in this Agreement, the Parties agree as follows:

1. **City Authority.** This Agreement is entered into pursuant to action of the Morgan Hill City Council taken on MARCH 4, 2015
2. **Term of Agreement.** This Agreement shall cover services rendered from the Effective Date of this Agreement until June 24, 2015 at which time CONSULTANT'S services shall be completed. The City Manager is authorized to extend the term of this Agreement for a maximum period of one year. Any such extension shall be in writing and signed by both Parties to this Agreement.
3. **Scope of Service.** The services to be performed by CONSULTANT shall be for completion of a comprehensive fee study as further described in **Exhibit A**.
4. **Compensation.** CONSULTANT shall be compensated as follows:
 - 4.1. **Amount.** \$31,950.00. Total compensation under this Agreement shall not exceed Thirty-One Thousand Nine-Hundred Fifty dollars and shall be billed based on the rate and basis set forth in **Exhibit B**.
 - 4.2. **Billing.** CONSULTANT shall provide CITY with a monthly invoice containing the dated, detailed, and itemized descriptions of all services performed and expenses incurred (if such expenses are reimbursable pursuant to Exhibit B) by CONSULTANT. Any rate charged shall be prorated where services are interrupted or not provided for any rate period (for example, any monthly rate charge should be prorated when services were interrupted or provided for only part of the month). For services billed on an hourly rate, the minimum unit of billed time shall not exceed one tenth of one hour. CITY shall pay for services and expenses (if so provided in Exhibit B) up to the limit of compensation set forth above, that in the CITY's judgment were necessary and reasonable. Services for work performed and expenses incurred in excess of the total compensation set forth in paragraph 4.1 above shall be at no cost to CITY.
5. **Termination.** CITY or CONSULTANT shall have the right to terminate this Agreement, without cause, by giving thirty (30) days' written notice or less under urgent circumstances. Upon such termination, CONSULTANT shall submit to CITY an itemized statement of services performed for which compensation has not been paid. CITY may require CONSULTANT to complete certain work product or documents and CONSULTANT shall deliver to CITY all documents in its possession without additional compensation to CONSULTANT. The CITY Manager of CITY is authorized to terminate this AGREEMENT on behalf of CITY.
6. **Performance of Work.**
 - 6.1. CONSULTANT represents that it is qualified by virtue of experience, training, education, and expertise to accomplish these services. Services shall be performed by CONSULTANT in accordance with professional practices in a manner consistent with a level of care,

competence and skill exercised by qualified members of the CONSULTANT'S profession. By delivery of completed work, CONSULTANT certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws. CONSULTANT shall perform all work and services under this Agreement in conformance with the time schedule set forth on Exhibit C, "Schedule of Performance," attached hereto and incorporated herein by this reference. CITY's City Manager is authorized on behalf of CITY to modify the timeframes set forth on the Schedule of Performance within the term of this Agreement.

- 6.2. CITY shall furnish CONSULTANT with any pertinent information that is available to CITY that is applicable to the SERVICES. CITY shall designate a contact person to act with authority on CITY's behalf in respect to the SERVICES. CITY shall promptly respond to CONSULTANT's requests for reviews and approvals of CONSULTANT's work and to CONSULTANT's requests for decisions related to the SERVICES. CITY understands and agrees that CONSULTANT is entitled to rely on all information, data and documents supplied to CONSULTANT by CITY or any of CITY's agents, contractors or proxies (collectively, "INFORMATION"), and CONSULTANT will have no obligation to confirm that the INFORMATION is correct and will have no liability to CITY or any third party if such INFORMATION is not correct.

7. Insurance Requirements.

- 7.1. Commencement of Work. CONSULTANT shall not commence work under this Agreement until it has obtained CITY approved insurance. For general liability insurance policies, CONSULTANT shall provide CITY, prior to commencement of work, with a separate endorsement which states that the policy contains the following language:

- The CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insureds; and,
- the insurer waives the right of subrogation against CITY and CITY'S elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers; and,
- insurance shall be primary non-contributing.

