

Meeting Date: 11/25/2014

Report Type: Consent

Report ID: 2014-00874

Title: Awarding Contract for Performance Audit of the Sacramento Housing and Redevelopment Agency

Location: Citywide

Recommendation: Pass a Motion authorizing the City Auditor to execute a Professional Services Agreement with Harvey M. Rose Associates, LLC to conduct a performance audit of the Sacramento Housing and Redevelopment Agency, in an amount not to exceed \$91,090.

Contact: Jorge Oseguera, City Auditor, (916) 808-7270, Office of the City Auditor

Presenter: None

Department: Mayor/Council

Division: Office of the City Auditor

Dept ID: 01001201

Attachments:

1-Description/Analysis

2-Contract (Harvey Rose)

City Attorney Review

Approved as to Form

Sheryl Patterson

11/17/2014 2:57:03 PM

Approvals/Acknowledgements

Department Director or Designee: Jorge Oseguera - 11/14/2014 4:53:28 PM

Description/Analysis

Issue Detail: On September 16, 2014 the City Council provided direction to the City Auditor and approved the issuance of a request for proposal (RFP) for the purpose of selecting an outside auditor to conduct a Performance Audit of the Sacramento Housing and Redevelopment Agency (SHRA), focusing on its formation of non-profit entities to serve as part of a development entity to undertake rehabilitation of Housing Authority assets with SHRA funding and tax credits. The City Auditor issued this RFP on September 19, 2014 and staff received five proposals by the October 20, 2014 deadline. The City Auditor, a Senior Auditor, and a Senior Deputy City Attorney served as the RFP Review Panel and undertook a comprehensive evaluation of each candidate's proposal. The two top ranked firms were interviewed and the proposal submitted by Harvey M. Rose Associates, LLC was determined to be the most responsive to the audit's scope and budget.

Policy Considerations: This action is consistent with direction provided to the City Auditor by the City Council at its September 16, 2014 meeting.

Economic Impacts: None.

Environmental Considerations: None.

Sustainability: None.

Commission/Committee Action: Pass a Motion authorizing the City Auditor to execute a Professional Services Agreement with Harvey M. Rose Associates, LLC. to conduct a performance audit of the Sacramento Housing and Redevelopment Agency, in an amount not to exceed \$91,090.00.

Rationale for Recommendation: It is in the best interest of the City to enter into a contract with Harvey M. Rose Associates, LLC.

Harvey M. Rose Associates, LLC has extensive experience undertaking performance audits of the operations of housing authorities and audits of community development agencies that finance affordable housing projects. Their staff have a thorough understanding of HUD funded programs and HUD's focus on transferring housing authority assets to leverage tax credits and other financing sources for rehabilitation purposes. They recently completed performance audits of the Los Angeles and San Francisco Housing Authorities and San Francisco's policies and programs that finance affordable housing projects.

Financial Considerations: The City Auditor's FY2014/15 budget includes the funding necessary to cover the cost of this audit contract.

Local Business Enterprise (LBE): LBE firms received a 5% point preference during the evaluation process.

PROJECT #:
PROJECT NAME: SHRA Audit
DEPARTMENT: Office of the City Auditor
DIVISION:

CITY OF SACRAMENTO

PROFESSIONAL SERVICES AGREEMENT *

THIS AGREEMENT is made at Sacramento, California, as of November 26, 2014, by and between the **CITY OF SACRAMENTO**, a municipal corporation ("CITY"), and

Harvey M. Rose Associates, LLC
1390 Market Street, Ste 1150
San Francisco CA 94102
(415) 552-9292

("CONTRACTOR"), who agree as follows:

- 1. Services.** Subject to the terms and conditions set forth in this Agreement, CONTRACTOR shall provide to CITY the services described in Exhibit A. CONTRACTOR shall provide said services at the time, place, and in the manner specified in Exhibit A. CONTRACTOR shall not be compensated for services outside the scope of Exhibit A unless prior to the commencement of such services: (a) CONTRACTOR notifies CITY and CITY agrees that such services are outside the scope of Exhibit A; (b) CONTRACTOR estimates the additional compensation required for these additional services; and (c) CITY, after notice, approves in writing a Supplemental Agreement specifying the additional services and amount of compensation therefor. CITY shall have no obligations whatsoever under this Agreement and/or any Supplemental Agreement, unless and until this Agreement or any Supplemental Agreement is approved by the Sacramento City Manager or the City Manager's authorized designee, or by the Sacramento City Council, as required by the Sacramento City Code.
- 2. Payment.** CITY shall pay CONTRACTOR for services rendered pursuant to this Agreement at the times and in the manner set forth in Exhibit B. The payments specified in Exhibit B shall be the only payments to be made to CONTRACTOR for the services rendered pursuant to this Agreement unless pursuant to Section 1, above, CITY approves additional compensation for additional services. CONTRACTOR shall submit all billings for said services to CITY in the manner specified in Exhibit B, or, if not specified in Exhibit B, according to the usual and customary procedures and practices that CONTRACTOR uses for billing clients similar to CITY.
- 3. Facilities and Equipment.** Except as set forth in Exhibit C, CONTRACTOR shall, at its sole cost and expense, furnish all facilities and equipment that may be required for furnishing services pursuant to this Agreement. CITY shall furnish to CONTRACTOR only the facilities and equipment listed in Exhibit C according to any terms and conditions set forth in Exhibit C.
- 4. General Provisions.** The General Provisions set forth in Exhibit D, that include indemnity and insurance requirements, are part of this Agreement. In the event of any conflict between the General Provisions and any terms or conditions of any document prepared or provided by CONTRACTOR and made a part of

* This form to be used for all professional services, except professional services related to a construction project and professional services performed by architects, landscape architects, professional engineers, or professional land surveyors.

this Agreement, including without limitation any document relating to the scope of services or payment therefor, the General Provisions shall control over said terms or conditions.

