

CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

AGENDA REGULAR MEETING BOARD OF WATER COMMISSIONERS Tuesday, APRIL 5, 2016 – 9:30 a.m. MARGARET H. CHANDLER WATER RECLAMATION PLANT 399 CHANDLER PLACE San Bernardino, California

BOARD OF WATER COMMISSIONERS

TONI CALLICOTT
President

Commissioners
LOUIS A. FERNANDEZ
WAYNE HENDRIX, P.E.
JUDITH VALLES
DAVID E. MLYNARSKI



STACEY R. ALDSTADT
General Manager
ROBIN L. OHAMA
Deputy General Manager
MIGUEL GUERRERO, P.E.
Director of Water Utility
JOHN A. CLAUS
Director of Water Reclamation
TERRI WILLOUGHBY
Director of Finance
JENNIFER L. SHEPARDSON
Director of Environmental &
Regulatory Compliance

“Trusted, Quality Service since 1905”

Welcome to a meeting of the Board of Water Commissioners of the City of San Bernardino.

- The City of San Bernardino Municipal Water Department recognizes its obligation to provide equal access to those individuals with disabilities. Please contact the General Manager’s Office (909-384-5191) two working days prior to the meeting for any requests for reasonable accommodation, to include interpreters.
- All documents for public review are on file with the Water Department located on the 5th floor of City Hall, 300 North “D” Street, San Bernardino or may be accessed online at http://www.ci.san-bernardino.ca.us/water/newsalerts/agendas_n_minutes.asp
- Please turn off or mute your cell phone while the meeting is in session.
- Any member of the public desiring to speak to the Board of Water Commissioners concerning any matter not on the agenda, but which is within the subject matter jurisdiction of the Board of Water Commissioners, may address the body at the end of the meeting during the period reserved for public comments. Said total period for public comments shall not exceed forty-five (45) minutes, unless such time limit is extended by the Board of Water Commissioners. A three-minute limitation shall apply to each member of the public, unless such time limit is extended by the Board of Water Commissioners. No member of the public shall be permitted to “share” his/her three minutes with any other member of the public.
- The Board of Water Commissioners may refer any item raised by the public to staff for appropriate action or have the item placed on the next agenda of the Board of Water Commissioners. However, no other action shall be taken nor discussion held by the Board of Water Commissioners on any item which does not appear on the agenda unless the action is otherwise authorized in accordance with the provisions of subdivision (b) of Section 54954.2 of the Government Code.
- Public comments will not be received on any item on the agenda when a public hearing has been conducted and closed.

CALL TO ORDER: _____ a.m./p.m.

Attendee Name	Present	Absent	Late	Arrived
President Toni Callicott				
Commissioner Louis Fernández				
Commissioner Wayne Hendrix				
Commissioner Judith Valles				
Commissioner David E. Mlynarski				
General Manager Stacey Aldstadt				
Deputy General Manager Robin Ohama				
Director of WRP John Claus				
Director of WU Miguel Guerrero				
Director of Finance Terri Willoughby				
Director of ERC Jennifer Shepardson				

OTHERS:

1. CLOSED SESSION: _____ a.m./p.m.

Pursuant to Government Code Section(s):

- A. Conference with legal counsel – existing litigation – pursuant to Government Code Section 54956.9(a): *In Re City of San Bernardino, California*, United States Bankruptcy Court, Central District of California (Riverside), Case No. 6: 12-bk-28006-MJ.
- B. Conference with legal counsel – anticipated litigation – significant exposure to litigation – pursuant to Subdivision (b) (1), (2), (3) (A-F) of Government Code Section 54956.9.
- C. Conference with legal counsel – anticipated litigation – initiation of litigation – pursuant to subdivision (d) (4) of Government Code Section 54956.9 (One Case).
- D. Conference with legal counsel – personnel – pursuant to Government Code Section 54957.
- E. Conference with legal counsel and security consultant on matters posing a threat to the security of essential public services, including water, drinking water, and wastewater treatment pursuant to Government Code Section 54957 (a).
- F. Conference with labor negotiator – pursuant to Government Code Section 54957.6(a).

**END OF CLOSED SESSION
RECONVENE MEETING**

CALL TO ORDER: _____ a.m./p.m.

Attendee Name	Present	Absent	Late	Arrived
President Toni Callicott				
Commissioner Louis Fernández				
Commissioner Wayne Hendrix				
Commissioner Judith Valles				
Commissioner David E. Mlynarski				
General Manager Stacey Aldstadt				
Deputy General Manager Robin Ohama				
Director of WRP John Claus				
Director of WU Miguel Guerrero				
Director of Finance Terri Willoughby				
Director of ERC Jennifer Shepardson				

OTHERS:

2. ANNOUNCEMENTS BY MEMBERS OF THE BOARD OF WATER COMMISSIONERS:
3. CONSENT CALENDAR

MOTION: That the motions indicated by consent calendar items 3A through 3F be adopted, except for _____.

MOTION: _____ SECONDED: _____

A. WAIVE FULL READING OF RESOLUTIONS

MOTION: That full reading of the resolutions on the regular or supplemental agendas of the Board of Water Commissioners be waived.

B. PAYROLL

MOTION: Approve the payroll for the pay period March 7, 2016 through March 20, 2016.

C. CONTRACTS AND BILLS

MOTION: Approve the payment of contracts and bills to be presented at this meeting.

D. MINUTES

MOTION: Approve the minutes of the meetings of March 15, 2016 of the Board of Water Commissioners.

E. PERSONNEL ACTIONS:

1. APPOINTMENT: Denise Martinez, Office Assistant, Section 2060, Range 128, effective April 4, 2016. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget.
2. PROMOTION: Eduardo Huizar, Water Utility Worker I, Range 132, to the position of Water Utility Water Treatment Operator I, Range 139, ratify effective March 21, 2016. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget.
3. PROMOTION: Cody Ineichen, Water Reclamation Plant Mechanic II, Range 150, to the position of Water Reclamation Plant Mechanic III, Range 154, ratify effective March 21, 2016. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget.
4. PROMOTION: Nathan Ties, Water Reclamation Plant Mechanic I, Range 146, to the position of Water Reclamation Plant Mechanic II, Range 150, ratify effective March 21, 2016. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget.

5. PROMOTION: Daryl Smith, Senior Electrical/Instrumentation Technician, Range 148, to the position of Water Reclamation Plant Mechanic II, Range 150, ratify effective March 21, 2016. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget.
6. PROMOTION: Jesse Mobley, Water Utility Worker II, Range 138, to the position of Water Reclamation Plant Mechanic I, Range 146, effective April 4, 2016. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget.
7. VOLUNTARY DEMOTION: Kazi Rasheedi, Water Reclamation Process Control Supervisor, Range 259, to the position of Water Reclamation Lead Operator, Range 155, ratify effective February 8, 2016. The Water Reclamation Lead Operator was not filled and Mr. Rasheedi will be placed into that vacant position.

MOTION: Approve the Personnel Actions as submitted.

- F. RESOLUTION NO. 881: A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF THE CITY OF SAN BERNARDINO RECOGNIZING JOANNE CHAVEZ FOR MORE THAN THIRTY-FIVE YEARS OF DEDICATED SERVICE TO THE CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT.

MOTION: Approve Resolution No. 881 as submitted.

END OF CONSENT CALENDAR

4. ADDITIONS TO THE AGENDA: (if any) in accordance with Section 54954.2 (b) (2) of the Government Code (Brown Act), a two-thirds vote (or a unanimous vote if less than two-thirds are present) is required to add an item for action provided that there is a need to take immediate action and that the need for action came to the attention of the agency after the agenda was posted.

MOTION: Approve an additional item(s) to be added to the agenda in accordance with Government Code Section 54954.2(b) (2).

MOTION:_____ SECONDED:_____

5. APPROVAL OF PROFESSIONAL SERVICES AGREEMENT WITH RAYMOND JAMES TO PROVIDE UNDERWRITING SERVICES FOR THE PLANNED ISSUANCE OF THE 2016 WATER AND SEWER REVENUE BONDS: The City of San Bernardino Municipal Water Department (Department) would like to retain the financial services firm Raymond James to provide underwriting services for a proposed bond issuance of Water and Sewer Revenue bonds in 2016. These bonds will provide funding for critical capital projects, including the relocation of the Customer Service division from City Hall.

A Request for Proposal for underwriting services was issued on February 17, 2016. Urban Futures, the City's bankruptcy consultant, assisted Department staff in compiling and reviewing the proposals. A total of five firms responded and Raymond James was selected due to their experience and individualized approach.

The total amount of the proposal from Raymond James is \$139,614.20 per issuance, for a total of \$279,228.40, which will be divided equally between the Water and Sewer Funds. Funding is available in the Fiscal Year 2015/16 CIP Project, "Customer Service Relocation" in both Water and Sewer Funds for any minimal initial costs that may be incurred. The debt is expected to be issued in FY 2016/17 and the remainder of the costs will be funded through the debt issuance and will be included at the budget at that time.

MOTION: Approve the Professional Services Agreement with Raymond James for underwriting services; and authorize the President and Secretary to execute the agreement.

MOTION: _____ SECONDED: _____

6. WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS RECEIVABLE: USAA CASUALTY INSURANCE: On November 23, 2015, Finance staff invoiced USAA Casualty Insurance (USAA) in the amount of \$5,779.03 for damage to a fire hydrant that occurred in September 2015. In this case, USAA has denied liability because the damage was caused by an unknown hit and run driver rather than their insured party. Staff is unable to pursue the other driver to collect because they have no contact information. Staff is recommending that the invoice be written off as a loss.

Per Policy 54.020, *Write-Off of Uncollectible Accounts Receivable*, Board of Water Commissioner approval is needed for any write-off over \$1,000.00.

MOTION: Approve the write-off of Invoice #25448 to USAA Casualty Insurance in the amount of \$5,779.03.

MOTION: _____ SECONDED: _____

7. APPROVAL OF AGREEMENT WITH NORTON ROSE FULBRIGHT US LLP TO SERVE AS BOND COUNSEL FOR PROPOSED 2016 WATER AND SEWER REVENUE BONDS: The City of San Bernardino Municipal Water Department (Department) would like to retain the services of Norton Rose Fulbright US LLP to serve as bond counsel for the proposed Water and Sewer Revenue Bonds. Victor Hsu, Partner, will serve as lead counsel for the transaction. Mr. Hsu has previously served as counsel for the Department and is approved by the City as special legal counsel. A proposal has been provided to charge a fixed fee of \$80,000.00 for each transaction, totaling \$160,000.00 for both Water and Sewer.

Funding is available in the Fiscal Year 2015/16 CIP Project, "Customer Service Relocation" in both Water and Sewer Funds for any minimal initial costs incurred. The debt is expected to be issued in Fiscal Year 2016/17 and the majority of the costs will be funded through the debt issuance and will be included at the budget at that time.

MOTION: Approve the agreement with Norton Rose Fulbright US LLP for legal representation as bond counsel; and authorize the General Manager to execute the agreement.

MOTION: _____ SECONDED: _____

8. APPROVAL OF AGREEMENT WITH ORRICK, HERRINGTON & SUTCLIFFE LLP TO SERVE AS DISCLOSURE COUNSEL FOR PROPOSED 2016 WATER AND SEWER REVENUE BONDS: The City of San Bernardino Municipal Water Department (Department) would like to retain the services of Orrick, Herrington & Sutcliffe LLP (Orrick) to serve as disclosure counsel for the proposed Water and Sewer Revenue Bonds. Disclosure counsel's role will primarily be to provide advice on the Department's disclosure obligations and to prepare the official statement for the issuance. Orrick is currently serving as the City's legal counsel on refinancing of the Redevelopment Agency debt and have been approved as special legal counsel. A proposal has been provided to charge a fixed fee of \$60,000.00 for each transaction, totaling \$120,000.00 for both Water and Sewer.

Funding is available in the Fiscal Year 2015/16 CIP Project, "Customer Service Relocation" in both Water and Sewer Funds for any minimal initial costs incurred. The debt is expected to be issued in Fiscal Year 2016/17 and the majority of the costs will be funded through the debt issuance and will be included at the budget at that time.

MOTION: Approve the agreement with Orrick, Herrington & Sutcliffe LLP for legal services as disclosure counsel; and authorize the General Manager to execute the agreement.

MOTION: _____ SECONDED: _____

9. REPORTS:

A. Report of the President:

B. Report of the Commissioners:

C. Report of the Directors:

D. Report of the General Manager:

10. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA:

11. ADJOURNMENT: The meeting adjourned at _____ a.m./p.m.

NOTE: The next regular meeting of the Board of Water Commissioners is scheduled for *9:30 a.m., April 19, 2016* in the Margaret H. Chandler Water Reclamation Plant Conference Room, 399 Chandler Place, San Bernardino, California, 92408.

3. CONSENT CALENDAR: Upon motion by Commissioner Valles, duly seconded by Commissioner Hendrix, it was voted to approve the following Consent Calendar, Agenda Items 3A through 3G:

A. WAIVE FULL READING OF RESOLUTIONS: Waive full reading of the resolutions on the regular or supplemental agendas of the Board of Water Commissioners.

B. PAYROLL

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Claims: 268540-268818			
Accounts Payable	\$1,189,946.06	\$898,746.52	\$2,088,692.58
Gross Payroll: 02/08/16-02/21/2016	<u>247,384.92</u>	<u>183,241.96</u>	<u>430,626.88</u>
TOTALS	<u>\$1,437,330.98</u>	<u>\$1,081,988.48</u>	<u>\$2,519,319.46</u>

Payroll for the pay period February 22, 2016 through March 6, 2016.

C. CONTRACTS AND BILLS: Contracts and bills presented at this meeting.

D. MINUTES: March 1, 2016

E. PERSONNEL ACTIONS

1. APPOINTMENT: Jesse Becerra, Water/Water Reclamation Worker, Section 3021, Range 124, effective March 21, 2016. This position was in the budget and based on the needs and staffing for this section, the position was justifiable under the budget.

2. APPOINTMENT: Luis Crespo, Water/Water Reclamation Worker, Section 3023, Range 124, effective March 21, 2016. This position was in the budget and based on the needs and staffing for this section, the position was justifiable under the budget.

3. PROMOTION: Wade Burroughs, Water Quality Control Worker, Range 132, to the position of Water Utility Water Treatment Operator I, Range 139, ratified effective March 7, 2016. This position was in the budget and based on the needs and staffing for this section, the position was justifiable under the budget.

F. RANGE CHANGE FOR ENGINEERING STUDENT INTERN: The Engineering Student Intern job description was originally approved by the Board of Water Commissioners on December 4, 2007, and revised on October 7, 2014. This position performed a variety of Engineering section duties to assist staff with day to day tasks. The assignments also provided a beneficial and rewarding training experience to the incumbent(s) and exposure to the job opportunities and careers that exist within the Water Department.

The Engineering Student Intern position had historically been at the same salary range as the Student Intern, \$10.00 per hour. The Engineering Student Intern

position was distinguished from the Student Intern position by the requirement to have knowledge of the AutoCAD and GIS systems which were essential skills in the Engineering section.