CONSULTANT shall furnish CITY with copies of all policies or certificates subject to this Agreement, whether new or modified, promptly upon receipt. No policy subject to this Agreement shall be canceled or materially changed except after thirty (30) days' notice by the insurer to CITY.

- 7.2. Workers' Compensation Insurance. CONSULTANT and all subcontractors shall maintain Workers' Compensation Insurance, as required by law.
- 7.3. Insurance Types and Amounts. CONSULTANT shall maintain comprehensive general liability insurance; professional errors and omissions liability insurance (required for professional and technical service consultants only); and automobile insurance each with policy limits of at least \$1,000,000 per occurrence for general liability, \$1,000,000 per accident for automobile liability and \$1,000,000 per claim for professional errors or omissions (for professional and technical service consultants only).

- 7.4. **Acceptability of Insurers.** All insurance required by this Agreement shall be carried only by responsible insurance companies licensed and admitted, or otherwise legally authorized to carry out insurance business, in California with a current A.M. Best's rating of no less than A:VII.

8. **Non-Liability of Officials and Employees of the CITY.** No official or employee of CITY shall be personally liable for any default or liability under this Agreement.

9. **Compliance with Law.** CONSULTANT and its officers, employees, agents, and subcontractors shall comply with all applicable laws, ordinances, administrative regulations, and permitting requirements in carrying out their obligations under this Agreement. CONSULTANT and its officers, employees, agents, and subcontractors covenant there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, sexual orientation, national origin, mental disability, physical disability, medical condition, or ancestry, in any activity pursuant to this Agreement.

10. **Independent Contractor.** CONSULTANT is an independent contractor and not an agent or employee of CITY.

11. **Confidentiality.** All data, documents, or other information received by CONSULTANT from CITY or prepared in connection with CONSULTANT'S services under this Agreement are deemed confidential and shall not be disclosed to any third party by CONSULTANT without prior written consent by CITY.

12. **Conflict of Interest and Reporting.** CONSULTANT shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.

13. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

Address of CONSULTANT is as follows:

NBS
32605 Temecula Parkway, Suite 100
Temecula, CA 92592

Address of CITY is as follows:

Community Dev. Director	with a copy to:
City of Morgan Hill	City Clerk
17575 Peak Avenue	City of Morgan Hill
Morgan Hill, CA 95037	17575 Peak Avenue
	Morgan Hill, CA 95037

14. **Licenses, Permits and Fees.** CONSULTANT shall obtain a City of Morgan Hill Business License, all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.

15. **Maintenance of Records.**

15.1. **Maintenance.** CONSULTANT shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services

provided under this Agreement. CONSULTANT shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3 year period, then CONSULTANT shall retain said records until such action is resolved.

15.2. Access to and Audit of Records. The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the CONSULTANT and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.

15.3. Ownership of Work Product. All documents or other information developed or received by CONSULTANT for work performed under this Agreement shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement. CONSULTANT may retain copies of documents and information developed by CONSULTANT for CONSULTANT's internal files and internal use only.

16. Familiarity with Work. By executing this Agreement, CONSULTANT represents that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should CONSULTANT discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.

17. Time of Essence. Time is of the essence in the performance of this Agreement.

18. No Assignment. Neither this Agreement nor any portion shall be assigned by CONSULTANT, without prior written consent of CITY.

19. Attorney Fees. In any legal action, dispute or arbitration arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney fees, costs and expenses incurred.

20. Defense and Indemnification.

20.1. Defense and Indemnification. CONSULTANT shall, to the fullest extent permitted by law, indemnify, defend and hold harmless CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers ("INDEMNITEES") from and against any and all claims, liabilities, expenses, liens, or damages of any nature, including liability for bodily injury, property damage or personal injury, and including reasonable attorneys' fees and expenses, that arise out of, pertain to, or relate to the performance of this Agreement or the failure to comply with any obligations contained in this Agreement by CONSULTANT, and/or its agents, officers, employees, subcontractors, or independent contractors ("CLAIM").