5. **Non-Discrimination in Employee Benefits.** This Agreement is subject to the provisions of Sacramento City Code Chapter 3.54, Non-Discrimination in Employee Benefits by City Contractors. The requirements of Sacramento City Code Chapter 3.54 are summarized in Exhibit E. CONTRACTOR is required to sign the attached Declaration of Compliance (Equal Benefits Ordinance), to assure compliance with these requirements.
6. **Authority.** The person signing this Agreement for CONTRACTOR hereby represents and warrants that he/she is fully authorized to sign this Agreement on behalf of CONTRACTOR and to bind CONTRACTOR to the performance of its obligations hereunder.
7. **Exhibits.** All exhibits referred to herein are attached hereto and are by this reference incorporated as if set forth fully herein.

Executed as of the day and year first above stated.

CITY OF SACRAMENTO
A Municipal Corporation

By: _____

Print name: Jorge Oseguera

Title: City Auditor

APPROVED AS TO FORM:

City Attorney

ATTEST:

City Clerk

Attachments

- Exhibit A - Scope of Service
- Exhibit B - Fee Schedule/Manner of Payment
- Exhibit C - Facilities/Equipment Provided
- Exhibit D - General Provisions
- Exhibit E - Non-Discrimination in Employee Benefits

CONTRACTOR:

HARVEY M. ROSE ASSOCIATES, LLC
NAME OF FIRM

20-3981915
Federal I.D. No.

8739139
State I.D. No.

application in process
City of Sacramento Business Op. Tax Cert. No.

TYPE OF BUSINESS ENTITY (check one):

- Individual/Sole Proprietor
- Partnership
- Corporation (may require 2 signatures)
- Limited Liability Company
- Other (please specify: _____)


Signature of Authorized Person

Severin Campbell, Principal
Print Name and Title

Additional Signature (if required)

Print Name and Title

**DECLARATION OF COMPLIANCE
Equal Benefits Ordinance**

Name of Contractor: Harvey M. Rose Associates, LLC

Address: 1390 Market Street, Ste 1150 San Francisco CA 94102

The above named Contractor ("Contractor") hereby declares and agrees as follows:

1. Contractor has read and understands the Requirements of the Non-Discrimination In Employee Benefits Code (the "Requirements") attached hereto as Exhibit E.
2. As a condition of receiving this Agreement, Contractor agrees to fully comply with the Requirements, as well as any additional requirements that may be specified in the City of Sacramento's Non-Discrimination In Employee Benefits Code codified at Chapter 3.54 of the Sacramento City Code (the "Ordinance").
3. Contractor understands, to the extent that such benefits are not preempted or prohibited by federal or state law, employee benefits covered by the Ordinance are any of the following:
 - a. Bereavement Leave
 - b. Disability, life, and other types of insurance
 - c. Family medical leave
 - d. Health benefits
 - e. Membership or membership discounts
 - f. Moving expenses
 - g. Pension and retirement benefits
 - h. Vacation
 - i. Travel benefits
 - j. Any other benefit offered to employees

Contractor agrees that if Contractor offers any of the above-listed employee benefits, Contractor will offer those benefits, without discrimination between employees with spouses and employees with domestic partners, and without discrimination between the spouses and domestic partners of such employees.

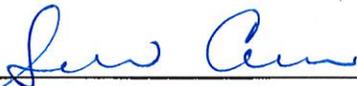
4. Contractor understands that Contractor will not be considered to be discriminating in the provision or application of employee benefits under the following conditions or circumstances:
 - a. If the actual cost of providing a benefit to a domestic partner or spouse exceeds the cost of providing the same benefit to a spouse or domestic partner of an employee, Contractor will not be required to provide the benefit, nor shall it be deemed discriminatory, if Contractor requires the employee to pay the monetary difference in order to provide the benefit to the domestic partner or to the spouse.
 - b. If Contractor is unable to provide a certain benefit, despite taking reasonable measures to do so, if Contractor provides the employee with a cash equivalent Contractor will not be deemed to be discriminating in the application of that benefit.