Staff recommended that the Board of Water Commissioners approve the range change for Engineering Student Intern (93100) to \$15.00 per hour.

- G. NOTICE OF COMPLETION – CONTRACT NO. 1581 – SHERIDAN ROAD 8” MAIN REPLACEMENT PROJECT (CO 10652): The final acceptance date of February 23, 2016, staff was directed to file a Notice of Completion, and release the retention in accordance with Contract No. 1581.

END OF CONSENT CALENDAR

4. ADDITIONS TO THE AGENDA: None.
5. APPROVAL OF PROFESSIONAL SERVICES AGREEMENT WITH KLEINFELDER INC. TO PROVIDE ENGINEERING DESIGN SERVICES FOR THE ROOF REPLACEMENT AT THE ELECTRIC AVENUE RESERVOIR AND THE 17TH STREET RESERVOIR PROJECT (SPECIFICATION 1652, CO 10655): The Electric Avenue Reservoir and the 17th Street Reservoir roof structures were at the end of their original design life, and were in need of replacement to improve facility performance and security. The project involved replacement of existing roof structures with new structural steel roofs.

In December 2015, two (2) consulting firms submitted proposals in response to the November 2015 Request for Proposals (RFP) (Specification 1652). As a result of staff review and ranking of proposals, the firm with the highest overall score was Kleinfelder, Inc.

The total cost for engineering design services for the project was \$166,749.00. The Department had sufficient funds budgeted in the FY 2015/16 Capital Improvement Budget (CO 10655) to cover the cost of these services.

Upon motion by Commissioner Hendrix, duly seconded by Commissioner Mlynarski, it was unanimously voted to approve an agreement with Kleinfelder Inc. in the amount not-to-exceed \$166,749.00. The President and Secretary were authorized to execute the agreement to provide engineering services for design of the Roof Replacement for the Electric Avenue Reservoir and the 17th Street and Sierra Reservoir project based on Specification 1652.

6. EASEMENT ACQUISITION OVER RODRIGUEZ PROPERTY FOR THE SHANDIN HILLS TRANSMISSION MAIN PROJECT (CO 10673): In February 2013, the Department attempted to contact the property owners located at 3377 Beverly Drive, in San Bernardino, in order to acquire a permanent easement across their property known as APN 0151-031-06. The permanent easement was necessary to install a proposed 8” pipeline, also known as the Shandin Hills Transmission Main Replacement project. During the planning phase of the project, it became apparent that the superior pipeline route was across three (3) privately owned parcels.

After three (3) consecutive attempts to contact the owners with no response, the Department sought the advice of legal counsel from the firm Redwine & Sherrill. In November 2014, a Notice of Decision to Appraise was sent to Mr. and Mrs. Rodriguez, the

owners of record for the property. In January 2015, the Department worked directly with Mr. and Mrs. Rodriguez to obtain the required easement through the property. In February 2016, an acquisition agreement was finalized by staff and legal counsel, and was signed by Mr. and Mrs. Rodriguez.

Upon motion by Commissioner Valles, duly seconded by Commissioner Fernández, it was unanimously voted to approve the Acquisition Agreement and the compensation value of \$7,700.00 to be paid to Mr. and Mrs. Rodriguez for the relocation costs and permanent easement. The General Manager was authorized to execute said agreement; and

Accept the Grant of Easement from Mr. and Mrs. Rodriguez within the property known as APN 0151-031-06 and as described in the easement document. The Secretary was authorized to submit the easement documents to the City Clerk for signature and recordation.

7. **FEBRUARY 2016 DROUGHT MONITORING REPORT:** This report continued to monitor and track the effects of the ongoing drought by monitoring groundwater levels in select wells located in the Department's service area. This monthly report provided valuable data needed to contemplate important policy decisions related to Water Supply Shortage Stages outlined in Rule and Regulation No. 21. **(INFORMATION ONLY)**
8. **REPORTS:**
 - A. Report of the President: None
 - B. Report of the Commissioners: None
 - C. Report of the Directors: None
 - D. Report of the General Manager:
 1. General Manager Aldstadt reported that she and Commissioner Hendrix attended a City Charter Review Committee meeting on March 7, 2016.
 2. General Manager Aldstadt reported that the Department issued comments to the Environmental Impact Report that San Bernardino Valley Municipal Water District issued for the Sterling Natural Resource Center which were due on March 15, 2016.
9. **PUBLIC COMMENTS:** This is the time specified for public comments concerning specific items not on the agenda or matters of general interest.
10. **ADJOURN MEETING:** The meeting adjourned at 10:27 a.m. to the next Regular Meeting to be held on Tuesday, April 5, 2016, at 9:30 a.m. in Margaret H. Chandler Water Reclamation Plant Conference Room, 399 Chandler Place, San Bernardino, California, 92408.

BY: _____
TONI CALLICOTT
President

BY: _____
ROBIN L. OHAMA
Deputy City Clerk & Ex-Officio Secretary

**CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT**

**BOARD OF WATER COMMISSIONERS
STAFF REPORT**

MAR 28 2016
Chad

TO: Stacey R. Aldstadt, General Manager
FROM: Robin L. Ohama, Deputy General Manager
SUBJECT: **APPOINTMENT OF DENISE MARTINEZ TO OFFICE ASSISTANT**
DATE: March 28, 2016
CC: K. Hernandez, Human Resources

BACKGROUND:

A vacancy exists in Customer Service, Section 2060, for an Office Assistant due to the promotion of Kimberly Chacon to Bilingual Customer Service Representative I effective December 14, 2015. This position provides direct customer contact at the front desk, and must be filled in order to continue to provide high levels of customer service. This position is budgeted.

An eligibility list was called for and interviews for this position were conducted on February 24, 2016. From those interviews, Denise Martinez was selected as the best candidate for the position.

RECOMMENDATION:

Staff recommends that the Board of Water Commissioners make the following motion:

- Approve the appointment of Denise Martinez to Office Assistant, Section 2060, Range 128, effective April 4, 2016.

Respectfully submitted,

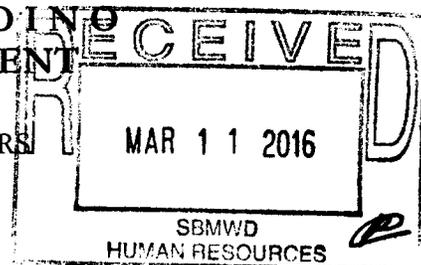


Robin L. Ohama
Deputy General Manager

sdm

CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT

BOARD OF WATER COMMISSIONERS
STAFF REPORT



TO: Stacey R. Aldstadt, General Manager
FROM: Miguel J. Guerrero
SUBJECT: PERSONNEL ACTION – PROMOTION OF EDUARDO HUIZAR TO WATER UTILITY WATER TREATMENT OPERATOR I (SECTION 3041)
DATE: March 15, 2016
COPIES: Michael Garland, Sally Duran, Human Resources

BACKGROUND:

Due to the recent promotion of Hugo Soto, effective November 2, 2015, one vacancy exists for a Water Utility Water Treatment Operator I position in Water Utility Operations Production and Treatment (Section 3041). Selection interviews were conducted on February 18, 2016 by James Hill, Robert Chilcote, and Michael Garland for the position of Water Utility Water Treatment Operator I. This position is in the budget. I have reviewed the needs of and staffing for this section and believe, based on those, that the position is still justifiable under the budget. The panel is recommending the promotion of Eduardo Huizar to fill this position.

RECOMMENDATION:

Staff recommends that the Board of Water Commissioners make the following motion:

Ratify the promotion of Eduardo Huizar from Water Utility Worker I, Range 132, to the position of Water Utility Water Treatment Operator I, Range 139, effective March 21, 2016.

Respectfully submitted,

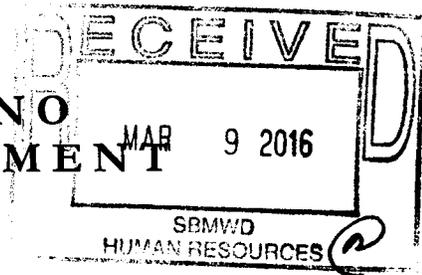
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Miguel J. Guerrero, P.E.
Director, Water Utility

MJG:ms

Agenda Item 3E2

CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT



BOARD OF WATER COMMISSIONERS
STAFF REPORT

TO: Stacey R. Aldstadt, General Manager
FROM: John A. Claus, Director of Water Reclamation
SUBJECT: RATIFY PROMOTIONAL APPOINTMENT – WATER RECLAMATION
PLANT MECHANIC III- CODY INEICHEN
DATE: March 9, 2016
CC: Human Resources, File, Laserfiche

BACKGROUND:

Staff requested Civil Service open appropriate recruitment procedures for the vacancy that exists in the Maintenance Section (4040) for the position of Water Reclamation (WR) Plant Mechanic III. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget. Interviews were conducted on February 25, 2016, with Greg Evans, WR Maintenance Superintendent, Kevin Stewart, Construction Project Manager, and Paul Morris, Electrical/Instrumentation Supervisor. Staff recommends the promotion of Cody Ineichen to the vacant position of WR Plant Mechanic III.

RECOMMENDATION:

Staff recommends the Board of Water Commissioners make the following motion:

Ratify the promotion of Cody Ineichen from Water Reclamation Plant Mechanic II, Range 150, to the position of Water Reclamation Plant Mechanic III, Range 154, effective March 21, 2016.

Respectfully submitted,

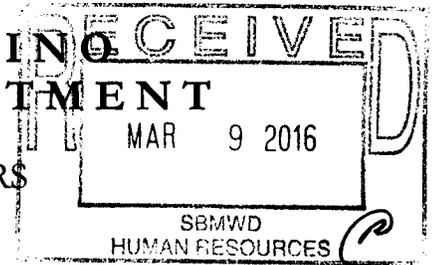
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John A. Claus
Director of Water Reclamation

JAC:er

CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT

BOARD OF WATER COMMISSIONERS
STAFF REPORT



TO: Stacey R. Aldstadt, General Manager

FROM: John A. Claus, Director of Water Reclamation

SUBJECT: RATIFY PROMOTIONAL APPOINTMENT – WATER RECLAMATION
PLANT MECHANIC II– NATHAN TIES

DATE: March 9, 2016

CC: Human Resources, File, Laserfiche

BACKGROUND:

Staff requested Civil Service open appropriate recruitment procedures for the vacancy that exists in the Maintenance Section (4040) for the position of Water Reclamation (WR) Plant Mechanic II. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget. Interviews were conducted on March 1 and 2, 2016, with Greg Evans, WR Maintenance Superintendent, Travis Mendenhall, WR Mechanical Maintenance Supervisor, and Kevin Stewart, Construction Project Manager. Staff recommends the promotion of Nathan Ties to the vacant position of WR Plant Mechanic II.

RECOMMENDATION:

Staff recommends the Board of Water Commissioners make the following motion:

Ratify the promotion of Nathan Ties from Water Reclamation Plant Mechanic I, Range 146, to the position of Water Reclamation Plant Mechanic II, Range 150, effective March 21, 2016.

Respectfully submitted,

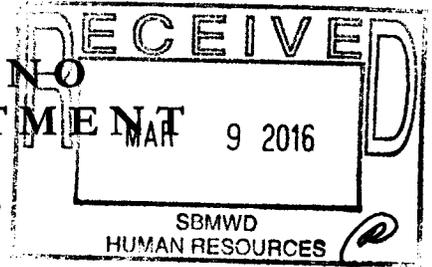
A handwritten signature in black ink that reads "John A. Claus".

John A. Claus
Director of Water Reclamation

JAC:er

CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT

BOARD OF WATER COMMISSIONERS
STAFF REPORT



TO: Stacey R. Aldstadt, General Manager
FROM: John A. Claus, Director of Water Reclamation
SUBJECT: RATIFY PROMOTIONAL APPOINTMENT – WATER RECLAMATION
PLANT MECHANIC II- DARYL SMITH
DATE: March 9, 2016
CC: Human Resources, File, Laserfiche

BACKGROUND:

Staff requested Civil Service open appropriate recruitment procedures for the vacancy that exists in the RIX Section (5025) for the position of Water Reclamation (WR) Plant Mechanic II. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget. Interviews were conducted on March 1 and 2, 2016, with Greg Evans, WR Maintenance Superintendent, Travis Mendenhall, WR Mechanical Maintenance Supervisor, and Kevin Stewart, Construction Project Manager. Staff recommends the promotion of Daryl Smith to the vacant position of WR Plant Mechanic II.

RECOMMENDATION:

Staff recommends the Board of Water Commissioners make the following motion:

Ratify the promotion of Daryl Smith from Senior Electrical Instrumentation Technician, Range 148, to the position of Water Reclamation Plant Mechanic II, Range 150, effective March 21, 2016.

Respectfully submitted,

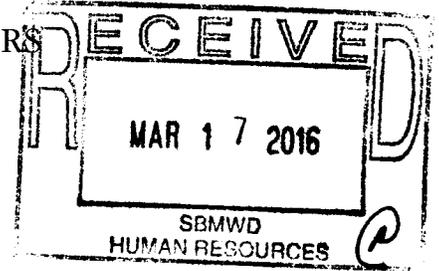
A handwritten signature in black ink that reads "John A. Claus".

John A. Claus
Director of Water Reclamation

JAC:er

**CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT**

BOARD OF WATER COMMISSIONERS
STAFF REPORT



TO: Stacey R. Aldstadt, General Manager
FROM: John A. Claus, Director of Water Reclamation
SUBJECT: **PROMOTIONAL APPOINTMENT – WATER RECLAMATION PLANT
MECHANIC I– JESSE MOBLEY**
DATE: March 16, 2016
CC: Human Resources, File, Laserfiche

BACKGROUND:

Due to the recent promotion of Nathan Ties, a vacancy exists in the RIX Section (5025) for the position of Water Reclamation (WR) Plant Mechanic I. This position is in the budget and based on the needs and staffing for this section, the position is still justifiable under the budget. Interviews for this position were conducted on January 26, 2015, with Greg Evans, WR Maintenance Superintendent, Travis Mendenhall, WR Mechanical Maintenance Supervisor, and Con Arrietta, Water Quality Control Officer. Staff recommends the promotion of Jesse Mobley to the vacant position of WR Plant Mechanic I.

RECOMMENDATION:

Staff recommends the Board of Water Commissioners make the following motion:

Approve the promotion of Jesse Mobley from Water Utility Worker II, Range 138, to the position of Water Reclamation Plant Mechanic I, Range 146, effective April 4, 2016.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John A. Claus".

John A. Claus
Director of Water Reclamation

JAC:er

CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT

BOARD OF WATER COMMISSIONERS
STAFF REPORT

MAR 15 2016

GENERAL MANAGER

TO: Stacey R. Aldstadt, General Manager

FROM: Robin L. Ohama, Deputy General Manager

SUBJECT: RATIFY VOLUNTARY DEMOTION FROM WATER RECLAMTION
PROCESS CONTROL SUPERVISOR TO WATER RECLAMATION
LEAD OPERATOR – KAZI RASHEEDI

DATE: March 10, 2016

CC: John Claus, Human Resources, Payroll

BACKGROUND:

Kazi Rasheedi was promoted from Water Reclamation Lead Operator to Water Reclamation Process Control Supervisor on September 1, 2015 and has been employed with the Department since 2012. Mr. Rasheedi requested a voluntary demotion effective February 8, 2016. The voluntary demotion will cause Mr. Rasheedi to be reclassified as Water Reclamation Lead Operator.