20.2. Exceptions. CONSULTANT is not required to indemnify INDEMNITEES against liability for bodily injury, property damage or personal injury, or any other loss, damage or expense arising from the sole negligence or willful misconduct of the CITY.

20.3. Not limited by insurance. The indemnity, defense and hold harmless provisions of this Agreement apply to all CLAIMs alleged against an INDEMNITEE, regardless of whether any insurance policies are applicable. Policy limits do not act as a limitation upon the amount of indemnification or defense to be provided by CONSULTANT.

20.4. Right to Offset. CITY shall have the right to offset against any compensation due CONSULTANT under this Agreement any amount due CITY from CONSULTANT as a result of CONSULTANT's failure to pay CITY promptly any indemnification arising under this Section (20) and any amount due CITY from CONSULTANT arising from CONSULTANT's failure either to (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.

20.5. Interpretation. This Section shall constitute an agreement or contract of indemnity, incorporating the interpretations under California Civil Code Section 2778. It is expressly understood and agreed that the obligation of the CONSULTANT to indemnify the INDEMNITEE shall be as broad and inclusive as permitted by the laws of the State of California and shall survive termination of this Agreement.

21. Entire Agreement; Modification; Conflicting Provisions. This Agreement constitutes the entire Agreement between the Parties and supersedes any previous agreements, oral or written. This Agreement may be modified or provisions waived only by a subsequent mutual written agreement executed by CITY and CONSULTANT. If the provisions contained in the main body of this Agreement conflict with any provision contained in an exhibit to this Agreement, the provisions of the main body of this Agreement shall govern and control over any provision contained in an exhibit to this Agreement.

22. Governing Law and Venue. This Agreement shall be construed in accordance with the laws of the State of California. This Agreement was entered into and is to be performed in the County of Santa Clara. Any action or dispute arising out of this Agreement shall only be brought in Santa Clara County.

23. Interpretation. This Agreement is a negotiated document and shall be deemed to have been drafted jointly by the Parties, and no rule of construction or interpretation shall apply against any particular Party based on a contention that the Agreement was drafted by one of the Parties including, but not limited to, California Civil Code § 1654, the provisions of which are hereby waived. This Agreement shall be construed and interpreted in a neutral manner.

24. Preservation of Agreement. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected or invalidated.

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25. **Authority to Execute.** Those individuals who are signing this Agreement on behalf of entities represent and warrant that they are, respectively, duly authorized to sign on behalf of the entities and to bind the entities fully to each and all of the obligations set forth in this Agreement.

IN WITNESS THEREOF, these Parties have executed this Agreement on the day and year shown below.

AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE REQUIRED FOR CALIFORNIA CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
(2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:




City Clerk/Deputy City Clerk

for Michelle Wilson

Print Name

Date: 3/4/15

APPROVED AS TO FORM:

for 

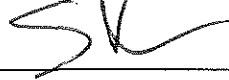
City Attorney

Renee Gurza

Print Name

Date: 03/05/15

CITY OF MORGAN HILL



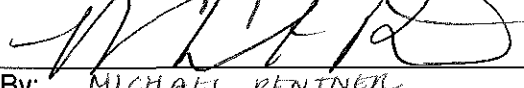
City Manager

Steve Rymer

Print Name

Date: 3/6/15

NBS GOVERNMENT FINANCE GROUP



By: MICHAEL RENTNER

Title: PRESIDENT & CEO

Print Name and Title of Signer.
If Corporate: Chairman, President or
Vice President

Date: 2/12/15



By: MICHAEL RENTNER

Title: SECRETARY

Print Name and Title of Signer.
If Corporate: Secretary, Assistant
Secretary, Chief Financial Officer or
Assistant Treasurer

Date: 2/12/15

EXHIBIT A SCOPE OF SERVICES

Task 1: Project Commencement

NBS will acquire published or accessible data from the City, centering on adopted budgets, recent financial performance (revenues and expenditures), current labor cost detail and classifications, organizational structures, existing relevant policies, existing time-tracking and volumetric data, and other items of a more global nature. NBS will then issue a consolidated data request to City staff for the balance of needed preliminary data requirements if additional sources are needed.