- c. If Contractor provides employee benefits neither to employee's spouses nor to employee's domestic partners.
 - d. If Contractor provides employee benefits to employees on a basis unrelated to marital or domestic partner status.
 - e. If Contractor submits written evidence of making reasonable efforts to end discrimination in employee benefits by implementing policies that will be enacted before the first effective date after the first open enrollment process following the date this Agreement is executed by the City of Sacramento ("City"). Contractor understands that any delay in the implementation of such policies may not exceed one (1) year from the date this Agreement is executed by the City, and applies only to those employee benefits for which an open enrollment process is applicable.
 - f. Until administrative steps can be taken to incorporate nondiscrimination in employee benefits. The time allotted for these administrative steps will apply only to those employee benefits for which administrative steps are necessary and may not exceed three (3) months from the date this Agreement is executed by the City.
 - g. Until the expiration of a current collective bargaining agreement(s) if employee benefits are governed by such collective bargaining agreement(s).
 - h. Contractor takes all reasonable measures to end discrimination in employee benefits by either requesting that the union(s) involved agree to reopen the agreement(s) in order for Contractor to take whatever steps are necessary to end discrimination in employee benefits or by ending discrimination in employee benefits without reopening the collective bargaining agreement(s).
 - i. In the event Contractor cannot end discrimination in employee benefits despite taking all reasonable measures to do so, Contractor provides a cash equivalent to eligible employees for whom employee benefits are not available. Unless otherwise authorized in writing by the City Manager, Contractor understands this cash equivalent must begin at the time the union(s) refuse to allow the collective bargaining agreement(s) to be reopened or not longer than three (3) months after the date this Agreement is executed by the City.
5. Contractor understands that failure to comply with the provisions of Section 4(a) through 4(i), above, will subject Contractor to possible suspension and/or termination of this Agreement for cause; repayment of any or all of the Agreement amount disbursed by the City; debarment for future agreements until all penalties and restitution have been paid in full and/or for up to two (2) years; and/or the imposition of a penalty, payable to the City, in the sum of \$50.00 for each employee, for each calendar day during which the employee was discriminated against in violation of the provisions of the Ordinance.
 6. Contractor understands and agrees to provide notice to each current employee and, within ten (10) days of hire, to each new employee, of their rights under the Ordinance. Contractor further agrees to maintain a copy of each such letter provided, in an appropriate file for inspection by authorized representatives of the City. Contractor also agrees to prominently display a poster informing each employee of these rights.
 7. Contractor understands that Contractor has the right to request a waiver of, or exemption from, the provisions of the Ordinance by submitting a written request to the City's Procurement Services Division prior to Agreement award, which request shall identify the provision(s) of the Ordinance authorizing

such waiver or exemption and the factual basis for such waiver or exemption. The City shall determine in its sole discretion whether to approve any such request.

8. Contractor agrees to defend, indemnify and hold harmless, the City, its officers and employees, against any claims, actions, damages, costs (including reasonable attorney fees), or other liabilities of any kind arising from any violation of the Requirements or of the Ordinance by Contractor.

The undersigned declares under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that he or she is authorized to bind the Contractor to the provisions of this Declaration.



Signature of Authorized Representative

11-17-14

Date

Severin Campbell

Print Name

Principal

Title

EXHIBIT A

PROFESSIONAL SERVICES AGREEMENT

SCOPE OF SERVICES

1. **Representatives.**

The CITY Representative for this Agreement is:

Jorge Oseguera
Office of the City Auditor
(916) 808 -7270
joseguera@cityofsacramento.org

All CONTRACTOR questions pertaining to this Agreement shall be referred to the CITY Representative or the Representative's designee.

The CONTRACTOR Representative for this Agreement is:

Severin Campbell, Principal
Harvey M. Rose Associates, LLC
(415) 552-9292
scampbell@harveyrose.com

All CITY questions pertaining to this Agreement shall be referred to the CONTRACTOR Representative. All correspondence to CONTRACTOR shall be addressed to the address set forth on page one of this Agreement. Unless otherwise provided in this Agreement, all correspondence to the CITY shall be addressed to the CITY Representative.

2. **Professional Liability Insurance.** Professional Liability (Errors and Omissions) insurance is ___ is not [check one] required for this Agreement. If required, such coverage must be continued for at least _____ year(s) following the completion of all Services and Additional Services under this Agreement. (See Exhibit D, Section 11, for complete insurance requirements.)

3. **Conflict of Interest Requirements.**

A. **Generally.** Under the California Political Reform Act, Government Code §§ 81000 et seq., designated employees of the CITY are required to comply with the CITY's Conflict of Interest Code. The term "designated employees" is a term of art and includes individuals who are working for contractors who are providing services or performing work for the CITY and who are considered to be "consultants" under the Political Reform Act. The term "consultant" generally includes individuals who make, or participate in making, governmental decisions or who serve in a staff capacity. Individuals who perform work that is solely clerical, ministerial, manual or secretarial are not "consultants."

The CITY's Conflict of Interest Code requires designated employees, including individuals who qualify as "consultants", to file the following statements of economic interests:

- (1) An "assuming office" statement of economic interests to be filed within 30 days after execution of the agreement between the City and the contractor;
- (2) Annual statements of economic interests while the agreement remains in effect, to be filed not later than April 30 of each year; and
- (3) A "leaving office" statement of economic interests to be filed within 30 days of completion of the contract.

The above statements of economic interests are public records subject to public disclosure under the California Public Records Act.

The CITY's Conflict of Interest Code also requires individuals who qualify as "consultants" under the Political Reform Act to comply with the conflict of interest provisions of the Political Reform Act, which generally prohibit individuals from making or participating in the making of decisions that will have a material financial effect on their economic interests.