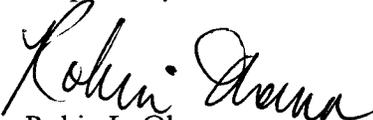
The Water Reclamation Lead Operator position that Mr. Rasheedi vacated upon promotion was not filled and he will be placed into that vacant position.

RECOMMENDATION:

Staff recommends that the Board of Water Commissioners make the following motion:

- Ratify the voluntary demotion of Kazi Rasheedi from Water Reclamation Process Control Supervisor, Range 259, to Water Reclamation Lead Operator, Range 155, effective February 8, 2016.

Respectfully submitted,


Robin L. Ohama
Deputy General Manager

RESOLUTION NO. 881

MAR 28 2016
@ [initials]

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF THE CITY OF SAN BERNARDINO RECOGNIZING JOANNE CHAVEZ FOR MORE THAN THIRTY-FIVE YEARS OF DEDICATED SERVICE TO THE CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT.

WHEREAS, Joanne Chavez first entered into employment as a Cashier I on March 31, 1980; and

WHEREAS, Joanne promoted to Utility Clerk I, reclassified to Customer Service Representative I, promoted to Customer Service Representative III, promoted to Cashier Supervisor, and reclassified to Customer Service Supervisor; and

WHEREAS, Joanne trained dozens of employees on the principles of cash handling and department policies and procedures; and

WHEREAS, Joanne competently and efficiently managed revenue flow for the department for twenty-five years; and

WHEREAS, Joanne demonstrated a positive attitude and good will to all throughout her years with the department; and

WHEREAS Joanne formally retired from the City of San Bernardino Municipal Water Department on December 18, 2015.

NOW, THEREFORE, BE IT RESOLVED that the Board of Water Commissioners of the City of San Bernardino Municipal Water Department hereby commends Joanne Chavez for her dedicated service to the City of San Bernardino Municipal Water Department and wishes her a long and rewarding retirement.

BE IT FURTHER RESOLVED that this Resolution is presented to Joanne Chavez.

I HEREBY CERTIFY that the foregoing resolution was duly adopted by the Board of Water Commissioners of the City of San Bernardino at a regular meeting thereof held on the 5 day of April, 2016.

Toni Callicott, President

Judith Valles, Commissioner

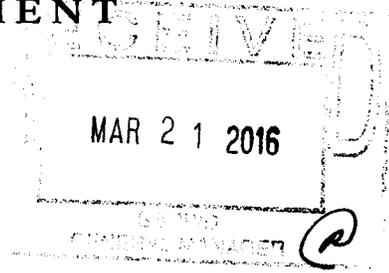
Louis A. Fernández, Commissioner

Wayne Hendrix, Commissioner

David Mlynarski, Commissioner

**CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT**

**BOARD OF WATER COMMISSIONERS
STAFF REPORT**



TO: Stacey R. Aldstadt, General Manager

FROM: Terri A. Willoughby, Director of Finance

SUBJECT: APPROVAL OF PROFESSIONAL SERVICES AGREEMENT WITH RAYMOND JAMES TO PROVIDE UNDERWRITING SERVICES FOR THE PLANNED ISSUANCE OF THE 2016 WATER AND SEWER REVENUE BONDS

DATE: March 21, 2016

COPIES: Terri Willoughby

BACKGROUND:

The City of San Bernardino Municipal Water Department (Department) would like to retain the financial services firm Raymond James to provide underwriting services for a proposed bond issuance of Water and Sewer Revenue bonds in 2016. These bonds will provide funding for critical capital projects, including the relocation of the Customer Service division from City Hall. Raymond James will provide underwriting services and will be a key component of the financing team for this debt issuance. The total amount of the proposal from Raymond James is \$139,614.20 per issuance, for a total of \$279,228.40 which will be divided equally between the Water and Sewer Funds. The majority of these costs will be paid at the time of the debt issuance.

The scope of service will include providing underwriting services as well as developing a marketing plan to assist in allaying the concerns of potential investors. This plan will focus on communicating the Department's financial stability to targeted investors while overcoming possible concerns about the local economy as well as the City's bankruptcy status. Raymond James has developed an extensive plan of service that will focus on the unique strengths of the Department. They bring a nationwide municipal sales system with significant California presence, as well as a unique presence in the smaller institutional markets.

A Request for Proposal for underwriting services was issued on February 17, 2016. Urban Futures, the City's bankruptcy consultant, assisted Department staff in compiling and reviewing the proposals. A total of five firms responded, and Raymond James was selected due to their experience and individualized approach.

APPROVAL OF PROFESSIONAL SERVICES AGREEMENT WITH RAYMOND JAMES FOR UNDERWRITING SERVICE ASSOCIATED WITH 2016 WATER AND SEWER REVENUE BONDS

March 21, 2016

Page 2 of 2

FUNDING SOURCE:

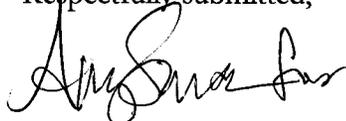
Funding is available in the Fiscal Year 2015/16 CIP Project, "Customer Service Relocation" in both Water and Sewer Funds for any minimal initial costs that may be incurred. The debt is expected to be issued in Fiscal Year 2016/17 and the remainder of the costs will be funded through the debt issuance and will be included at the budget at that time.

RECOMMENDATION:

Staff recommends that the Board of Water Commissioners make the following motion:

- Approve the Professional Services Agreement with Raymond James for underwriting services.

Respectfully submitted,



Terri A. Willoughby
Director of Finance

Attachments:

Professional Services Agreement: Raymond James

Fee Proposal: Raymond James, February 26, 2016

San Bernardino Municipal Water Department: Listing of possible debt-funded project

PROFESSIONAL SERVICES AGREEMENT

THIS AGREEMENT is made and entered into effective April 5, 2016 the 'Agreement Date") by and between:

"DEPARTMENT"

Name: City of San Bernardino Municipal Water Department
Address: 300 North D Street, P.O. Box 710, San Bernardino, CA 92401
Phone: (909) 384-7210
Fax: (909) 384-5215
Representative: Deputy General Manager

"CONSULTANT"

Name: Raymond James
Address: One Embarcadero Center, Suite 650 San Francisco, CA 94111
Phone: (415) 616-8021
Fax: (415) 615-8070
Representative: Wing-See Fox

PROJECT NAME (the "PROJECT"):

PROJECT

1. **DESCRIPTION OF WORK:** CONSULTANT shall render the services described in Attachment 'A' (hereinafter called the "SERVICES") in accordance with this AGREEMENT. CONSULTANT may, at its discretion and at any stage, engage sub CONSULTANTS to perform part of the SERVICES. The DEPARTMENT and CONSULTANT by written amendment to this AGREEMENT may, from time to time, make changes to the SERVICES. All changes must be in writing, in accordance with the procedures outlined in this AGREEMENT. The time for completion of the SERVICES may be adjusted accordingly.
2. **COMPENSATION:** Charges for the SERVICES rendered will be made in accordance with the CONTRACT PRICE indicated in Attachment 'A'; or, if no CONTRACT PRICE is indicated, in accordance with TASK ORDERS issued under this AGREEMENT and the CONSULTANT's Schedule of Fees attached and incorporated into the TASK ORDER. TASK ORDERS shall be incorporated into the AGREEMENT.

All invoices MUST identify the contract or purchase order number and the project name. Any invoice received without proper identification will be returned to the CONSULTANT. Approved invoices shall be paid by the DEPARTMENT within thirty (30) calendar days of approval by the DEPARTMENT.

3. **REPRESENTATIVES:** Each party shall designate a representative who is authorized to act on behalf of that party and receive notices under this AGREEMENT. CONSULTANT agrees that the DEPARTMENT's representative cannot bind the DEPARTMENT and can only make recommendations or act within his or her authority, granted by the DEPARTMENT's BOARD of WATER COMMISSIONERS.
4. **NOTICES:** All notices, consents, and approvals required to be given hereunder shall be in writing and shall be given to the representatives of each party. All notices required by this AGREEMENT to be given by either party shall be deemed to be properly given and received within two (2) business days if made in writing to the other party by certified mail, telegram, email, facsimile or telex, addressed to the regular business address of such party as identified above.
5. **DEPARTMENT'S RESPONSIBILITIES:** The DEPARTMENT shall provide to CONSULTANT, in writing, the DEPARTMENT'S total requirements in connection with the PROJECT, including the PROJECT budget and time constraints. The DEPARTMENT shall make available to CONSULTANT all relevant information or data pertinent to the PROJECT which is required by CONSULTANT to perform the SERVICES. CONSULTANT shall be entitled to rely upon the accuracy and completeness of all information and data furnished by the DEPARTMENT. However, CONSULTANT shall perform any investigation or confirmation of data that a reasonable CONSULTANT offering the same type of services would under the same circumstances.

The DEPARTMENT shall give prompt consideration to all documentation related to the PROJECT prepared by CONSULTANT and whenever prompt action is necessary shall inform CONSULTANT of DEPARTMENT'S decisions in such reasonable time so as not to delay the schedule for providing the SERVICES.

When applicable, the DEPARTMENT shall arrange and make provision for CONSULTANT's entry to the PROJECT site as well as other public and private property as necessary for CONSULTANT to perform the SERVICES. The DEPARTMENT shall obtain any required approvals, licenses and permits from governmental or other authorities having jurisdiction over the PROJECT so as not to delay CONSULTANT in the performance of the SERVICES, unless the scope of services requires that CONSULTANT shall do that work.

6. **CONSULTANT'S RESPONSIBILITIES:** CONSULTANT shall furnish the necessary, qualified personnel to provide the SERVICES. CONSULTANT represents that it has the experience and capability necessary to and agrees to perform the SERVICES in accordance with the generally accepted professional practices and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions. All services shall be performed to the DEPARTMENT's satisfaction.

In performing the SERVICES under this AGREEMENT, CONSULTANT shall operate as and have the status of an independent contractor and shall not act as, or be, an employee of the DEPARTMENT. The SERVICES performed by CONSULTANT shall be subject to the inspection and the review of the DEPARTMENT at all times but such inspection and review shall not relieve CONSULTANT from its responsibility for the proper performance of the SERVICES. Neither CONSULTANT nor any of his/her/its employees or agents shall have any claim under this AGREEMENT or otherwise against the DEPARTMENT for vacation pay, paid sick leave, retirement benefits, social security, workers' compensation, health, disability, or unemployment insurance benefits or other employee benefits of any kind. CONSULTANT is liable for all applicable Social Security, Federal and State taxes required on payments made by the DEPARTMENT.

7. **TERMINATION:** DEPARTMENT party may terminate this AGREEMENT, in whole or in part, without cause upon thirty (30) calendar days' written notice. Upon receipt of the termination notice, CONSULTANT shall promptly discontinue services unless the notice directs to the contrary. In the event DEPARTMENT renders such written notice to CONSULTANT, CONSULTANT shall be entitled to compensation for all services rendered prior to the effective date of the notice and all further services set forth in the notice. DEPARTMENT shall be entitled to reimbursement for any compensation paid in excess of services rendered. CONSULTANT acknowledges DEPARTMENT's right to terminate this AGREEMENT as provided in the Section, and hereby waives any and all claims for damages that might arise from DEPARTMENT's termination of this AGREEMENT. CONSULTANT shall delivery to the DEPARTMENT and transfer title (if necessary) to all completed work, and work in progress, including drafts, documents, plans, forms, maps, models, products, graphics, computer programs and reports.

8. **BUILDING CODES, BYLAWS AND OTHER PUBLIC REGULATIONS:** CONSULTANT shall, to the best of its ability, interpret building codes, by-laws and other public regulations as they apply to the PROJECT and as they are published at the time SERVICES commence. Furthermore, CONSULTANT shall observe and comply with all applicable laws, ordinances, codes and regulations of government agencies, including federal, state, provincial, municipal and local governing bodies having jurisdiction over the conduct of the SERVICES ("LAW"). However, it is expressly acknowledged and agreed by the DEPARTMENT that as the PROJECT progresses such building codes, by-laws, other public regulations and LAWS may change or the interpretation of any public authority may differ from the interpretation of CONSULTANT, through no fault of CONSULTANT, and any extra costs necessary to conform to such changes or interpretations during or after execution of the SERVICES will be paid by the DEPARTMENT upon the determination of the Department in the exercise of its sole discretion that the CONSULTANT has performed due diligence in complying with the applicable statute.

CONSULTANT shall continue to provide equal employment opportunity to all qualified persons and to recruit, hire, train, promote and compensate persons in all jobs without regard to race, color, religion, sex, age, disability or national origin or any other basis prohibited by applicable laws.

9. **COST AND SCHEDULE OF CONSTRUCTION WORK:** When applicable, and in providing opinions of probable cost and project schedule, it is recognized that neither the DEPARTMENT nor CONSULTANT has control over the costs of labor, equipment or materials. The opinions of probable cost or project duration are based on CONSULTANT'S reasonable professional judgment and experience and do not constitute a warranty, express or implied, that the DEPARTMENTS' bids, project schedules, or the negotiated price of the Work or schedule will not vary from the DEPARTMENT'S budget or schedule or from any opinion of probable cost or project schedule prepared by

CONSULTANT. Exact costs and times will be determined only when bids have been received for the PROJECT and when the construction work has been performed and payments finalized.

10. **ADMINISTRATION OF CONSTRUCTION CONTRACTS:** When applicable, CONSULTANT shall provide field services during the construction of the PROJECT to the extent that such SERVICES are included and defined in this AGREEMENT.

It is understood and agreed by the DEPARTMENT and CONSULTANT that only work which can be seen during an examination by CONSULTANT can be said to have been appraised and comments on the balance of any construction work are assumptions only.

When field services are provided by CONSULTANT, the authority for general administration of the PROJECT shall reside with CONSULTANT only to the extent defined in this AGREEMENT. In such case, CONSULTANT shall coordinate the activities of other consultants employed by the DEPARTMENT, only to the extent that CONSULTANT is empowered to do so by such other consultants' contracts with the DEPARTMENT.

When field services are provided, no acceptance by CONSULTANT of the work or services of a construction contractor or other consultants, whether express or implied, shall relieve such construction contractor or other consultants from their responsibilities to the DEPARTMENT for the proper performance of such work or services and further, CONSULTANT shall not be responsible to the DEPARTMENT or to the construction contractor or to the other consultants for the means, methods, techniques, sequences, procedures and use of equipment of any nature whatsoever, whether reviewed by CONSULTANT or not, which are employed by the construction contractor or the other consultants in executing, designing, or administering any phases of the PROJECT, or for placing into operation any plant or equipment or for safety precautions and programs incidental thereto.