NBS will conduct an onsite administrative project commencement meeting with City staff members, including those who will manage the progress, completion, and implementation of the study's findings. This meeting will include a discussion of expectations and an overview of the process for conducting the analysis, including: coordination for onsite and remote interactions with City personnel in all divisions, timeline for project completion, and other topics.

Estimated Timeline (Hours)	
NBS Project Deliverables	
<ul style="list-style-type: none"> • Preliminary data collection list • Initial on-site kick off meeting to review goals, objectives, and project management 	6
Morgan Hill Activity Requirements	
<ul style="list-style-type: none"> • Package and send preliminary data needs to NBS • Attend Kick-off meeting 	Approx. 2 hours for response to preliminary data needs. 1 hour for each staff member attending the Kick-off meeting

Task 2: Fee Structure Design and Organizational Analysis

In combination with Task 1, conduct onsite project commencement events with individual divisions initially known to provide the fee-related services under review in this study. The chief purpose of these meetings is to acquire a broad understanding of each division's organization, performance of core services, functions of service, staffing structure/lines of command, current fee structures and systems, known issues/deficiencies in current fees, known areas for new fees, and availability of existing time-tracking and volumetric data. Applying industry expertise, NBS consultants will recommend and develop fee structures (as opposed to amounts) for each area under review. Fee structures include flat fees, variable fees based on measurable service characteristics (e.g., project types, size, etc.), and variable fees based on staff time (e.g., hourly rates with deposits), etc. Fee structure can also mean rewriting fee categorical descriptions to retain flat fees for administrative ease but introducing variation in the applicable fee for an applicant or user.

Estimated Timeline (Hours)	
NBS Project Deliverables	
<ul style="list-style-type: none"> • On-site meetings with departments under review 	21

Estimated Timeline (Hours)	
Morgan Hill Activity Requirements	
<ul style="list-style-type: none"> Attendance at meetings and follow up to action items determined via discussions 	Approx. 1 - 2 hours of meeting attendance for both Director / Department Head, as well as one or two key staff from each department who will perform data collection and response. Approx. 2 hours of follow up related to meeting outcomes

Task 3: Time and Service Analysis

Determine and communicate the subsequent steps to acquire and/or develop organizational, performance, and time information necessary for establishing costs of service for justifying fees. Consultants will also preliminarily identify any other divisions outside those immediately identified that are involved in the direct provision of the services under review and will schedule comparable commencement events with those areas. Develop an approach and tools for acquiring and/or developing the organizational, performance, and time information necessary for justifying fees. For areas where simple remote questionnaires may suffice, develop and route the forms to key personnel within each division. For areas where onsite interviews will be necessary, coordinate scheduling and develop interview tools. Conduct onsite events with individual divisions – and potentially small groups within each division – to generate organizational, performance, and time information necessary for justifying fees.

After acquiring historically-tracked and/or currently-available time and volumetric data, as well as information developed through questionnaires and/or interviews, determine any necessary secondary course of action to continue and/or refine organizational, performance, and time data. Up to two iterations of the time and service analysis for each department are included to ensure that the cost of service analysis is defensible and reasonable. Iterative efforts will be manageable through the use of highly-concentrated/targeted remote follow-up email communication, questionnaires, and or phone conferences with appropriate divisional personnel. The product of this task will be a model of the complete organizational, performance, and time requirements for the services under review in this study.