- B. **Conflict of Interest Statements.** The individual(s) who will provide services or perform work pursuant to this Agreement are "consultants" within the meaning of the Political Reform Act and the CITY's Conflict of Interest Code: yes no [check one]

If "yes" is checked above, CONTRACTOR shall cause the following to occur within 30 days after execution of this Agreement:

- (1) Identify the individuals who will provide services or perform work under this Agreement as "consultants";
- (2) Cause these individuals to file with the CITY Representative the "assuming office" statements of economic interests required by the CITY's Conflict of Interest Code.

Thereafter, throughout the term of the Agreement, CONTRACTOR shall cause these individuals to file with the CITY Representative annual statements of economic interests, and "leaving office" statements of economic interests, as required by the CITY's Conflict of Interest Code. The CITY may withhold all or a portion of any payment due under this Agreement until all required statements are filed.

4. Scope of Services.

The services provided shall be as set forth in Attachment 1 to Exhibit A, attached hereto and incorporated herein.

- 5. Time of Performance.** The services described herein shall be provided during the period, or in accordance with the schedule, set forth in the scope of services.

Attachment 1 to Exhibit A

1. Project Approach

Understanding of the Proposed Project

The City Auditor of the City of Sacramento seeks a consultant to conduct a performance audit of the Sacramento Housing and Redevelopment Agency (SHRA) to provide an objective assessment of the agency's structure and operations. Unlike many public housing authorities in the United States, the Sacramento Housing and Redevelopment Agency is a Joint Powers Agency serving both the City and County of Sacramento, with the mission of providing and managing public housing, as well as managing affordable housing and community revitalization projects.

As federal funding has declined in recent years, SHRA has adopted new strategies to ensure adequate financing for development and effective management of properties in order to continue to serve its constituents. The Sacramento City Auditor has released a Request for Proposals (RFP) for an audit of the partnerships between SHRA and its affiliated non-profits, such as the Sacramento Housing Authority Repositioning Program (SHARP), and the Agency's financial policies, practices and oversight. The key objectives for the performance audit include:

- Assessment of Structure and Formation of Affiliated Non-profit Entities and Partnerships of such Entities with Affordable Housing Developers
- Evaluation of Appropriateness of SHRA's practices in Evaluating and Issuing Loans and Grants for Affordable Housing Projects that Compete for Tax Credits and Other Discretionary Funding
- Evaluation of SHRA's Governance Structure
- Review of Financial Activities and Processes Related to Asset Disposition and Project Development
- Analysis of SHRA's Financial Controls and Compliance
- Comparison to Industry Best Practices

Methodology and Techniques

Our approach to audits adheres to Generally Accepted Government Auditing Standards (GAGAS) promulgated by the U.S. Government Accountability Office (GAO). These standards include:

- Preparation of a detailed task plan for each audit;
- An entrance conference with relevant managers of the agency;

Harvey M. Rose Associates, LLC

- A pre-audit survey of existing evaluations of functions under review and other relevant background information, including current laws and regulations governing the auditee, review of previous audits, and budgets;
- Risk assessments and assessments of data reliability;
- Fieldwork including analysis of operational and financial data and documents collected, interviews with key staff, benchmarking surveys, staff surveys and focus groups, and other techniques;
- Preparation of draft report;
- An exit conference with representatives of the agency under review; and
- Preparation and presentation of a final report.

In accordance with GAGAS standards, we base our audit findings on documented evidence—not simply representations made by agency staff. All of our audit reports are subject to an internal quality control and work paper assessment process that includes reviews by peer audit staff and the project manager. Audit documentation, as well as work paper standards and procedures, are codified in our firm’s procedure manuals.

HMR Audit Standards

Section 2 of this proposal includes detailed descriptions of tasks the audit team will undertake to complete the objectives noted above. In conducting these tasks, the audit team will incorporate standards and deliverables that our firm ensures for every audit conducted. These include:

Performance Assessment and Identification of Best Practices

Most of our performance audits and special analyses contain benchmarking as a component of fieldwork to determine how effectively services are provided and how well desired results and benefits are being achieved. In addition to identifying best demonstrated practices and national standards through traditional research methods, we have developed and administered surveys and interviewed agencies from comparable jurisdictions to identify opportunities to increase service levels or operational efficiencies.

Data Analysis and Fieldwork

In our three decades of experience, HMR has consistently incorporated detailed data analysis and exhaustive fieldwork into our audit work plans. In addition to comprehensive reviews of agency records and finances, our approach includes interviews with key department staff and managers, as well as relevant stakeholders in the community. Site visits play a key role in the HMR audit team’s observations—particularly for audits of agencies providing direct client services. As an example, HMR’s audit of the San Francisco Housing Authority included site visits to every housing development, with property manager interviews, facility tours, and interviews

with non-profit corporation representatives administering the HOPE VI and HOPE SF properties, where appropriate. An audit of the Sacramento Housing and Redevelopment Agency will similarly include site visits to the public and non-profit housing developments.

Our audit teams excel at complicated data analysis and adhere to strict government auditing standards (GAGAS) regarding confidentiality. Examples of SHRA data that would be appropriate for analysis for this audit include: City statutes, City Council resolutions and meeting minutes and other documents identifying the City Council's oversight of SHRA; audited financial statements and supporting documentation for the SHRA and non-profit entities; property disposition and/or development agreements and related appraisal, proforma, loan, tax credit and other documents; memoranda of understanding and other agreements between the SHRA and SHARP; financial policies of SHRA and SHARP; detailed revenue and expenditure data; organizational charts; SHRA Commission and SHARP bylaws, meeting minutes, resolutions, and other governance documents; and other documents or source data.