11. **CHANGE ORDERS:** Any change(s) to the CONSULTANT'S scope of work, including a time extension, shall be in writing, without exception. CONSULTANT acknowledges by signing this AGREEMENT that DEPARTMENT is a public entity and, as such, representatives of the DEPARTMENT have no authority to bind the DEPARTMENT contractually. DEPARTMENT representatives will recommend changes to the AGREEMENT to the General Manager of the DEPARTMENT and/or to the BOARD of WATER COMMISSIONERS.

If CONSULTANT intends to initiate a change to the scope of work, including a time extension, CONSULTANT must provide a written request to the DEPARTMENT within twenty (20) calendar days of discovery of the need for the change. Failure to provide a written request within that time period shall effect a WAIVER of a claim for additional work, unless such failure is the sole fault of the DEPARTMENT. Within twenty (20) calendar days of a written request by CONSULTANT, DEPARTMENT will either issue a CHANGE ORDER, request additional information, or deny the CHANGE ORDER. If DEPARTMENT ultimately denies the CHANGE ORDER, the CONSULTANT shall continue work under the original or approved, amended scope of work.

If the DEPARTMENT initiates a change to the scope of work, including a time extension, it will issue a request for change of scope. CONSULTANT shall, within twenty (20) calendar days of the request for change of scope, provide a firm cost for the change of scope. If both parties agree, the DEPARTMENT will issue a CHANGE ORDER for the change to the scope of work.

12. **JOBSITE SAFETY:** CONSULTANT shall be responsible for safety related to and during the performance of the work. CONSULTANT will ensure that his/her employees and the employees of his subconsultants are notified of and observe and abide by all safety regulations and laws. CONSULTANT shall immediately notify DEPARTMENT of any damage to property and/or injury to, or death of persons, which occurs in connection with or is in any way related to the work. CONSULTANT shall furnish DEPARTMENT a written report of any such damage or injury within three (3) business days.
13. **LIMITATION OF LIABILITY:** The DEPARTMENT releases CONSULTANT from any liability and agrees to defend, indemnify and hold CONSULTANT harmless from any and all claims, damages, losses, and/or expenses, direct and indirect, or consequential damages, including but not limited to attorney's fees and charges and court and arbitration costs, arising out of, or claimed to arise out of, the performance of the SERVICES, excepting liability arising from the negligence or willful misconduct of CONSULTANT. The CONSULTANT releases DEPARTMENT from any liability and agrees to defend, indemnify and hold DEPARTMENT harmless from any and all claims, damages, losses, and/or expenses, direct and indirect, or consequential damages, including but not limited to attorney's fees and charges and

court and arbitration costs, arising out of, or claimed to arise out of, the performance of the SERVICES, excepting liability arising from the negligence or willful misconduct of DEPARTMENT.

14. **INSURANCE:** CONSULTANT shall not commence work under this AGREEMENT until CONSULTANT has obtained, at his/her/its sole expense, the required policies of insurance, which meet the insurance requirements established by the DEPARTMENT, a copy of which is attached hereto. At the time of execution of this AGREEMENT, CONSULTANT shall provide DEPARTMENT with valid Certificate(s) of Insurance for said policies of insurance. CONSULTANT shall, during the life of this AGREEMENT, notify the DEPARTMENT in writing, within 72 hours of knowledge, of any incident giving rise to potential bodily injury or property damage claim.
15. **CONFIDENTIALITY:** CONSULTANT acknowledges that DEPARTMENT operates a water and wastewater system that are governed by laws affecting homeland security. Therefore, CONSULTANT agrees that any information provided to it that is protected from disclosure to the general public shall remain confidential and shall not be disclosed to any third party unless absolutely necessary to perform the SERVICES. CONSULTANT agrees that it shall keep the location of DEPARTMENT facilities confidential and shall take all reasonable steps to assure that its employees keep the location of DEPARTMENT facilities confidential. CONSULTANT also acknowledges that there may be substantial continuing harm caused by failure of CONSULTANT to maintain strict confidentiality regarding the SERVICES and that an action for specific performance is the appropriate remedy.

CONSULTANT will comply with its statutory obligations respecting the collection, use, disclosure, access to, correction, protection, accuracy, retention and disposition of confidential and personal information that may be collected or created under this AGREEMENT. CONSULTANT will refer any request for access to or correction of confidential and personal information that is made under statute to the DEPARTMENT and will comply with any directions from the DEPARTMENT respecting the access request, or respecting correction and annotation of confidential and personal information. CONSULTANT shall, during regular business hours and upon ten (10) calendar days notice, allow the DEPARTMENT to enter its premises and inspect any personal information of the DEPARTMENT'S that is in the custody of CONSULTANT or any of CONSULTANT's policies or practices relevant to the management of confidential and personal information subject to this AGREEMENT.

16. **OWNERSHIP OF WORK PRODUCT:** All original papers, maps, models, designs, studies, surveys, reports, data, notes, computer files, documents, drawings and other WORK PRODUCT of CONSULTANT produced by CONSULTANT pursuant to this AGREEMENT, except documents which are required to be filed with public agencies, shall be deemed solely the property of DEPARTMENT. CONSULTANT shall take such steps as are necessary to perfect and protect the ownership interest of the DEPARTMENT in such WORK PRODUCT. Upon completion, expiration or termination of this AGREEMENT, CONSULTANT shall turn over to DEPARTMENT all such original WORK PRODUCT within ninety (90) calendar days of the completion of the SERVICES, unless otherwise agreed in writing to the contrary.
17. **FORCE MAJEURE:** Any default in the performance of this AGREEMENT caused by any of the following events and without fault or negligence on the part of the defaulting party shall not constitute a breach of contract: labor strikes, riots, war, unusually severe weather conditions or other natural catastrophe, or any other cause beyond the reasonable control or contemplation of either party.
18. **GOVERNING LAW:** This AGREEMENT shall be governed, construed and enforced in accordance with the laws of the state of California.
19. **CHOICE OF VENUE:** Venue for any dispute shall be in the courts for the county of San Bernardino and the parties hereto consent to the exercise of personal jurisdiction over them by such courts for purposes of any such action or proceeding.
20. **ATTORNEYS FEES:** In the event of a dispute hereunder, the prevailing party is entitled to recover from the other party all costs incurred by the prevailing party in enforcing this AGREEMENT and prosecuting the dispute, including reasonable attorney's and expert's fees, whether incurred through formal legal proceedings or otherwise.
21. **ASSIGNMENT AND SUCCESSORS:** Neither the DEPARTMENT nor CONSULTANT shall, without the prior written consent of the other party, assign the benefit or in any way transfer the obligations of this AGREEMENT or any part hereof. This AGREEMENT shall inure to the benefit of and be binding upon the parties hereto, and except as otherwise provided herein, upon their executors, administrators, successors, and assigns.

PROFESSIONAL SERVICES AGREEMENT

22. **ENTIRE AGREEMENT:** This AGREEMENT constitutes the sole and entire agreement between the DEPARTMENT and CONSULTANT relating to the PROJECT and supersedes all prior agreements between them, whether written or oral respecting the subject matter hereof and no other terms, conditions or warranties, whether express or implied, shall form a part hereof. This AGREEMENT may be amended only by written instrument signed by both the DEPARTMENT and CONSULTANT. All attachments referred to in this AGREEMENT are incorporated herein by this reference; however, in the event of any conflict between attachments and the terms and conditions of this AGREEMENT, the terms and conditions of this AGREEMENT shall take precedence.
23. **SEVERABILITY:** If any term, condition or covenant of this AGREEMENT is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions of this AGREEMENT shall be binding on the DEPARTMENT and CONSULTANT.

THE PARTIES EXPRESSLY ACKNOWLEDGE THAT THIS AGREEMENT CONTAINS LIMITATION OF LIABILITY PROVISIONS RESTRICTING RIGHTS FOR THE RECOVERY OF DAMAGES.

The Parties, intending to be legally bound, have made, accepted and executed this AGREEMENT as of the Agreement Date noted above:

**CITY OF SAN BERNARDINO
BOARD OF WATER COMMISSIONERS**

Name:

Title:

**Toni Callicott
President**

Name:

Title:

**Robin L. Ohama
Deputy City Clerk & Ex-Officio Secretary**

PROFESSIONAL SERVICES AGREEMENT

Attached to and forming part of the AGREEMENT

BETWEEN:

CITY OF SAN BERNARDINO MUNICIPAL WATER CONSULTANT
(hereinafter called the "DEPARTMENT")

- and -

RAYMOND JAMES
(hereinafter called 'CONSULTANT')

EFFECTIVE: April 5, 2016

This Attachment details the SERVICES, CONTRACT TIME, CONTRACT PRICE, ADDITIONAL CONDITIONS and ADDITIONAL ATTACHMENTS forming part of the above described AGREEMENT.

SERVICES: CONSULTANT shall perform the following SERVICES:

PROJECT

(hereinafter called the 'SERVICES')

CONTRACT TIME: Commencement Date: April 5, 2016
Estimated Completion Date: June 30, 2017

CONTRACT PRICE: Subject to the terms below, DEPARTMENT will compensate CONSULTANT for SERVICES as follows:

Component:	Water Fund Amount:	Sewer Fund Amount:	Total Amount:
Management Fee	\$0	\$0	\$0
Takedown	100,897.50	100,897.50	201,795.00
Underwriter's Counsel	30,000.00	30,000.00	60,000.00
Ipree reporting fees	2,716.20	2,716.20	5,432.40
Depository Trust & Clearing Corporation (DTC) Book Entry	800.00	800.00	1,600.00
Committee of Uniform Security Identification Procedures (CUSIP)	1,200.50	1,200.50	2,401.00
California Debt & Investment Advisory Commission	3,000.00	3,000.00	6,000.00
Travel/Out of Pocket	1,000.00	1,000.00	2,000.00
Total	\$139,614.20	\$139,614.20	\$279,228.40
\$/Bond	\$4.1063	\$4.1063	\$4.1063

If CONSULTANT intends to use additional personnel to accomplish the SERVICES, CONSULTANT will treat this change as a change in scope and shall comply with Section 12 of the AGREEMENT.

An eight percent (8%) FLAT RATE DISBURSEMENT (FRD) recovery charge will be applied to the CONSULTANT fees to cover miscellaneous project expenses, internal incidental printing, copying and plots, film, CDs and report materials; communications expenses (e.g., faxes, office and mobile phones, blackberries, pagers, and other devices); office expenses (e.g., postage, couriers, equipment, common software and other supplies); staff local mileage/kilometrage; and archive maintenance. As this is a FRD, no supporting document will be provided with invoices.

Project specific charges, such as subCONSULTANTS; travel, accommodations and meals; project-specific printing of deliverables; consumables; usage charges for specialized field equipment and company-owned, leased or rented project vehicles; external testing lab charges and other external

services charges; specialized computer software costs; and other significant project/specific expenses will be invoiced in addition to labor fees and to the FRD.

Where not stated as being included in the fees, DEPARTMENT and similar third party expenses will be charged as incurred with a ten percent (10%) markup.

Unless otherwise noted, the fees in this agreement do not include any value added, sales, or other taxes that may be applied by Government on fees for services. Such taxes will be added to all invoices as required.

Changes to the SERVICES shall be administered as provided in Section 12 of the AGREEMENT.

Unless otherwise specified, charges for SERVICES are based on CONSULTANT'S hourly billing.

**ADDITIONAL
CONDITIONS:**

The following additional conditions shall be read in conjunction with and constitute part of this AGREEMENT:

No additional conditions.

**ADDITIONAL
ATTACHMENTS:**

The following additional attachments shall be read in conjunction with and constitute part of this AGREEMENT:

CONSULTANT Proposal dated February 26, 2016

INSURANCE REQUIREMENTS

Before any services are provided under this agreement, CONSULTANT shall procure, and maintain in effect during the term of this agreement, insurance coverage in amounts and on terms not less than set forth below.

If you have any questions about the type of coverage we require, you may e-mail your questions to:

*Sydney Morrison
Senior Administrative Coordinator
City of San Bernardino
Municipal Water Department
E-mail address: Sydney.morrison@sbmwd.org*

Insurance - During the life of the contract and for such additional time as maybe required the CONSULTANT shall procure, provide and maintain in full force and effect the insurance outlined here for coverages at not less than the prescribed minimum limits of liability covering the Consultants activities, those of any and all consultants, or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them maybe liable. Professional liability insurance providing a minimum limit of liability of \$1.0 million per claim and a \$2,000,000 million aggregate. Insurance for protection from claims under workers' compensation insurance with statutory minimum amounts of coverage, as required by the Labor Code of the State of California, and including employer's liability insurance with a minimum limit of \$1,000,000. Such workers' compensation insurance shall be endorsed to provide for a waiver of subrogation against the City of San Bernardino Municipal Water Department, its commissioners, officers, agents, employees, Consultants, and consultants of this Contract, the City of San Bernardino, its officers, agents, and employees, and all public agencies from whom permits will be obtained and its directors, officers, agents, and employees (Department). Insurance for claims for damages because of bodily injury including personal injury, sickness or disease or death of any and all employees or of any person other than such employees, and from claims or damages because of injury to or destruction of property including loss of use resulting therefrom. The insurance shall provide the following minimum limits of liability: Combined Single Limit of \$1.0 million per occurrence for bodily injury, including death, personal injury and property damage, with \$2.0 million aggregate. Automotive/vehicle liability insurance on a commercial auto liability form covering owned, non-owned and hired automobiles providing a minimum limit of liability of \$1.0 million per accident for bodily injury, death and property damage and a \$2.0 million aggregate. CONSULTANT shall provide the Department the original policies of insurance or present a certificate of insurance as well as any necessary endorsements evidencing such coverage as in force in compliance with the terms and conditions outlined herein.

All Insurance Coverages: The insurance provided for the coverages above are subject to the following conditions:

1. The insurance shall be issued and underwritten by insurance companies acceptable to the Department with a minimum rating of an "A-" policyholder's rating and a financial rating of at least class VII in accordance with the most current Best's Guide Rating., and shall be licensed by the State of California to do business on the lines of insurance specified. The State Compensation Fund of California is an acceptable Workers Compensation carrier.
2. The CONSULTANT may satisfy the limit requirements in a single policy or multiple policies. Any such additional policies written as excess insurance shall not provide any less coverage than that provided by the first or primary policy.
3. Any costs associated with a self-insured program, deductibles, or premium rating programs that determine premium based on loss experience shall be for the account of the CONSULTANT and subsequent sub Consultants, and the Department shall not be required to participate in any such loss. If any such programs exist, CONSULTANT and subsequent sub Consultants agree to protect and defend the Department in the same manner as if such cost provisions were not applicable.

4. The CONSULTANT shall be responsible to establish insurance requirements for any sub CONSULTANT/suppliers hired by the CONSULTANT. The insurance shall be in amounts and types reasonably sufficient to deal with the risk of loss involving the sub Consultant's operations and work.

5. CONSULTANT shall have presented at the time of execution of the Contract, the original policies of insurance or have provided a copy of the certificate of insurance and any necessary endorsements in the form as attached hereto evidencing such coverage as in force, and which complies with the terms and conditions outlined herein.

6. If an insurance policy contains a general policy aggregate of less than the minimum limits specified, then the policy coverage shall be written with limits applicable solely to this Contract, as specified, and shall not be reduced by or impaired by any other claims arising against CONSULTANT. These policy limits shall be set forth by separate endorsement to the policy.