Estimated Timeline (Hours)	
NBS Project Deliverables	
<ul style="list-style-type: none"> Development of data collection materials and scheduling and attendance of subsequent on-site events Up to two iterations of data modifications needed to produce defensible first draft results 	38
Morgan Hill Activity Requirements	
<ul style="list-style-type: none"> Collection of time estimate and volumetric data in the format requested by NBS Attendance of additional meetings for discussion of work processes or development of time and workload information 	Approx. 4 - 6 hours of effort to collect first pass of data, and additional 2 to 4 hours to revise and work with consultant. If meetings are required, additional 1 to 2 hours of staff time per meeting.

Task 4: Time Valuation

Prepare the analytical module that will perform a time valuation analysis. This module will determine the full cost of service on an annual basis for each division, for various functions of service, and on an hourly basis for the entire division, for core functions within a division, and as warranted, by classification of personnel. Consider the applicability of productive hours or direct-billed hours as the basis for the rate calculation, depending on the division or function in question. Integrate City financial/budget data, payroll/labor data, and established overhead charges or cost allocations, as follows:

- Define the **direct costs** of service for each division involved in each service under review in this study. Direct costs reflect those specifically related to the provision of service embodied by the activities reflected in the fee schedule, as well as any potential additions to that list.
- Define the **indirect costs** of service for each division involved in each service under review in this study. Indirect costs are those incurred to support the provision of direct service, and may be reflected in many functional forms, depending on the division and/or direct services in questions. Examples of indirect functions include administrative support, customer service/public information, code/policy/standards maintenance, training, and management. Outside of discrete functions, indirect costs may also include tangible items, such as materials and supplies.
- Determine applicable **City-wide indirect costs**, such as those defined by the Cost Allocation Plan to determine appropriate shares of administrative, support services, and/or governance costs. The City is responsible for providing this information.

	Estimated Timeline (Hours)
NBS Project Deliverables	
• Development of fully burdened hourly rate models for each department studied	12
Morgan Hill Activity Requirements	
• Response to consultant questions related to budgeted expenditure, or overhead cost allocation information	2-4 hours of departmental and/or Finance department staff time

Task 5: Cost of Service Analysis

The full cost of service defined by NBS serves as the analytically-justified maximum amount that may be recovered through a user/regulatory fee adopted solely by the City Council. As part of the Microsoft Excel-based fee/cost of service model to be delivered to the City at the conclusion of the project, prepare the module that will perform the cost of service analysis. This module will determine the full cost of service at an activity level for each individual service currently associated with a fee or selected as a candidate for a new fee. Integrate applicable information developed in previous tasks to develop activity costs of service. Apply performance/time estimates at identified activity levels to the fully-burdened hourly rates developed in the Time Valuation tasks to determine the full cost of service for each fee-related service. Add any discrete materials/services costs not reflected in the time valuation for specific activities, such as substantial equipment and incremental contract services. The outcome of this task will provide the following information in a draft of results for review:

- ✓ Total estimated cost of providing each fee for service included in the study. Once finalized, these amounts will represent the legal maximum the City could charge for each service.
- ✓ Comparison of the total estimated cost of each fee for service to the current fee charged by the City. Display of the current cost recovery percentage for each fee item.
- ✓ Projection of the annual current fee revenue collected for each department and comparison of that amount to the annual estimated total costs of providing fee related services. Display of the annual amount of potential additional revenue available, or current surplus collected in fee revenue.
- ✓ Placeholder tables for the recommended fee analysis, which will allow City staff and policy makers to suggest fee amounts at or below the maximum allowable fee level, and project the total annual revenue impacts of their recommendations.

	Estimated Timeline (Hours)
NBS Project Deliverables	
• Draft of analytical results for departmental review	38
Morgan Hill Activity Requirements	
• Response to consultant questions needed to produce draft results	Up to 2 hours of departmental and/or Finance department staff time

Task 6: Draft Review and Revision

Conduct review events by teleconference, with each individual department or division to review the draft results of the Study. Determine any necessary refinements to core assumptions and discuss applicability in current and/or alternative fee structures.