Effective Recommendations

Having performed more than 700 performance audits and other analyses of public agencies, HMR has helped agencies improve and measure performance, achieve savings and/or increase revenues, and allocate and manage resources in a more efficient, effective and economical manner—primarily through effective recommendations. This is a critical component to our audit process, and HMR staff work hard to ensure that recommendations are appropriate, meaningful, and implementable. As an example, in the performance audit of the San Francisco Housing Authority, the SFHA agreed or agreed with qualifications to all HMR recommendations, with estimated annual savings of \$1.6 million and one-time savings of \$6.8 million.

Report Presentation

HMR produces audit reports written in a concise, straightforward and jargon-free style, with executive summaries for policymakers that highlight key issues, findings and summaries of findings in each report section. Reports include visual aids, such as tables and graphs, to help illustrate findings. Audit reports typically consist of: multiple findings that detail the operational problems identified; specific information on the effects of those problems, such as excess costs, lost revenue, or inadequate performance; explicit recommendations and alternative approaches for corrective action; and estimates of the cost reductions, revenue increases or operational improvements the recommendations will achieve. Upon completion of the final report, our audit team provides presentations of project results to executive management and/or governing boards, as requested by our clients.

Proposer Assumptions

Access to City staff and records:

The audit team assumes full access to Agency employees for the purposes of project interviews. This will include senior managers and line staff at SHRA, as well as SHRA Commissioners and

Board and staff members of SHARP and other non-profit entities affiliated with SHRA. We assume that all SHRA governance, financial and program records and documents will be available to our audit team, in addition to all such pertinent records for SHARP and other affiliated non-profit organizations.

Access to HUD reports:

The audit team assumes full access to HUD assessments and reports. This includes all documentation related to HUD's annual reviews—scores, evaluations, correction action plans, and other correspondence. This also includes any reports produced by the HUD Office of Inspector General regarding SHRA operations.

2. Work Plan and Project Schedule

In order to conduct the proposed performance audit of the Sacramento Housing and Redevelopment Agency and achieve the objectives outlines in Section 1 of this proposal, the audit team will complete the tasks detailed below, in accordance with US GAO standards.

Task Description	Hours Needed
<p>1. Entrance Conference.....8</p> <p>The audit team will conduct an entrance conference with the Executive Director and key senior staff at SHRA to discuss the scope of the audit, the project timeline, site visits, and anticipated data/information requests and interviews.</p>	
<p>2. Initial Risk Assessment.....30</p> <p>Key documents and data will be collected to establish a baseline profile of SHRA. Materials collected and reviewed for the current and past five years will include:</p> <ul style="list-style-type: none"> ▪ Agency’s joint powers agreement; ▪ Agency strategic plans and annual reports; ▪ Budgeted and actual expenditure and revenue documentation ▪ Annual audit documents; ▪ Details of all grants and loans awarded, tax credits applied for and mortgage revenue bonds issued; ▪ Details on all Housing Authority and other assets transferred to organizations such as SHARP and other non-profit organizations affiliated with SHRA; ▪ Organization structure, staffing detail and job descriptions; ▪ SHRA Commission written procedures and access to agendas, minutes and staff reports for audit scope years; and ▪ HUD performance assessments and HUD Office of Investigator General reports (if any). <p>For the Sacramento Housing Authority Repositioning Program (SHARP), and other non-profit entities affiliated with SHRA, we will compile and review:</p> <ul style="list-style-type: none"> ▪ Articles of incorporation and bylaws; ▪ Annual reports; 	

- Agreements and documentation of relationships with affordable housing developers;
- Financial information including details on all funding from SHRA and expenditures on affordable housing rehabilitation and construction;
- Information on boards of directors, including access to agendas, minutes and staff reports for the audit scope years;
- Organization structure and staffing detail, including job descriptions; and
- Other relevant documents.

Using this information, the audit team will conduct an initial risk assessment to determine which entities and which operational areas present the highest risk to Agency resources and accomplishment of its mission. Results of this assessment will be shared with the City Auditor's Office.

3. Audit Planning and Task Plan Development.....8

Based on the results of the risk assessment in Task 2, the project manager and audit team will refine the scope of the audit and clarify all work tasks, including associated deliverables and project timelines, subject to approval by the City Auditor's Office.

4. Assessment of Structure and Operations of Affiliated Non-profit Entities.....60

The audit team will evaluate SHRA's partnerships with non-profit entities. This review will include a focus on SHARP; depending on the outcome of the risk assessment, it may include other affiliated non-profit corporations, such as the Sacramento Housing Development Corporation and Shasta.

Documentation of the history, structure and current operations of SHARP will be reviewed and assessed to evaluate the organization's independence from SHRA. This effort will include a detailed analysis of the non-profit's bylaws, articles of incorporation, annual reports, revenues and expenditures, loans and grants from SHRA, tax credits, governing board membership and rules of procedure, board of directors' agendas and minutes, conflict of interest policies, and staff composition. This information will be compared and reconciled with the financial and organizational information collected about SHRA in Task 2. This will include an assessment of segregation of duties between SHRA and SHARP employees.