7. Each such policy of General Liability and Automotive/Vehicle Liability insurance shall contain endorsements providing the following:

a. The City of San Bernardino Municipal Water Department, its commissioners, officers, agents, employees, Consultants, and consultants for this Contract, the City of San Bernardino, its officers, agents, and employees, and all public agencies from whom permits will be obtained and its Directors, officers, agents, and employees are hereby declared to be additional insureds under the terms of this policy, but only with respect to the operations of the CONSULTANT at or upon any of the premises of the Department in connection with the Contract with the Department.

b. Each policy shall contain an endorsement that provides that the insurance policy will not be cancelled, limited, materially altered, or non-renewed by the insurer until thirty (30) days after receipt by the Department of a written notice of such cancellation or reduction in coverage.

c. The insurance policy provided by the CONSULTANT and Sub-CONSULTANT shall be listed as primary and noncontributory insurance and no insurance held or owned by The City of San Bernardino Municipal Water Department, its commissioners, officers, agents, employees, Consultants, and engineers for this Contract, the City of San Bernardino, its officers, agents, and employees, and all public agencies from whom permits will be obtained and its Directors, officers, agents, and employees shall be called upon to cover a loss under this policy. The endorsements shall be on the forms supplied by their insurance carrier.

ATTACHMENT "A"

SCOPE OF WORK

Underwriting services for the proposed City of San Bernardino Municipal Water Department 2016 Water and Sewer Revenue Bonds.

Develop and assist with the implementation of the marketing plan associated with the above bond issuance. Marketing plan will focus on, but not be limited to, overcoming the concerns of potential investors related to the local economy, the City's bankruptcy and potential impairment of the Water & Sewer bonds.



**CITY OF SAN BERNARDINO MUNICIPAL WATER DEPARTMENT
2016 WATER AND SEWER REVENUE BONDS**

REQUEST FOR FIRM QUALIFICATIONS/FEE PROPOSAL

DUE DATE: February 26, 2016

RAYMOND JAMES®

February 26, 2016

To: Michael Busch
michaelb@urbanfuturesinc.com

Dear Mike:

On behalf of Raymond James & Associates, Inc. ("Raymond James" or "the Firm" or "RJ"), we are pleased to submit our firm qualifications and fee proposal to the City of San Bernardino Municipal Water Department (the "Department") to serve as sole manager in connection with the planned issuance of \$34 million of debt obligations for each of its Water and Sewer Funds ("the Funds"). Excluding our fee proposal, our response is 5 pages.

a) List the individuals who would work on the proposed financing. Include the role, responsibilities, relevant experience, and contact information for each individual.

Rob Larkins, *Managing Director*, and **Wing-See Fox**, *Vice President*, will serve as co-lead bankers, working closely with Urban Futures on the overall plan of finance, and they will be responsible for delivering the full resources of Raymond James. Additionally, Rob and Wing-See will provide timely feedback on legal documents and the Official Statement, take a lead role in creating the rating agency presentation and Net Road Show, and manage the credit enhancement solicitation process. **Tom Innis**, *Managing Director*, will lend his utilities expertise as needed, and **Tyler Kastelberg**, *Analyst*, will be responsible for quantitative analysis and assisting with deal execution.

Our **pricing and distribution** will be led by our senior California underwriter, **Parker Colvin**, *Managing Director*, who will provide real-time market feedback as the transaction progresses and help refine the structure to ensure maximum market acceptance, which will help achieve the lowest cost. **Marie Autphenne**, *Managing Director*, on our Fixed Income Research team, will provide **desk-based credit analysis**, helping explain the Funds' fundamentals and bond security features to prospective investors who will be acutely focused on the insulation of the Funds from the General Fund.

The team assigned to this transaction has collectively senior managed 77 negotiated California water and wastewater issues since January 1, 2010, totaling approximately \$2 billion in par. Highlighted recent transactions include the \$107.115 million SLO County Financing Authority, Nacimiento Water Project, 2015A Revenue Refunding Bonds, the \$14.130 million Adelanto Public Utility Authority's 2014A Revenue Bonds, and the El Centro Financing Authority's \$20.450 million 2014A Wastewater Revenue Bonds and \$31.980 million 2014A Water Revenue Refunding Bonds. Nacimiento was the largest California water deal outside of the super-regionals (Met Water, EBMUD, etc.) in 2015; Adelanto faced looming bankruptcy concerns; and in El Centro, we built out two parallel POS's for the City's water and sewer credits that came to market the same day.

Full Name, Title	Telephone	Email Address	Address
Rob Larkins, Managing Director	(415) 616-8025	Robert.Larkins@raymondjames.com	One Embarcadero Center Suite 650 San Francisco, CA 94111
Wing-See Fox, Vice President	(415) 616-8021	Wing-See.Fox@raymondjames.com	
Tom Innis, Managing Director	(415) 616-8939	Tom.Innis@raymondjames.com	
Tyler Kastelberg, Analyst	(415) 616-8079	Tyler.Kasterlberg@raymondjames.com	
Parker Colvin, Managing Director	(415) 616-8020	Parker.Colvin@raymondjames.com	
Marie Autphenne, Managing Director	(415) 616-8924	Marie.Autphenne@raymondjames.com	

b) Marketing plan/strategy for the subject issue.

MARKETING PLAN

The Department's two Funds (Water and Sewer) are fundamentally sound, with a large customer base, good overall coverage (assuming noncapital grant funds are included in Water Fund Revenues), improving liquidity in the Water Fund and very healthy liquidity in the Sewer Fund, recently approved rate increases for the Sewer Fund, prudent financial reserve policies, and strong management and governing Board. **Therefore, the primary challenge facing the Department—and the essence of our marketing plan, will be overcoming investors' concerns about the local economy, continuing Bankruptcy, and potential impairment of the Water and Sewer bonds.** Please see tables below for coverage and liquidity calculations assuming FY15 revenue, expenses, and cash on hand remain constant (unadjusted for rate increases in the Sewer Fund).

	Total Operating Revenue	Net Operating Expenses	Net Non-Operating Income	Amount Available for Debt Service		Current Coverage Ratio	Post 2016 Bond Issuance**	
				Debt Service	Debt Service		Debt Service	Pro Forma Coverage Ratio
Water Fund	33,121,128	30,139,458	2,702,953	5,684,623	2,318,805	2.45x	3,221,946	1.76x
Sewer Fund	24,734,425	16,749,778	1,098,877	9,083,524	5,198,313	1.75x*	2,187,500	4.15x

*Senior lien coverage on the Sewer Fund for FY15 is 2.64x

**Water Fund assumes a refunding of the 2002 CIEDB loan and 2016 new money issuance wrapped around 2007 and 2012 CIEDB loans as discussed on pages 4- 5; Sewer Fund assumes level debt service and pre-payment of the 1998 COP as discussed on page 4

FY2015	Net Operating		Cash	Days Cash on Hand
	Expenses	Expenses/Day		
Water Fund	30,139,458	82,574	17,789,720	215
Sewer Fund	16,749,778	45,890	22,926,544	500

Source: The City of San Bernardino Municipal Water Department FY2015 CAFR

We believe the law and the facts are very favorable for the continued insulation of the Municipal Water Department from the General Fund, and, by extension, for bondholders and potential bond insurers. This is strengthened by the fact that the Department has its own Board, finance, human resources, information technology and engineering divisions which operate independently from the City. Our job will be to convey those facts to the market, and we expect **this will require significant effort by the finance team and a longer-than-usual pre-marketing period.** The key elements of our marketing plan are:

It all starts with Disclosure. We recommend two “parallel” POS’s which would be organized similarly with common disclosure about the City, the Bankruptcy and the Service Area, with the difference being that each POS would delve more deeply into its respective Fund (one for Water and one for Sewer, which may receive different ratings). **A key component of the POS should be a section near the front that directly addresses the continuing Bankruptcy and communicates the independence of the Municipal Water Department’s finances from the General Fund, the State Constitutional and statutory protections for Bondholders, and the Bankruptcy Court’s prior findings in this regard.**

“It is a matter of California constitutional law that the City may not use funds belonging to the Water Department for general fund purposes. Amendments to the Constitution enacted by proposition 218 in 1996, which added Articles XIII C and XIII D, expanded restrictions on local government revenue-raising and imposed limitations on local government use of special fees, including water and sewer fees. C.A. Const. art. XIII C and XIII D. Article XIII D covers water fees and prohibits the use of such fees for general governmental services, including police, fire and other services.”

Source: Oct 16, 2013 opinion issued by Bankruptcy Judge Meredith Jury

Focus on indications of a recovering local economy. Although the City was severely affected by the Great Recession, leading to increased unemployment and residential and commercial vacancies, the local economy seems to be experiencing a recent uptick. Unemployment is currently at 7.60% and has been steadily decreasing from a high of 13.70% in 2010; correspondingly, per capita personal income has been steadily increasing in that same time period. Assessed valuation has grown 5.5%, from \$11.299 billion in 2014 to \$11.924 billion in 2015; and in calendar year 2014, taxable retail sales grew 4.8% to \$2.69 billion. Labor force growth is currently strong, exceeding state and national growth rates; and the City’s location near several interstates and an international airport lends itself to being a hub for distribution and warehousing. Additionally, Zillow reports that home prices are up about 10%. As the local real estate and employment markets continue to improve, the Department’s customer base will grow. **These are all good facts that the POS, Net Roadshow and overall pre-marketing campaign must drive home to potential investors.**

Communicate independence of water supply. While many cities in Southern California import their water supplies from the Colorado River and Northern California, the San Bernardino service area receives the majority of its water supply from an underground aquifer which is concentrated at the Northwestern end of the City and is replenished with rain and snowmelt. This local water supply provides high quality, inexpensive water for its customers compared to other cities. **The fact that the Department is able to supply high quality water at a relatively low cost is a distinct advantage and leaves room for rate increases in the future should the Department determine the need to raise rates to satisfy the Rate Covenant or fund its CIP.**

Impact of State mandated water reductions. Water pricing in California is generally “volumetric,” with revenues based on the quantity of water sold. Given the backdrop of a State-mandated 28% reduction in consumption, investors will want to know (and this is not unique to San Bernardino), “what is the impact of reduced sales on Revenues and coverage?” If the Department is mandated to sell less water (or face severe fines), it is logical to assume that it will have to raise rates or coverage will decline. **The Department may wish to consider structuring the Water bonds with interest only for a few years to provide rate relief to residents until the drought subsides and/or State mandated reductions are lifted, allowing sales and Revenues to grow.**

Impact of the San Juan Capistrano decision. Again, this is a common feature of all California water credits, and investors will want confirmation that the Department’s pricing structure does not violate the San Juan Capistrano ruling that bars tiered pricing.

Special Revenue Opinion. Given the pendency of the Bankruptcy, an opinion from bond counsel that the Water and Sewer Funds’ revenues are special revenues and will not be affected by the City’s Bankruptcy proceeding would be a “nice to have” and would be included in our pre-marketing efforts as well as the POS. In its recent rating report, Fitch notes a similar opinion that was provided for the upcoming issuance of the Successor Agency to the Redevelopment Agency of the City of San Bernardino’s 2016 Tax Allocation Bonds. Although initial feedback from investors is that a special revenue opinion is not critical, some would prefer to have one—and it may prove to be essential to obtaining bond insurance. To maximize the universe of potential investors, we think it is worth pursuing. Our recommendation is that the Department determine the cost of obtaining said opinion, and the finance team can quantify the cost in basis points. For example, on a 30-year level debt financing, \$75,000 upfront equates to 1.6 basis points.

Plan for extended pre-marketing. Given all the noise surrounding the Bankruptcy, investors will need time to thoroughly read the POS and have the opportunity to ask questions (and follow up questions). We believe the POS will need to be “on the Street” at least 10 business days prior to pricing. No portfolio manager will be allowed to buy the Bonds until his or her credit analyst has signed off on the credit (and the special revenue opinion will make credit approval a lot easier). Given the large number of transactions in the market, buy-side analysts are extremely busy, and we will not want to rush the process. We will only recommend launching the pricing when we know we have strong and broad support lined up to buy the bonds. **In essence, we won’t launch until we know we have the deal pre-sold, because the risk of an unsuccessful sale is too great for the Department and the City. These deals need to be well placed to set the stage for the City’s return to the market for its exit financings.**

Net Road Show. We strongly recommend a non-audio Net Road Show that can be posted simultaneously with posting the POS. Raymond James will take the lead on this, working closely with Urban Futures to adapt the rating presentation to a format that buyers will find informative and efficient. **We will track “hits” to monitor who is viewing the Road Show and will work with Marie Autphenne, our desk-based credit analyst, and Parker Colvin, our underwriter, to identify accounts who have not viewed the presentation to follow up with them and encourage their participation.** We will cross reference this information with our knowledge of who the most active buyers for CA city utility credits are to make sure that every potential buyer is exposed to the credits and educated on the strong fundamentals and solid legal protections.

One-on-ones. These deals will require a great deal of handholding and outreach to investors. Our bankers will work closely with Marie and Parker to address potential investors’ questions, but **there may be a need for representatives of the Department to get on the phone to answer questions. We anticipate that many investors may also want to speak with Bond Counsel about the insulation of the Funds from the General Fund, especially if a Special Revenue Obligation opinion is provided---which should be included in the POS if rendered.**

Launch only when ready. As mentioned above, **the success of the Water and Sewer transactions will have a significant impact on the City’s anticipated General Fund financings to be conducted in connection with its eventual exit from Chapter 9. Accordingly, it is imperative that these deals are well placed with as broad an investor group as possible.** We will tap all three channels of Raymond James’ distribution system (Tier 1 institutions, Tier 2 and 3 middle market institutions, and retail) to ensure the widest possible distribution, and we will work to build a solid, diverse book of indications before we formally enter the market. In the current volatile market, it is risky to start too aggressively on price and then have to widen spreads to bring buyers in (“chasing the market”); and with these credits, that dynamic will be even more pronounced. We will float price talk that offers some concession to buyers for the name; and as we gain more feedback, we will work with Urban Futures to make appropriate adjustments—ideally tightening spreads based on demand, but possibly needing to widen spreads if we meet resistance. Once we have strong indications of interest, we will launch and lock in the pricing.

Commitment to transparency. We are 100% committed to full transparency in the pricing process.

Prior to pricing, we will assemble for the Department a list of recent comparable transactions to provide context for our price suggestions. We will vet these “comps” with Urban Futures to ensure they represent a fair and reasonable set, based on credit ratings, maturity structure, and size.