Discuss pricing objectives from the divisional perspective, i.e., the division's comfort with full cost recovery or some alternative level of cost recovery. Consultants will facilitate this conversation by discussing public/private benefits or causation of each activity, potential market sensitivity, interaction with established City goals or policies, behavior modification influence, and other considerations. Based on review with City staff, revise core analytical modules and finalize the activity costs of service. Calculate the final unit costs of service that will serve as the foundation for any revised fee amounts and/or fee structure.

This task represents one planned iteration of the analytical work products.

Estimated Timeline (Hours)	
NBS Project Deliverables	
<ul style="list-style-type: none">• Draft of analytical results for departmental review• Incorporation of one round of City comments and revisions to achieve final results	16
Morgan Hill Activity Requirements	
<ul style="list-style-type: none">• Review of draft results and provision of follow up data and comment required to finalize fee models.	Up to 4 hours of departmental staff time

Task 7: Conduct Comparative Fee Survey

Policy makers often desire a comparison of current, full cost recovery, and recommended fee amounts to neighboring jurisdictions. Although an "apples to apples" comparison of cost recovery policy and fee structures between agencies is challenging, presence of a comparison will ensure a smoother implementation process and a sense of the "market" rate for various services. NBS will conduct a comparative fee survey of up to 5 jurisdictions of the City choice. Survey will be structured to include the most comparable items/project types for each department studied.

Estimated Timeline (Hours)	
NBS Project Deliverables	
<ul style="list-style-type: none">• Survey of surrounding agencies, detailing a comparison of current, full cost recovery, and recommended fee amounts	17.5
Morgan Hill Activity Requirements	
<ul style="list-style-type: none">• Selection of 5 comparative agencies; review and feedback	Up to 4 hours of departmental staff time

Task 8: Documentation

Prepare a written report describing the complete work and findings of the project. Include an executive summary, narrative sections detailing the Fee Structure Design, Organizational Analysis, Time Valuation, and Cost of Service Analysis. Issue the draft report in electronic form (portable document format) to City staff and management for review. Include one round of changes to the narrative draft final report, to reflect City management group input (includes narrative changes, no numerical/analytical revisions included).

Estimated Timeline (Hours)	
NBS Project Deliverables	
<ul style="list-style-type: none"> • Issuance of Draft report for City staff review and comment • Incorporation of one round of changes to the narrative report 	15
Morgan Hill Activity Requirements	
<ul style="list-style-type: none"> • Review and comment to narrative draft final report document 	Approximately 2-4 hours of departmental and/or Finance Department staff time

Task 9: Master Fee Schedule and Final Deliverables

NBS will consolidate all fee items into one Master Fee Schedule file for use in public presentations, City Council meetings, policy discussions, implementation purposes, or other use. Issue the final report draft to City's Management staff. One round of minor revisions to the final report draft presented therein is included (includes narrative changes, no numerical/analytical revisions included).

Issue the final report to City staff and management in MS-Word. Issue the final technical models and supporting information to the City in Microsoft Excel (XLS) format for future in-house use and modification.

Estimated Timeline (Hours)	
NBS Project Deliverables	
<ul style="list-style-type: none"> • Compilation of report results into Master Fee Schedule format for adoption • One round of revisions to final report draft • Final Excel models and documentation 	12
Morgan Hill Activity Requirements	
<ul style="list-style-type: none"> • Review and comment to Master Fee Schedule Document 	Approximately 2-4 hours of departmental and/or Finance Department staff time

Task 10: Legislative Process Support

NBS will actively support the City's process to legislatively review, approve, and implement any changes to fees stemming from this study. In anticipation of additional community stakeholder, Council, or Council subcommittee review, NBS will prepare foundational presentation materials for use in public meetings. Prepare for and attend up to two (2) meetings or public hearings of the City choice to present study findings and respond to questions on behalf of or in support of Department staff.

Task 11: Training in Use of Fee Models

The purpose of this task is to provide on-site training to enable staff to review and update the final analytical models on an annual basis. NBS will work with up to four City representatives at a half-day training workshop, to be held at the City, to learn how to update key data components and outcomes of the technical model in future years.