The audit team will review SHARP's financial controls and protocols regarding grant and loan awards and expenditure monitoring. The same type of analysis may be conducted of other non-profit organizations affiliated with SHRA if warranted by the results of the Task 2 risk assessment.

We will analyze the detailed inventory of SHRA assets, program management responsibilities, and affordable housing grants and loans that have been awarded to SHARP and other non-profit organizations over the past five years. To ensure sufficient independence between SHRA and recipient organizations such as SHARP, we will review Agency documentation of the methods used to make these allocations, including what other alternatives were considered for the allocations, to determine that the basis of awards to SHARP followed appropriate protocols, were free of conflicts of interest and were in the best interests of the SHRA mission.

5. Evaluation of SHRA's Governance Structure.....48

The audit team will conduct a thorough review of SHRA's governance. This will include an assessment of the SHRA Commission's oversight over SHRA finances and operations to determine whether existing controls are sufficient to prevent risks of abuse and conflicts of interest. Auditors will evaluate the roles of both the SHRA Commission and Sacramento City Council, including the Council's role in overseeing SHRA and SHARP. A detailed review of agendas and minutes from the past two years will be conducted to assess proper oversight and compliance with policies and procedures.

The team will evaluate the adequacy of financial and programmatic information and staff reports provided to the Commission and Council, the thoroughness and clarity of minutes and records of votes and actions taken, the clarity of information provided to the public, the activities of any subcommittees responsible for SHRA oversight and Commission and City Council conflict of interest policies. A determination will be made if the current JPA agreement needs to be amended to include specific oversight requirements for SHRA's affiliated non-profit entities.

6. Review of Financial Activities and Processes Related to Asset Disposition.....60

The audit team will evaluate SHRA's methods of rehabilitating and developing Housing Authority assets, including transferring certain assets to non-profit entities that perform rehabilitation/development with SHRA program funding.

To ensure that this method best serves low-income residents, the audit team will review documentation for a sample of asset transfers and related rehabilitation/development projects. Specific areas of focus will include: the appropriateness of funding sources used, compliance with applicable program regulations and guidelines and the reasonableness of asset property appraisals and project cost estimating methods and assumptions. The latter will cover hard and soft project costs, developer fees, financing costs and anticipated revenues at project completion. The sample projects' consistency with industry standards and costs and fees incurred by other comparable agencies will be assessed, as will the reasonableness of the non-profits' repayment costs and interest rates.

Through our review of sample project documentation, the effectiveness of SHRA's construction monitoring will be evaluated. The purpose of this review will be to ensure that project costs are adequately monitored and controlled, that unnecessary change orders are avoided, that all project costs are allowable under the program funding being used and that local hiring requirements are being met. Finally, actual revenue generated by the project will be compared to originally budgeted revenues and assumptions.

7. Analysis of SHRA's Financial Controls and Compliance.....48

The audit team will review SHRA's financial policies and practices, focusing on grants administration, including the clarity of protocols and the level of Agency oversight and management controls. The audit team will select a sample of grants received by the Agency and review their records and documents to determine whether proper procedures have been followed, and whether funds have been spent in accordance with intended purposes. Auditors will also review SHRA's practices in evaluating, recommending and/or approving housing projects for loans and grants or that compete for State or federal low income housing tax credits, mortgage revenue bonds, and other grants or discretionary funding programs.

Using sample case studies such as the Sutterview project, the audit team will review agency procedures to determine how SHRA sets priorities in such situations in which it is competing for financial incentives against outside developers. To ensure alignment with the Agency's mission to maximize affordable housing production, the audit team will also evaluate the appropriateness of the Agency's review of project applications and award decisions for other development projects.

8. Comparison to Industry Best Practices.....50

To demonstrate how SHRA’s performance compares to best practices in the field of housing and community development, the audit team will conduct a thorough literature review and analysis of assessment and performance data to identify the appropriate benchmarks for comparison. Other housing authorities and/or community development agencies employing identified best practices will be contacted for further information about their operations, costs and controls. This review will enable the audit team to understand more clearly how SHRA’s operations compare to high-performing housing authorities of comparable size. These results will be incorporated into relevant sections of the audit report.

9. Draft Report and Exit Conference.....128

The audit team will draft the audit report, detailing all findings and recommendations, which will be submitted to the SHRA Executive Director for review by key SHRA staff, in order to identify and correct any factual errors in the report. The audit team will conduct a formal Exit Conference with SHRA to review any outstanding issues or questions, following their review of the draft report.

10. Finalize and Transmit Final Report.....36

The audit team will incorporate feedback on the draft from the SHRA and will finalize the report for submission to the City Auditor. The audit team will be available to present the report and findings to the City’s Audit Committee and/or the City Council.