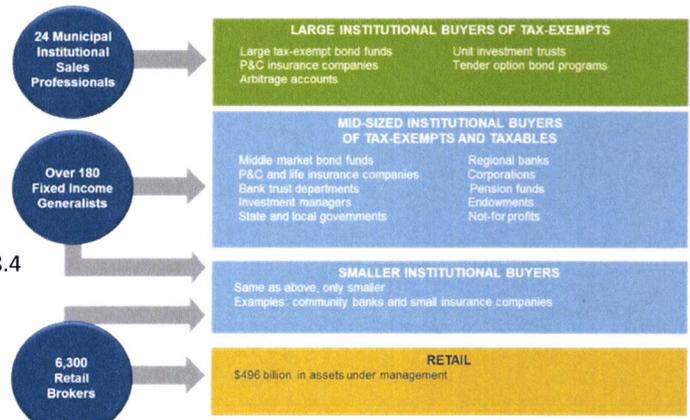
During the order period, we use the IPREO electronic order entry system, and both the Department and Urban Futures will be able to monitor the order flow in real time, so you see what we see as we see it. We view the Department and Urban Futures as partners in the pricing process, and by having all the information we have, you will have complete confidence that we extracted the last viable basis point from the market.

After the pricing, we will put together a Final Pricing Book that will include comparable credits that were in the market at the same time as the Department’s issuance. We will provide detailed information on orders by maturity, showing the complete composition of the “book”, as well as indicating bonds underwritten by Raymond James.

RAYMOND JAMES’ DISTRIBUTION CHANNELS

Raymond James brings to the Department a *bona fide* nationwide municipal sales system with significant California presence: 400 California institutional accounts exceeding \$1.6 trillion in assets under management and 360 California retail brokers with \$18.4 billion in assets under management.

Raymond James’ Comprehensive Investor Coverage. Raymond James has the most complete distribution apparatus in the muni business. We’re a top 10 firm with exceptional Tier 1 coverage; we are the best in business at middle markets; and we have 6,300 retail brokers.



One of the unique strengths that we bring to the Department is our middle market sales force. “Middle markets” refers to smaller institutional buyers including regional insurance companies, smaller banks, money managers, and others – virtually any fixed income portfolio in the Country of material size. This is the core of our fixed income franchise and our unique strength. With over 180 fixed income institutional generalists, Raymond James is the dominant fixed income middle markets firm. Every firm has a call into the largest funds when they have bonds to sell. Raymond James makes calls into thousands of Tier 2 and Tier 3 institutional investors every day.

Extensive Retail Distribution Capabilities. With \$496 billion of investable assets, Raymond James has one of the largest retail distribution networks in the Country. The Firm currently employs 360 retail brokers operating in 153 offices throughout California. These brokers manage over 100,000 accounts and \$18.4 billion in client assets. **In San Bernardino and Riverside Counties alone, we have 10 office locations managing over 7,000 accounts and over \$1.1 billion in client assets.**

INITIAL FEEDBACK FROM INVESTORS

Our sales manager and Marie Autphenne conducted a brief survey of potential investors for the Department’s bonds, and we provide a summary of the feedback below:

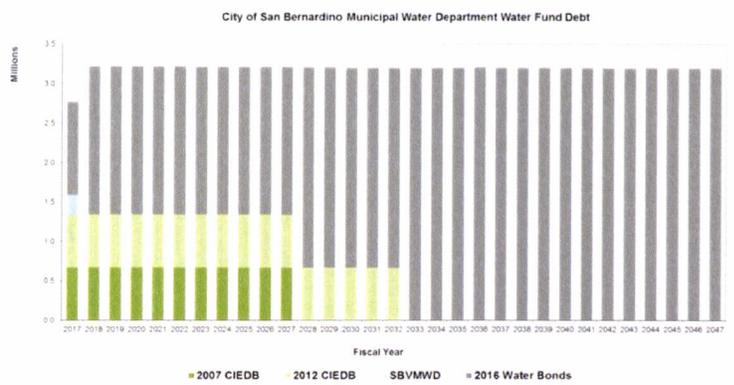
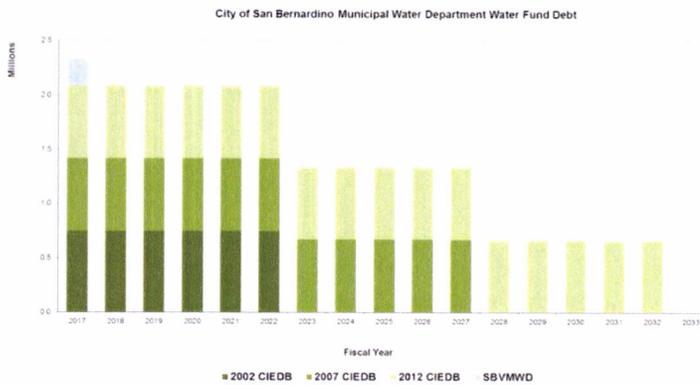
Investor Type	Investor Feedback on San Bernardino Municipal Water Department Water and Sewer Bonds
Tier 1 Bond Fund	"It is hard to consider further investment in a city that is in Chapter 9, including separate revenue debt. However, we would consider it and focus on the City and its recovery plan and progress to date. A special revenue letter wouldn't hurt, but would not be enough on its own to shape our decision."
Tier 1 Bond Fund	"Our focus would be on how the water and sewer enterprises interface with the City, and where revenues flow. If revenues are in a fund that the City can borrow from, we would see that as a negative. If we approve the credit, we would likely want to see a +140 to +150 spread."
Tier 1 Bond Fund	"We would focus on the flow of funds, and whether revenues remain within the respective systems. Our internal counsel would thoroughly review the documents, and we might potentially seek outside counsel to determine if there is any potential for over-reach. We would look for language that specifically states that revenues would not be impaired by bankruptcy proceedings. If the language in the documents clearly addresses that the funds are separate and cannot be tapped by the City, and if history shows that the flow of funds has been separated to each respective Fund, we would not necessarily need an outside letter from counsel."
Tier 1 Money Manager	"We bought the Stockton deal when they were still in Chapter 9 under the assumption it was a separate entity and insulated from the City's problem. We viewed that credit as separate and did not require a special revenue letter."
Tier 2 Money Manager	"We own the 1998 Revenue COPs and bought those without a special revenue opinion, so we would not require one for a new offering. That said, it would be nice to see one if possible. We cannot say at this point to what capacity, if any, we would buy the credit. We would need to review the docs thoroughly. A special revenue opinion would not be required to make our credit decision."
Tier 1 Bond Fund and SMA	"We would like to see a special revenue opinion from bond counsel. While it would not be absolutely necessary to make a purchase decision, we would prefer it particularly for secondary market liquidity purposes."
Tier 1 Bond Fund	"We would do our own due diligence and, if we were comfortable with the credit, we would want to buy it with as much yield as possible. We are capable of getting comfortable with a credit such as this and would buy it on its own merit (i.e. not dependent on an opinion from counsel)."

c) Analysis of existing Sewer debt as it may relate to a refunding/new money offering

OUTSTANDING DEBT

For the Sewer Fund, the State Revolving Fund Note Payable expires this year in 2016. **Additionally, we suggest pre-paying the 2/1/2017 final payment of the 1998 Sewer COPs with its DSRF cash balance. That way, the Sewer Fund will start with a clean slate** and have no debt outstanding other than the contemplated 2016 Sewer Revenue Bonds—the issuance of which would not be encumbered by any covenants of the 1998 COPs.

For the Water Fund, we looked at including a refunding of the 2002, 2007 and 2012 CIEDB loans with the new money issuance. Currently, there are savings from refunding the 2002 loan, but not the 2007 or 2012 loans. Additionally, there is a San Bernardino Valley Municipal Water District promissory note outstanding with a final payment in 2017 of \$247,937. Instead of structuring the 2016 Water Bonds with level debt service, the Department may wish to wrap around the 2007 and 2012 CIEDB loans in order to minimize rate pressure and maintain good coverage while the CIEDB loans are still outstanding. The table on the next page on the left illustrates the Water Fund’s current outstanding debt which is very front-loaded, and the table to the right illustrates the Water Fund’s debt after the issuance of the 2016 Water Bonds, using a wrap structure that includes a refunding of the 2002 CIEDB loan.



DEVELOP A NEW INDENTURE

Since there is no outstanding public debt for the Water Fund, and the Feb 1, 2017 maturity of the 1998 Sewer COPs can be paid off by the existing DSRF balance, it would be advantageous for the Department to start fresh with a new Indenture for each Fund. The outstanding CIEDB loans and San Bernardino Valley Municipal Water District Note would be folded into the Water Fund Indenture on the same lien status that currently exists. Among the key features we recommend are:

Rate Covenant. The existing 1.1x rate covenant from Net Revenues is satisfactory, but the new Indenture should allow for Revenues to be augmented by withdrawals from a Rate Stabilization Fund (while deposits to the RSF would be deducted from Revenues).

Additional Bonds Test. 1.1x coverage of prospective MADS, based on trailing 12 month’s Net Revenues, with standard provisions for the inclusion of projected additional Net Revenues based on adopted rate increases, should be sufficient.

Rate Stabilization Fund (RSF). The Indenture should include one, but funding it is optional. This is different than the existing Rate Stabilization Reserve held by the Department. Top line Revenues contributed to the RSF are deducted from Revenues for coverage calculation purposes; withdrawals from the RSF are added to Revenues for purposes of coverage. Funding is at the “top of the waterfall” not from the bottom (which is considered “rolling coverage” and is frowned upon by the rating agencies, insurers and investors).

DSRF. We recommend the standard three pronged test, with the explicit ability to satisfy the requirement with a surety rated in “in the top two categories by one Rating Agency” (allows Aa3 or AA-), and no obligation to replace the surety if subsequently downgraded. The Indenture should allow for parity debt with a shared Reserve as well as a separate Reserve, including no Reserve.

No variable rate. Many utility issuers have complex indentures with provisions for all kinds of financial products that never get used. We recommend a simple fixed rate Indenture, as we don’t believe the Water Department’s capital structure is large enough to sustain variable rate exposure, and we strongly recommend against provisions that would allow derivatives, as that would likely raise red flags with the rating agencies, insurers and investors.

Carve out Cross Default. As the Department is aware, the Chapter 9 filing constituted an Event of Default under the 1998 COPs. Since the City has yet to emerge from Bankruptcy, the Indenture should “carve out” the current Bankruptcy as an Event of Default, but once the City emerges, that provision would become active, such that any future Bankruptcy would constitute an Event of Default with all attendant remedies (including acceleration with the consent of the Bond Insurer).

BOND INSURANCE

We have spoken with representatives of all three bond insurers, and we note that BAM insured Stockton’s 2014 Wastewater Revenue Refunding Bonds that were issued in October 2014 while the City was still operating under Chapter 9. Preliminary premium estimates indicate that it would be economical to ensure both the Sewer and Water bonds. Additionally, the insurers have indicated a willingness to provide a surety along with bond insurance. At a fixed \$34 million par amount, insurance and a surety would generate an additional \$2 million in project fund proceeds compared to an uninsured scenario with a cash funded reserve. We understand that despite S&P’s (who is normally the driver of insurers’ premium pricing) unwillingness to issue an investment grade rating until the City gets current on its audits, the insurers are comfortable with the Department’s audited financials, and we are fine proceeding without an S&P rating.

Summary of Bond Insurance Indications

	Bond Insurance	Surety	Add'l Proceeds Over Uninsured
BAM	35-40 bps	3.00-3.25%	\$2.28 million
AGM	45-65 bps	4.00-5.00%	\$2.08 million
National	Sewer: 20-25 bps Water: 25-32 bps	2.50-3.00% 2.75-3.50%	\$2.18 million

Fees Breakdown

For each issuance, assuming insurance and level debt service, Raymond James proposes the following underwriter's discount to serve as sole manager.

Raymond James Fee Proposal Sole-Manager: \$34 Million, 30-Yr Level Debt Service, Assumes Insurance					
Underwriting Spread			Underwriter's Expenses		
Component	\$/bond	Total	Component	\$/bond	Total
Management Fee	\$0.0000	\$0	Underwriter's Counsel	\$0.8824	\$30,000.00
Takedown	\$2.9676	100,897.50	Ipreo	0.0799	2,716.20
Underwriter's Expenses	\$1.1387	38,716.70	DTC Book Entry	0.0235	800.00
Gross Spread	\$4.1063	\$139,614.20	CUSIP	0.0353	1,200.50
			CDIAC	0.0882	3,000.00
			Travel/Out of Pocket	0.0294	1,000.00
			Total	\$1.1387	\$38,716.70

Proposed Takedowns by Maturity			
2017-2020	\$2.50	2021-2046	\$3.00

Thank you for inviting Raymond James to compete for this important assignment. The Department will have our undivided attention and will receive the highest possible customer service and best execution. Please do not hesitate to contact any of us if you have any questions about our proposal or credentials.

Sincerely,



Rob Larkins, *Managing Director*
 (415) 616-8025
Robert.Larkins@raymondjames.com



Wing-See Fox, *Vice President*
 (415) 616-8021
Wing-See.Fox@raymondjames.com



Parker Colvin, *Managing Director*
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Parker.Colvin@raymondjames.com

DISCLAIMER

The information contained herein is solely intended to facilitate discussion of potentially applicable financing applications and is not intended to be a specific buy/sell recommendation, nor is it an official confirmation of terms. Any terms discussed herein are preliminary until confirmed in a definitive written agreement. While we believe that the outlined financial structure or marketing strategy is the best approach under the current market conditions, the market conditions at the time any proposed transaction is structured or sold may be different, which may require a different approach.

The analysis or information presented herein is based upon hypothetical projections and/or past performance that have certain limitations. No representation is made that it is accurate or complete or that any results indicated will be achieved. In no way is past performance indicative of future results. Changes to any prices, levels, or assumptions contained herein may have a material impact on results. Any estimates or assumptions contained herein represent our best judgment as of the date indicated and are subject to change without notice. Examples are merely representative and are not meant to be all-inclusive.

Raymond James shall have no liability, contingent or otherwise, to the recipient hereof or to any third party, or any responsibility whatsoever, for the accuracy, correctness, timeliness, reliability or completeness of the data or formulae provided herein or for the performance of or any other aspect of the materials, structures and strategies presented herein. Raymond James is neither acting as your financial advisor nor Municipal Advisor (as defined in Section 15B of the Exchange Act of 1934, as amended), and expressly disclaims any fiduciary duty to you in connection with the subject matter of this Proposal.

Municipal Securities Rulemaking Board ("MSRB") Rule G-17 requires that we make the following disclosure to you at the earliest stages of our relationship, as underwriter, with respect to an issue of municipal securities: the underwriter's primary role is to purchase securities with a view to distribution in an arm's-length commercial transaction with the issuer and it has financial and other interests that differ from those of the issuer.

Raymond James does not provide accounting, tax or legal advice; however, you should be aware that any proposed transaction could have accounting, tax, legal or other implications that should be discussed with your advisors and/or legal counsel.

Raymond James and affiliates, and officers, directors and employees thereof, including individuals who may be involved in the preparation or presentation of this material, may from time to time have positions in, and buy or sell, the securities, derivatives (including options) or other financial products of entities mentioned herein. In addition, Raymond James or affiliates thereof may have served as an underwriter or placement agent with respect to a public or private offering of securities by one or more of the entities referenced herein.