EXHIBIT B SCHEDULE OF COMPENSATION RATES

HOURLY RATES

HOURLY RATES

NBS applied the following hourly rates to derive the overall not-to-exceed pricing for the requested scope of services. NBS' rates are inclusive of all costs associated with professional time, such as travel, document production, and incidentals. The rates will apply for the duration of our contract:

- NBS Director / Associate Director, \$190 per hour
- NBS Consultant / Analyst, \$120 per hour

DETAILED PROJECT BUDGET

NBS proposes a professional fee that is a fixed amount of **\$31,950**. At no time will we invoice for charges in excess of the fee to which the City and NBS mutually agree. Should the City specifically request additional services beyond those described in this document, we will discuss those requests and associated costs at that later time and only invoice for additional fees upon separate written authorization from the City. NBS proposes to invoice the City on a monthly basis, following recorded consultant time on the project, paralleling our completion of the work.

PROJECT COST DETAIL CITY OF MORGAN HILL COMPREHENSIVE FEE STUDY	NBS Consultant Labor (Hou		Grand Totals	
	Nicole Kassar / Kelly Gustafson Greta Davis / Ivan Velasco			
	Project Director / Lead	Analyst	Consultant Labor (Hours)	Consultant Costs (\$)
Task Plan				
Hourly Rate	\$190	\$120		
I. PLANNING DEPARTMENT				
Task 1. Project Commencement	1.5	0.5	2.0	345
Task 2. Fee Structure Design and Organizational Analysis	4.0	2.0	6.0	1,000
Task 3. Time and Service Analysis	6.0	6.0	12.0	1,860
Task 4. Time Valuation	2.0	2.0	4.0	620
Task 5. Cost of Service Analysis	6.0	4.0	10.0	1,020
Task 6. Draft Review and Revision	3.0	2.0	5.0	810
Task 7. Conduct Comparative Fee Study	2.0	4.0	6.0	860
Task 8. Documentation	4.0	1.0	5.0	880
Task 9. Master Fee Schedule and Presentation of Results	1.0	3.0	4.0	550
Task 10. Legislative Process Support	4.0	1.0	5.0	880
Task 11. Training in Use of Fee Models	2.5	-	2.5	475
Subtotal	38.0	25.5	61.5	\$ 9,900
II. BUILDING DEPARTMENT				
Task 1. Project Commencement	1.5	0.5	2.0	345
Task 2. Fee Structure Design and Organizational Analysis	6.0	3.0	9.0	1,500
Task 3. Time and Service Analysis	8.0	6.0	14.0	2,240
Task 4. Time Valuation	2.0	2.0	4.0	620
Task 5. Cost of Service Analysis	10.0	8.0	18.0	2,860
Task 6. Draft Review and Revision	4.0	2.0	6.0	1,000
Task 7. Conduct Comparative Fee Study	2.0	4.0	6.0	860
Task 8. Documentation	4.0	1.0	5.0	880
Task 9. Master Fee Schedule and Presentation of Results	1.0	3.0	4.0	550
Task 10. Legislative Process Support	4.0	1.0	5.0	880
Task 11. Training in Use of Fee Models	2.5	-	2.5	475
Subtotal	45.0	30.5	75.5	\$ 12,210
III. FIRE PREVENTION				
Task 1. Project Commencement	1.5	0.5	2.0	345
Task 2. Fee Structure Design and Organizational Analysis	4.0	2.0	6.0	1,000
Task 3. Time and Service Analysis	6.0	6.0	12.0	1,860
Task 4. Time Valuation	2.0	2.0	4.0	620
Task 5. Cost of Service Analysis	6.0	4.0	10.0	1,620
Task 6. Draft Review and Revision	3.0	2.0	5.0	810
Task 7. Conduct Comparative Fee Study	2.0	3.5	5.5	800
Task 8. Documentation	4.0	1.0	5.0	880
Task 9. Master Fee Schedule and Presentation of Results	1.0	3.0	4.0	550
Task 10. Legislative Process Support	4.0	1.0	5.0	880
Task 11. Training in Use of Fee Models	2.5	-	2.5	475
Subtotal	38.0	25.0	61.0	\$ 9,840
TOTAL ALL PROJECTS	117.0	81.0	198.0	\$ 31,950