Project Timelines, Milestones and Deliverables

December 1: Project Launch
Entrance Conference and Initial Interviews
Risk Assessment
Audit Planning and Task Plan Development

January 1: Fieldwork Phase
Site Visits
Interviews
Data Collection & Analysis
Best Practices Survey

March 1: Data Analysis Finalized
Finding Areas Identified
Additional Fieldwork (as needed) to Complete Evidence

April 1: Report Drafted
Draft Report Submitted to SHRA Executive Director
Exit Conference
Report Revisions (as appropriate)

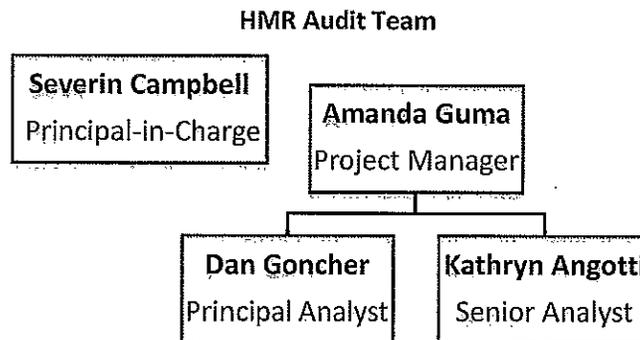
May 1: Final Report Submitted to City Auditor

3. Project Organization and Key Personnel

At Harvey M. Rose Associates, LLC, our staff is our greatest asset. Because the firm's services are provided exclusively to public sector entities, our staff is extremely familiar with the operations of local government agencies and authorities, including housing authorities, community development programs, and former redevelopment agencies, particularly in California. As shown in the staff summary below and the full resumes included in the Appendix, our staff has extensive experience in key functional areas required for the performance audit of the Sacramento Housing and Redevelopment Authority.

Project Team

The HMR personnel identified for this project include Severin Campbell, Amanda Guma, Dan Goncher and Kathryn Angotti. As shown below, Ms. Campbell would serve as the Principal-in-Charge, with Ms. Guma as the Project Manager. Mr. Goncher and Ms. Angotti would be assigned to the project as principal analyst and senior analyst, respectively.



While the audit team will travel to Sacramento for site visits, interviews and meetings as needed, many of the audit tasks will be conducted at the head office located in San Francisco. The audit team will meet regularly throughout the course of the project to discuss findings and analysis and to develop recommendations. During the early phases of the project, team members will work together to perform the initial risk assessment, collect data and conduct interviews. Quantitative and qualitative analysis will be conducted individually with support from team members. The Principal-in-Charge will meet with the Project Manager and each team member throughout the course of the audit to provide ongoing guidance and technical expertise, and to ensure compliance with GAGAS standards.

The audit team will be accessible throughout the course of the audit, completing all necessary project tasks in accordance with the hours detailed in sections 2 and 8 of this proposal. The

Principal-in-Charge and Project Manager will provide status reports to the City Auditor as requested.

Team Experience

Severin Campbell, Principal

Ms. Campbell will be the Principal-in-Charge for this performance audit, providing primary oversight of the project. She will also aid in the development of findings and act in an advisory role to all aspects of work. Ms. Campbell has extensive experience in affordable and public housing issues, and provides ongoing analysis of housing issues (from project financing to management) for the San Francisco Board of Supervisors. Ms. Campbell's qualification highlights include:

- Fifteen years' experience in performance auditing, as well as budget, policy and legislative analysis.
- Master's degree in Public Policy from the University of California at Berkeley, and Bachelor's degree in Economics from San Francisco State University.
- Selected project experience:
 - Performance Audit, Affordable Housing Development Policies and Programs, City and County of San Francisco
 - Performance Audit, San Francisco Housing Authority
 - Evaluation of development and disposition agreements for mixed use commercial, market rate residential and affordable residential development between Forest City LLC and Port of San Francisco, and Sharp Lock Factory LLC and City of San Francisco
 - Annual review of budgets of Successor Agency to the San Francisco Redevelopment Agency, Mayor's Office of Housing, and Office of Economic and Workforce Development
 - Principal-in-Charge, performance audit of Beverly Hills Unified School District implementation of Proposition 39 capital projects, including review of construction management

Amanda Guma, Project Manager

As the Project Manager for this audit, Ms. Guma will maintain responsibility for audit planning and oversight—including finalizing the project scope, clarifying work tasks, and assisting the audit team with fieldwork and analysis—and for ensuring the timely submission of project deliverables. She brings recent management experience in this particular topic from a June 2013 performance audit of the San Francisco Housing Authority, as well as several years of project management of federally-funded housing programs. Ms. Guma's experience includes:

Harvey M. Rose Associates, LLC

- Experience conducting performance audits, management audits, and special studies for counties, cities and other governmental agencies, including managing audits of the San Francisco Housing Authority, San Francisco's implementation of Public Safety Realignment, and the San Francisco Fire Department.
- Master of Public Administration from New York University, and Bachelor of Arts from Sarah Lawrence College
- Select project experience:
 - Performance Audit, San Francisco Housing Authority
 - Performance Audit, Professional Service Contracts: Department of Public Health and Human Services Agency; City and County of San Francisco
 - Management Audit of Homeless Prevention Programs in State of Louisiana
 - Special Study, ARRA-funded Homeless Prevention and Rapid Re-Housing Programs in State of Louisiana
 - Special Study, CDBG-funded Affordable Housing Development in New Orleans