This Proposal is not a binding commitment, obligation, or undertaking of Raymond James. No obligation or liability with respect to any issuance or purchase of any Bonds or other securities described herein shall exist, nor shall any representations be deemed made, nor any reliance on any communications regarding the subject matter hereof be reasonable or justified unless and until (1) all necessary Raymond James, rating agency or other third party approvals, as applicable, shall have been obtained, including, without limitation, any required Raymond James senior management and credit committee approvals, (2) all of the terms and conditions of the documents pertaining to the subject transaction are agreed to by the parties thereto as evidenced by the execution and delivery of all such documents by all such parties, and (3) all conditions hereafter established by Raymond James for closing of the transaction have been satisfied in our sole discretion. Until execution and delivery of all such definitive agreements, all parties shall have the absolute right to amend this Proposal and/or terminate all negotiations for any reason without liability therefor.

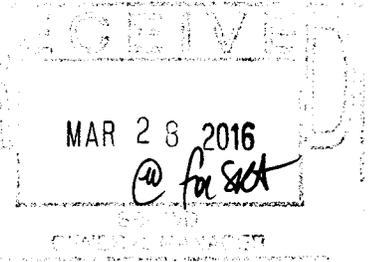
San Bernardino Municipal Water Department
Possible Debt-Funded Projects
As of 1/27/16

Project Name:	Ref #:	Water Fund:	Sewer Fund:
Reservoir Seismic Upgrades - Bid Package #1	1	\$ 2,000,000	
Reservoir Seismic Upgrades - Bid Package #2	2	7,500,000	
Reservoir Seismic Upgrades - Bid Package #3	2	7,500,000	
Intermediate Zone 24" Transmission Main	3	5,500,000	
SBMWD Administration Building		9,500,000	2,125,000
Primary Influent Flow Equalization			12,500,000
Clean Water Factory - Phase I (construction)	4		13,500,000
Centralized POGT	5		5,000,000
Customer Service Relocation- 1350 "E" Street	6	2,000,000	1,000,000
		<u>\$ 34,000,000</u>	<u>\$ 34,125,000</u>

Notes:

- 1: Concrete reservoirs
- 2: Steel reservoirs
- 3: Approximately 15 ft of 24 inch main
- 4: Contingent upon successful resolution to Change of Use Petition protests
- 5: Contingent upon successful testing of Cogeneration Hydrogen Injection Demonstratio Project
- 6: Estimated cost and allocation between funds

**CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT
BOARD OF WATER COMMISSIONERS
STAFF REPORT**



TO: Stacey R. Aldstadt, General Manager
FROM: Terri A. Willoughby, Director of Finance
SUBJECT: **WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS RECEIVABLE: USAA
CASUALTY INSURANCE**
DATE: March 25, 2016

BACKGROUND:

On November 23, 2015, Finance staff invoiced USAA Casualty Insurance (USAA) in the amount of \$5,779.03 for damage to a fire hydrant that occurred in September 2015. In this case, USAA has denied liability because the damage was caused by an unknown hit and run driver rather than their insured party. Staff is unable to pursue the other driver to collect because they have no contact information. At this time, staff is recommending that the invoice be written off as a loss.

As outlined in Policy 54.020, Write-Off of Uncollectible Accounts Receivable, Board of Water Commissioner approval is needed for any write-off over \$1,000.

RECOMMENDATION:

Staff recommends that the Board of Water Commissioners approve the write-off of Invoice #25448 to USAA Casualty Insurance in the amount of \$5,779.03.

Respectfully submitted,

Terri A. Willoughby
Director of Finance

Attachments:

Interoffice Memorandum Re: Invoice # 25448/LC#15-159
San Bernardino Municipal Water Department Invoice # 25448

**CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT
INTEROFFICE MEMORANDUM**

TO: Jennifer Francis, Senior Accountant
FROM: Frank Salazar, Safety Manager 
SUBJECT: Invoice #25448/LC #15-159
DATE: February 10, 2016

Correspondence was received from USAA Casualty Insurance stating they have denied liability for this loss due to the accident being caused by an unknown hit and run driver. ERC is unable to pursue the unknown driver due to no contact information. I recommend that invoice #25448 be closed and written as a loss.

If you have any questions, please call me at (909) 384-5576.

Thank you.

SAN BERNARDINO MUNICIPAL WATER DEPARTMENT

300 North "D" Street, 5th Floor
San Bernardino, California 92418
Telephone (909) 384-5189

INVOICE

Billed To : USAA CASUALTY INSURANCE

ATTN: BRANDIN SANDOVAL-LAWSON

Acct. Ref. : 9001667/9001667

Invoice No. : 25448

Date : 11/23/15

Page : 1 of 1

Description	Quantity	Unit Price	Extended Price
LABOR & BENEFITS	1.00	1,239.57	1,239.57
Overhead on Labor	1.00	358.24	358.24
MATERIALS & SUPPLIES	1.00	2,851.17	2,851.17
Materials Surcharge	1.00	285.12	285.12
EQUIPMENT USAGE	1.00	1,044.93	1,044.93

.....
LOSS CONTROL REPORT NO.:15-159
DAMAGE DESCRIPTION:REPAIR/REPLACE HIT FIRE HYDRANT
LOCATION:250 S. LENA RD, SAN BERNARDINO, CA 92415
OUR WORK ORDER NO.:606102
OCCURRED ON OR ABOUT:9/15/2015
SBPD REPORT NO.:2015-102948
INS CLAIM NO.:009023304-6
DRIVER OF VEHICLE:JOHN EDWARD DIXON
INS POLICY NO.:009023304C
IF YOU HAVE ANY QUESTIONS REGARDING THIS INVOICE,
PLEASE CALL THE ENVIRONMENTAL & REGULATORY
COMPLIANCE SECTION AT (909) 384-5576.

PAYMENT

DEC 23 2015

DUE DATE

Total Due:

\$5,779.03

OUTSTANDING CHARGES WILL NOT APPEAR ON THIS INVOICE.

To accurately credit your account and serve you better, please print 'Acct. Ref.' number and invoice number on your payment.

Please detach and send this copy with remittance.

PAYMENT DUE UPON RECEIPT OF INVOICE

Acct. Ref.: 9001667/9001667
Name: USAA CASUALTY INSURANCE

Invoice No: 25448
Total Due: **\$5,779.03**

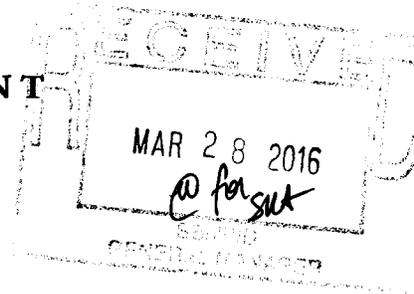
Remit and make check
payable to:
S.B.M.W.D.

P.O. Box 710
San Bernardino CA 92402

0090016670090016670577903

**CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT**

**BOARD OF WATER COMMISSIONERS
STAFF REPORT**



TO: Stacey R. Aldstadt, General Manager

FROM: Terri A. Willoughby, Director of Finance

SUBJECT: **APPROVAL OF AGREEMENT WITH NORTON ROSE FULBRIGHT US LLP TO SERVE AS BOND COUNSEL FOR PROPOSED 2016 WATER AND SEWER REVENUE BONDS**

DATE: March 25, 2016

COPIES: Terri Willoughby

BACKGROUND:

The City of San Bernardino Municipal Water Department (Department) would like to retain the services of Norton Rose Fulbright US LLP to serve as bond counsel for the proposed Water and Sewer Revenue Bonds. Victor Hsu, Partner will serve as the lead counsel for the transaction. Victor has provided a proposal to charge a fixed fee of \$80,000 for each transaction, for a total of \$160,000.00 for both Water and Sewer. Victor has previously served as counsel for the Department and is approved by the City as special legal counsel.

FUNDING SOURCE:

Funding is available in the Fiscal Year 2015/16 CIP Project, "Customer Service Relocation" in both Water and Sewer Funds for any minimal initial costs that may be incurred. The debt is expected to be issued in Fiscal Year 2016/17 and the majority of the costs will be funded through the debt issuance and will be included at the budget at that time.

RECOMMENDATION:

Staff recommends that the Board of Water Commissioners make the following motion:

- Approve the agreement with Norton Rose Fulbright US LLP for legal representation as bond counsel and authorize the Department's General Manager, Stacey Aldstadt, to execute.

Respectfully submitted,

Terri A. Willoughby
Director of Finance

**APPROVAL OF AGREEMENT WITH NORTON ROSE FULBRIGHT US LLP FOR
BOND COUNSEL SERVICES ASSOCIATED WITH 2016 WATER AND SEWER
REVENUE BONDS**

March 25, 2016

Page 2 of 2

Attachments:

Agreement: Norton Rose Fulbright US LLP

Fee Proposal: Email from Victor Hsu, March 22, 2016

Terri Willoughby

From: Hsu, Victor <victor.hsu@nortonrosefulbright.com>
Sent: Tuesday, March 22, 2016 5:00 PM
To: Terri Willoughby
Cc: michaelb@urbanfuturesinc.com
Subject: RE: Fee Proposal Request

Terri,

We propose to charge a fixed fee of \$80,000 to serve as Bond Counsel on the water financing and a fixed fee of \$80,000 to serve as Bond Counsel on the sewer financing. Expenses would be invoiced separately, at cost.

We remain highly interested in acting as Disclosure Counsel as well, and are willing to discuss alternative fee arrangements with the City for that work.

Thank you very much for this opportunity.

Regards,
Victor

Victor Hsu | Partner
Norton Rose Fulbright US LLP
555 South Flower Street, Forty-First Floor, Los Angeles, California 90071, United States
Tel +1 213 892 9326 | Fax +1 213 892 9494
victor.hsu@nortonrosefulbright.com

NORTON ROSE FULBRIGHT

Law around the world
nortonrosefulbright.com

From: Terri Willoughby [<mailto:Terri.Willoughby@sbmwd.org>]
Sent: Tuesday, March 22, 2016 2:25 PM
To: Hsu, Victor
Cc: michaelb@urbanfuturesinc.com
Subject: Fee Proposal Request

Victor-

Can you please submit a fee proposal for acting as bond counsel only for our proposed debt issuance? We are separating bond & disclosure.

Thank you,

Terri A. Willoughby
Finance Director
City of San Bernardino Municipal Water Dept.
444 W. Rialto Avenue
San Bernardino, CA 92418
(909) 384-5184 (office)
(909) 269-1166 (cell)

"Things turn out best for the people who make the best of the way things turn out."
John Wooden, 1910-2010

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NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
555 South Flower Street
Forty-First Floor
Los Angeles, California 90071
United States

Direct line +1 213 892 9326
victor.hsu@nortonrosefulbright.com

Tel +1 213 892 9200
Fax +1 213 892 9494
nortonrosefulbright.com

March 25, 2016

Ms. Stacey R. Aldstadt
General Manager
City of San Bernardino Municipal Water Department
444 W. Rialto Avenue, Suite D
San Bernardino, California 92401

Re: Legal Representation as Bond Counsel to City of San Bernardino in connection with Water and Sewer Financings

Dear Ms. Aldstadt:

This letter confirms that Norton Rose Fulbright US LLP ("Norton Rose Fulbright") will represent the City of San Bernardino, California (the "City") as its Bond Counsel in connection with the City's contemplated water and sewer financings (the "Matter"). Our acceptance of that representation (the "Representation") becomes effective upon the City's execution and return of the enclosed copy of this letter.

Terms of Engagement

This letter sets out the terms of our engagement in the Representation. Certain of those terms are included in the body of this letter, and additional terms are contained in the attached document, entitled Additional Terms of Engagement. That document is expressly incorporated into this letter, and it should be read carefully. The execution and return of the enclosed copy of this letter constitutes an unqualified agreement to all the terms set forth in this letter and in the attached Additional Terms of Engagement.

It is understood and agreed that our engagement is limited to the Representation. Norton Rose Fulbright is not being retained hereby as the City's general counsel, and our acceptance of this engagement does not imply any undertaking to provide legal services other than those set forth in this letter.

Our Personnel Who Will Be Working on the Matter

Russell Trice, Richard Kornblith, Rebecca Winthrop, Jonathan Guz, Juan Redin and I will be the primary attorneys working on the Matter, and you may call, write or e-mail any of us whenever you have any questions about the Representation. Other firm personnel, including firm lawyers and legal assistants, will participate in the Representation if, in our judgment, their participation is necessary or appropriate.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

49825231.2

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

Our Legal Fees and Other Charges

We shall charge a fixed fee of \$80,000 to serve as Bond Counsel on the water financing and a fixed fee of \$80,000 to serve as Bond Counsel on the sewer financing. Expenses shall be invoiced separately, at cost.

Conflicts of Interest

Before accepting the Representation, we have undertaken reasonable and customary efforts to determine whether there are any potential conflicts of interest that would bar our firm from representing the City in the Matter. Based on the information available to us, we are not aware of any potential disqualification. We reviewed that issue in accordance with the rules of professional responsibility adopted in the State of California. We believe that those rules are applicable to the Representation, and the execution and return of the enclosed copy of this letter on behalf of the City represents an express agreement to the applicability of those rules.

Insurance

Pursuant to §6147 or §6148 of the California Business and Professions Code, as applicable, Norton Rose Fulbright hereby discloses that it maintains errors and omissions insurance coverage applicable to the services to be performed by its attorneys and certain staff.

Conclusion

This letter and the attached *Additional Terms of Engagement* constitute the entire terms of the engagement of Norton Rose Fulbright US LLP in the Representation. These written terms of engagement are not subject to any oral agreements or understandings, and they can be modified only by further written agreement signed both by a representative of the City and Norton Rose Fulbright US LLP. Unless expressly stated in these terms of engagement, no obligation or undertaking shall be implied on the part of either the City or Norton Rose Fulbright US LLP.

Please carefully review this letter and the attached *Additional Terms of Engagement*. If both documents are acceptable, please sign and return the enclosed copy of this letter so that we may commence the Representation.

Very truly yours,

Victor Hsu
Partner

Stacey R. Aldstadt
City of San Bernardino Municipal Water Department
March 25, 2016
Page 3

^NORTON ROSE FULBRIGHT

The City of San Bernardino, California
hereby agrees to the provisions of this letter
and the attached Terms of Engagement:

CITY OF SAN BERNARDINO, CALIFORNIA

By: _____
Title: _____
Date: _____

NORTON ROSE FULBRIGHT US LLP

Additional Terms of Engagement

This is a supplement to our engagement letter dated March 25, 2016. The purpose of this document is to set out additional terms of our agreement to provide the representation described in our engagement letter (the "Representation") concerning the City of San Bernardino's contemplated water and sewer financings (the "Matter"). Because these additional terms of engagement are a part of our agreement to provide legal services, you should review them carefully and should promptly communicate to us any questions concerning this document. We suggest that the City retain this statement of additional terms along with our engagement letter and any related documents.

The Scope of the Representation

As lawyers, we undertake to provide representation and advice on the legal matters for which we are engaged. It is important for our clients to have a clear understanding of the legal services that we have agreed to provide. Thus, if there are any questions about the scope of the Representation that we are to provide in the Matter, please raise those questions promptly, so that we may resolve them at the outset of the Representation.

Any expressions on our part concerning the outcome of the Representation, or any other legal matters, are based on our professional judgment and are not guarantees. Such expressions, even when described as opinions, are necessarily limited by our knowledge of the facts and are based on our views of the state of the law at the time they are expressed.