EXHIBIT C SCHEDULE OF PERFORMANCE

Task Description	Weeks from start														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
COMPREHENSIVE FEE STUDY															
Task 1. Project Commencement															
Task 2. Fee Structure Design and Organizational Analysis															
Task 3. Time and Service Analysis															
Task 4. Time Valuation															
Task 5. Cost of Service Analysis															
Task 6. Draft Review and Revision															
Task 7. Conduct Comparative Fee Study															
Task 8. Documentation															
Task 9. Master Fee Schedule and Presentation of Results															
Task 10. Optional Legislative Process Support															
Task 11. Training in Use of Fee Models															
TBD by City															

Exhibit B Addendum

PROJECT COST DETAIL CITY OF MORGAN HILL	IS Consultant Labor (Hou		Grand Totals	
	PM / Lead Consultant	Analyst	Consultant Labor (Hours)	Consultant Costs (\$)
Hourly Rate	\$190	\$120		
ADDITIONAL TASK 1: UPDATE CURRENT MODEL TO FY16/17 DATA				
Task 1. Update Model with FY16/17 Staffing Data	4.0	5.0	9.0	1,360
Task 2. Update Model with FY16/17 Expenditure Data	4.0	5.0	9.0	1,360
Task 3. Additional Review of Updated Model	4.0	-	4.0	760
Subtotal	12.0	10.0	22.0	\$ 3,480
			NTE	\$3,500
ADDITIONAL TASK 2: ADD ENGINEERING TO FEE STUDY (COMPLETE ANALYSIS)				
Task 1. Project Comencement	1.5	0.5	2.0	345
Task 2. Fee Strucutre Design	4.0	2.0	6.0	1,000
Task 3. Time and Service Analysis	6.0	6.0	12.0	1,860
Task 4. Time Valuation	2.0	2.0	4.0	620
Task 5. Cost of Service Analysis	8.0	4.0	12.0	2,000
Task 6. Draft Review and Revision	3.0	2.0	5.0	810
Task 7. Interdepartmental Support	3.0	1.0	4.0	690
Task 8. Addition to the Comparison Survey	2.0	4.0	6.0	860
Task 9. Documentation	4.0	1.0	5.0	880
Task 10. Master Fee Schedule and Final Deliverables	1.0	3.0	4.0	550
Task 11. Legislative Process Support	4.0	1.0	5.0	880
Task 12. Training in Use of Fee Models	2.5	-	2.5	475
Subtotal	41.0	26.5	67.5	\$ 10,970
			NTE	\$11,000
ADDITIONAL TASK 3: ADDITION OF PROJECTED POSITION (ESTIMATED MODEL DEVELOPMENT)				
Task 1. Addition of Projected Positions	5.0	1.0	6.0	1,070
Task 2. Cost of Service Analysis	5.0	-	5.0	950
Task 3. Iteration and Review of Estimated Model	4.0	1.0	5.0	880
Subtotal	14.0	2.0	16.0	2,900.0
			NTE	\$3,000
REMAINING TASKS ON CURRENT CONTRACT				
Comparison Survey - In Progress	n/a	n/a	n/a	n/a
Documentation - In Progress	n/a	n/a	n/a	n/a
Master Fee Schedule	n/a	n/a	n/a	n/a
Legislative Process Support	n/a	n/a	n/a	n/a
Training in Use of Fee Models				
Amount Remaining			\$	2,985
TOTAL ALL PROJECTS	67.0	38.5	105.5	\$ 17,500

TOTAL AMENDMENT NTE		\$	17,500
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