Upon accepting this engagement on the City's behalf, Norton Rose Fulbright US LLP agrees to do the following: (1) provide legal counsel in accordance with these terms of engagement and the related engagement letter, and in reliance upon information and guidance provided by the City and its representatives; and (2) keep the City reasonably informed about the status and progress of the Representation.

To enable us to provide effective representation, the City and its representatives and the City and its representatives agree to do the following: (1) disclose to us, fully and accurately and on a timely basis, all facts and documents that are or might be material or that we may request, (2) keep us apprised on a timely basis of all developments relating to the Representation that are or might be material, (3) attend meetings, conferences, and other proceedings when it is reasonable to do so, and (4) otherwise cooperate fully with us.

Our firm has been engaged to provide legal services in connection with the Representation in the Matter, as specifically defined in our engagement letter. After completion of the Representation, changes may occur in the applicable laws or regulations that could affect the City's future rights and liabilities in regard to the Matter. Unless we are actually engaged after the completion of the Representation to provide additional advice on such issues, the firm has no continuing obligation to give advice with respect to any future legal developments that may pertain to the Matter.

It is our policy and the City's agreement that we represent the City as an organization and that our attorney-client relationship does not include any related persons or entities. As a result, the City, in its corporate capacity, is our client and we do not represent any employees, officers, or directors of the City.

It is further agreed that the attorney-client relationship terminates upon our completion of the services for which we have been retained in the Representation.

Who Will Provide the Legal Services

As our engagement letter confirms, Norton Rose Fulbright US LLP will represent the City in the Matter. Norton Rose Fulbright US LLP is a registered limited liability partnership that has elected to adopt the Texas Revised Partnership Act.

Although our firm will be providing legal services, each client of the firm customarily has a relationship principally with one attorney, or perhaps a few attorneys. At the same time, however, the work required in the Representation, or parts of it, may be performed by other firm personnel, including lawyers and legal assistants. Such delegation may be for the purpose of involving other firm personnel with experience in a given area or for the purpose of providing services on an efficient and timely basis.

Our Relationships With Others

Our law firm represents many companies and individuals. In some instances, the applicable rules of professional conduct may limit our ability to represent clients with conflicting or potentially conflicting interests. Those rules of conduct often allow us to exercise our independent judgment in determining whether our relationship with one client prevents us from representing another. In other situations, we may be permitted to represent a client only if the other clients consent to that representation.

Rules concerning conflicts of interest vary with the jurisdiction. In order to avoid any uncertainty, it is our policy that the governing rules will be those applicable to the particular office of our firm that prepares the engagement letter for a particular matter. The acceptance by the City of our engagement letter constitutes an express agreement with that policy, unless the engagement letter specifically states that some other rules of professional responsibility will govern our attorney-client relationship.

If a controversy unrelated to the Matter develops between the City and any other client of the firm, we will follow the California statutes and rules of professional responsibility to determine whether we may represent either the City or the other client in the unrelated controversy.

In addition to our representation of other companies and individuals, we also regularly represent lawyers and law firms. As a result, opposing counsel in the Matter may be a lawyer or law firm that we may represent now or in the future. Likewise, opposing counsel in the Matter may represent our firm now or in the future. Further, we have professional and personal relationships with many other attorneys, often because of our participation in bar associations and other professional organizations. It is our professional judgment that such relationships with other attorneys do not adversely affect our ability to represent any client. The acceptance of these terms of engagement represents an unqualified consent to any such relationships between our firm and other lawyers or law firms, even counsel who is representing a party that is adverse to the City in the Matter that is the subject of this engagement or in some other matter.

Communications and Confidentiality

We recognize our obligation to preserve the confidentiality of attorney-client communications as well as client confidences, as required by the California rules of professional

responsibility. If the Matter involves transactions, litigation, or administrative proceedings or like proceedings in which our firm appears as counsel of record for the City in publicly available records, we reserve the right to inform others of the fact of our representation of the City in the Matter and (if likewise reflected of record in publicly available records) the results obtained, unless the City specifically directs otherwise.

Disclaimer

Norton Rose Fulbright US LLP has made no promises or guarantees to the City about the outcome of the Representation or the Matter, and nothing in these terms of engagement shall be construed as such a promise or guarantee.

Termination

At any time, the City may, with or without cause, terminate the Representation by notifying us in writing of the City's intention to do so. Any such termination of services will not affect the obligation of the City to pay for legal services rendered and expenses and charges incurred before termination, as well as additional services and charges incurred in connection with an orderly transition of the Matter.

Under the rules of professional responsibility for the State of California, there are several types of conduct or circumstances that could result in our withdrawing from representing a client, including, for example, the following: non-payment of fees or charges; misrepresentation or failure to disclose material facts; fraudulent or criminal conduct; action contrary to our advice; and conflict of interest with another client. We try to identify in advance and discuss with our clients any situation that may lead to our withdrawal.

A failure by the City to meet any obligations under these terms of engagement shall entitle Norton Rose Fulbright US LLP to terminate the Representation. In that event, the City will take all steps necessary to release Norton Rose Fulbright US LLP of any further obligations in the Representation or the Matter, including without limitation the execution of any documents necessary to effectuate our withdrawal from the Representation or the Matter. The right of Norton Rose Fulbright US LLP to withdraw in such circumstances is in addition to any rights created by statute or recognized by the governing rules of professional conduct.

Billing Arrangements and Terms of Payment

Our engagement letter specifically explains our fees for services in the Matter. We will bill on a regular basis, normally each month, for fees and expenses and charges. The City, on behalf of the City, is expected to make full payment within 30 days of receiving our statement. We will give notice if an account becomes delinquent, and it is further agreed that any delinquent account must be paid upon the giving of such notice. If the delinquency continues and the City does not arrange satisfactory payment terms, we may withdraw from the Representation and pursue collection of our account.

Document Retention

At the close of any matter, we send our files in that matter to a storage facility for storage at our expense. The attorney closing the file determines how long we will maintain the files in storage. After that time, we will destroy the documents in the stored files.

At the conclusion of the Representation, we will return to the City any documents that the City requests be returned. As to any documents so returned, we may elect to keep a copy of the documents in our stored files.

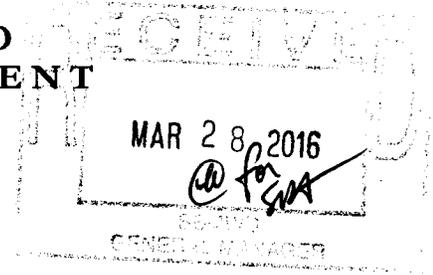
Charges for Other Expenses and Services

Typically, our invoices will include amounts, not only for legal services rendered, but also for other expenses and services. Examples include charges for photocopying, long-distance telephone calls, travel and conference expenses, messenger deliveries, computerized research, and facsimile and other electronic transmissions. In addition, we reserve the right to send to the City (or the agreed third party) for direct payment any invoices delivered to us by others, including experts and any vendors.

In situations where we can readily determine the exact amount of expenses for products and services provided by third parties to be charged to the City account, our invoices will reflect the cost to us of the products and services. In many situations, however, the precise total cost of providing a product or service is difficult to establish, in which case we will use our professional judgment on the charges to be made for such product or service, which charges may vary from or exceed our direct cost of such product or service. In some situations, we can arrange for ancillary services to be provided by third parties with direct billing to the client.

**CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT**

**BOARD OF WATER COMMISSIONERS
STAFF REPORT**



TO: Stacey R. Aldstadt, General Manager

FROM: Terri A. Willoughby, Director of Finance

SUBJECT: **APPROVAL OF AGREEMENT WITH ORRICK, HERRINGTON & SUTCLIFFE LLP TO SERVE AS DISCLOSURE COUNSEL FOR PROPOSED 2016 WATER AND SEWER REVENUE BONDS**

DATE: March 25, 2016

COPIES: Terri Willoughby

BACKGROUND:

The City of San Bernardino Municipal Water Department (Department) would like to retain the services of Orrick, Herrington & Sutcliffe LLP (Orrick) to serve as disclosure counsel for the proposed Water and Sewer Revenue Bonds. Disclosure counsel's role will primarily be to provide advice on the Department's disclosure obligations and to prepare the official statement for the issuance. The official statement discloses certain information on the offering such as the purpose, source funds for repayment of the bonds, and the financial status of the issuer. Orrick has provided a proposal to charge a fixed fee of \$60,000 for each transaction, for a total of \$120,000 for both Water and Sewer. Orrick is currently serving as the City's legal counsel on the refinancing of the Redevelopment Agency debt, so they have been approved as a special legal counsel.

FUNDING SOURCE:

Funding is available in the Fiscal Year 2015/16 CIP Project, "Customer Service Relocation" in both Water and Sewer Funds for any minimal initial costs that may be incurred. The debt is expected to be issued in Fiscal Year 2016/17 and the majority of the costs will be funded through the debt issuance and will be included at the budget at that time.

**APPROVAL OF AGREEMENT WITH ORRICK, HERRINGTON & SUTCLIFFE LLP
FOR DISCLOSURE COUNSEL SERVICES ASSOCIATED WITH 2016 WATER AND
SEWER REVENUE BONDS**

March 25, 2016

Page 2 of 2

RECOMMENDATION:

Staff recommends that the Board of Water Commissioners make the following motion:

- Approve the agreement with Orrick, Herrington & Sutcliffe LLP for legal services as disclosure counsel and authorize the Department's General Manager, Stacey Aldstadt, to execute.

Respectfully submitted,



Terri A. Willoughby
Director of Finance

Attachments:

Engagement Letter: Orrick, Herrington & Sutcliffe LLP

Proposal to Provide Disclosure Counsel Services to the City of San Bernardino Municipal Water Department

_____, 2016

Bill W. Bothwell
(213) 612-2403
wbothwell@orrick.com

Stacey Aldstadt, General Manager
Municipal Water Department
City of San Bernardino
300 North "D" Street
San Bernardino, CA 92418

Re: Disclosure Counsel Services to the City of San Bernardino Municipal Water Department Water (\$34 Million) and Sewer (\$34 Million) Both New Money (Tax Exempt)

Dear Stacey:

We are pleased to confirm our representation of the City of San Bernardino Municipal Water Department (the "Department") in connection with serving as disclosure counsel for the above referenced financings.

The scope of our engagement may change if you ask us to provide different services and we agree to provide them. If our engagement changes, the terms set out in this letter will apply to the expanded engagement, unless we enter into a further agreement modifying or superseding this one. Our engagement may be terminated by either one of us upon notice to the other.

Our fee proposal for San Bernardino \$34 Million Water Financing as Disclosure Counsel is \$60,000, plus expenses separately invoiced. Likewise, our fee proposal for San Bernardino \$34 Million Sewer Financing as Disclosure Counsel is \$60,000, plus expenses separately invoiced.

Disbursements for in-house services, such as postage, telephone charges, duplicating, word processing, delivery, etc., as well as certain third-party payments, including travel, as may be required, will be tracked on your account as they are incurred. Fees and disbursements incurred will be contingent and payable only on the closing of the related financing. We know that clients are concerned about reimbursable expenses, and we recognize and take seriously, our obligation to control these costs.

In the unlikely event that circumstances make it necessary to do so, we reserve the right to withdraw from this engagement for nonpayment of our fees or for any other reason authorized or required by applicable rules of professional responsibility.

[_____]
_____, 2016

Page 2

We do not believe that the firm has any conflicting engagements which would prevent us from working on behalf of the Department. If in the future any additional potential conflict of interest is identified, we will notify you and take appropriate steps to attempt to resolve the conflict. In the event that the conflict cannot be resolved, we will confer with you at that time regarding available alternatives.

If the foregoing correctly sets forth the terms of our engagement, please date and sign the enclosed copy of the letter and return it to me at your earliest convenience. We appreciate the opportunity to work with you and your colleagues and look forward to its successful conclusion.

Very truly yours,

William W. Bothwell

ACCEPTED

As of the date of this letter

CITY OF SAN BERNARDINO
MUNICIPAL WATER DEPARTMENT

By: _____
Stacey Aldstadt, General Manager



O R R I C K

MARCH 25, 2016

**Proposal to Provide Disclosure Counsel Services
to the City of San Bernardino Municipal Water Department
Water (\$34 Million) and Sewer (\$34 Million) Both New Money
(Tax Exempt)**

Contact: Bill Bothwell

Orrick, Herrington & Sutcliffe LLP
777 South Figueroa St., Suite 3200
Los Angeles, California 90017
Tel: 213-610-2403
Fax: 213-612-2499
Email: wbothwell@orrick.com



ORRICK

ORRICK, HERRINGTON & SUTCLIFFE LLP
777 SOUTH FIGUEROA STREET
SUITE 3200
LOS ANGELES, CALIFORNIA 90017

tel +1-213-629-2020
fax +1-213-612-2499

WWW.ORRICK.COM

March 25, 2015

Michael Busch
Chief Executive Officer
Urban Futures Incorporated
3111 N. Tustin, Suite 230
Orange, California 92865
michaelb@urbanfuturesinc.com

Re: Proposal to Provide Disclosure Counsel Services to the City of San Bernardino Municipal Water Department In Connection With Water (\$34 Million) and Sewer (\$34 Million) Both New Money (Tax Exempt) Bond Financings

Mr. Busch:

We are pleased to provide this response to the Request for Proposals to Provide Disclosure Counsel Services to the City of San Bernardino Municipal Water Department (the "Department") in connection with the above-referenced financing.

We believe that Orrick's excellent reputation in the legal community and our expertise in public finance, including related tax and securities laws, enable us to provide the Department with the highest quality and most responsive legal services.

The following sets out the information requested in the Department's RFP.

I. Firm Information:

- a) List the individuals who would work on the proposed financing. Include the role, responsibilities, relevant experience, and contact information for each individual.**

The experience and expertise that we believe are Orrick's greatest strengths are, of course, embodied in the people who do the work. Bill Bothwell would serve as the relationship partner for the Department and would provide public finance and related public law expertise for the Department's projects. Kevin Hale, Of Counsel and Sean Baxter, Project Manager would be assigned to work on the Department's matters. Bill and Kevin have extensive experience with water and sewer financings for cities, counties and special districts, and each is a member of utility revenue bond finance group at Orrick. Contact information for the proposed team of attorneys is as follows:

Bill Bothwell 213-612-2403 wbothwell@orrick.com	Kevin Hale 213-612-2356 khale@orrick.com	Sean Baxter 213-612-2171 sbaxter@orrick.com
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Fees Breakdown

Our fee proposal for San Bernardino \$34 Million Water Financing as Disclosure Counsel is \$60,000, plus expenses separately invoiced. Likewise, our fee proposal for San Bernardino \$34 Million Sewer Financing as Disclosure Counsel is \$60,000, plus expenses separately invoiced.

Conclusion

We are excited about the opportunity to serve as disclosure counsel to the Department, and we look forward to discussing how Orrick can partner with the Department to achieve its objectives. Should you have any questions concerning our proposal, please do not hesitate to contact me at 213-612-2403.

Sincerely,

Bill Bothwell
Partner