Daniel Goncher, Principal Analyst

Mr. Goncher, a Senior Manager at the firm and a Principal Analyst on this project, will focus on evaluating SHRA's asset disposition, developer fees and financing costs, construction monitoring and financial compliance. Mr. Goncher also brings experience in this topic from a recent audit of the San Francisco Housing Authority. Highlights of Mr. Goncher's qualifications include:

- Experience managing audits and special studies for local government clients, including a performance audit of San Francisco affordable housing policies and Housing Authority, and a performance audit of construction activities for the San Bernardino International Airport.
- Master's degree in Public Policy from the University of California at Berkeley and Bachelor's degree in Communications, Legal Institutions, Economics and Government from American University.
- Select project experience:
 - Performance Audit, Affordable Housing Development Policies and Programs, City and County of San Francisco
 - Performance Audit, San Francisco Housing Authority
 - Performance Audit, Beverly Hills Unified School District implementation of Proposition 39 capital projects, including review of construction management
 - Performance Audit, San Bernardino International Airport Operations, Development and Construction Activities
 - Performance Audit, Los Angeles World Airports' Capital Development Program

Kathryn Angotti, Senior Analyst

The Senior Analyst for this audit, Ms. Angotti will focus on evaluating the SHRA Commission and the organizational structure of SHRA and its affiliated non-profit agencies. She will work on assessing best practices of comparable housing authorities' operations and will review their performance metrics. Ms. Angotti's qualification highlights include:

- Experience conducting performance audits and special studies for local and state government clients, in addition to providing fiscal and legislative analysis for the City and County of San Francisco.
- Master's degree in Public Policy from the University of California at Los Angeles and Bachelor's degree in Political Science from the University of California at Irvine.
- Select project experience:
 - Performance Evaluation, State of Colorado Division of Water Resources, Dam Safety Branch which included a best practices comparison of dam inspection and enforcement policies in other states.
 - Special Study, Review of the Park, Recreation, and Open Space Advisory Committee's (PROSAC) structure, function and performance with a specific focus on PROSAC's involvement in the property acquisition process.
 - Policy analysis on a resolution to authorize a \$4 million land transfer and ground lease for construction of a \$10 million affordable housing project in San Francisco.

EXHIBIT B

PROFESSIONAL SERVICES AGREEMENT

FEE SCHEDULE/MANNER OF PAYMENT

1. **CONTRACTOR's Compensation.** The total of all fees paid to the CONTRACTOR for the performance of all services set forth in Exhibit A, including normal revisions (hereafter the "Services"), and for all authorized Reimbursable Expenses, shall not exceed the total sum of \$ 91,090.
2. **Billable Rates.** CONTRACTOR shall be paid for the performance of Services on an hourly rate, daily rate, flat fee, lump sum or other basis, as set forth in Attachment 1 to Exhibit B, attached hereto and incorporated herein. *[Attach list of billable rates that apply, labeled "Attachment 1 to Exhibit B".]*
3. **CONTRACTOR's Reimbursable Expenses.** Reimbursable Expenses shall be limited to actual expenditures of CONTRACTOR for expenses that are necessary for the proper completion of the Services and shall only be payable if specifically authorized in advance by CITY.
4. **Payments to CONTRACTOR.**
 - A. Payments to CONTRACTOR shall be made within a reasonable time after receipt of CONTRACTOR's invoice, said payments to be made in proportion to services performed or as otherwise specified in Attachment 1 to Exhibit B. CONTRACTOR may request payment on a monthly basis. CONTRACTOR shall be responsible for the cost of supplying all documentation necessary to verify the monthly billings to the satisfaction of CITY.
 - B. All invoices submitted by CONTRACTOR shall contain the following information:
 - (1) Job Name
 - (2) Description of services billed under this invoice, and overall status of project
 - (3) Date of Invoice Issuance
 - (4) Sequential Invoice Number
 - (5) CITY's Purchase Order Number
 - (6) Total Contract Amount
 - (7) Amount of this Invoice (Itemize all Reimbursable Expenses)
 - (8) Total Billed to Date
 - (9) Total Remaining on Contract
 - (10) Updated project schedule. This shall identify those steps that shall be taken to bring the project back on schedule if it is behind schedule.
 - C. Items shall be separated into Services and Reimbursable Expenses. Billings that do not conform to the format outlined above shall be returned to CONTRACTOR for correction. CITY shall not be responsible for delays in payment to CONTRACTOR resulting from CONTRACTOR's failure to comply with the invoice format described below.

D. Requests for payment shall be sent to:

Office of the City Auditor
Old City Hall, 2nd Floor
915 I Street
Sacramento CA 95814

Attn: Jorge Oseguera

5. **Additional Services.** Additional Services are those services related to the scope of services of CONTRACTOR set forth in Exhibit A but not anticipated at the time of execution of this Agreement. Additional Services shall be provided only when a Supplemental Agreement authorizing such Additional Services is approved by CITY in accordance with CITY's Supplemental Agreement procedures. CITY reserves the right to perform any Additional Services with its own staff or to retain other contractors to perform said Additional Services.
6. **Accounting Records of CONTRACTOR.** During performance of this Agreement and for a period of three (3) years after completing all Services and Additional Services hereunder, CONTRACTOR shall maintain all accounting and financial records related to this Agreement, including, but not limited to, records of CONTRACTOR's costs for all Services and Additional Services performed under this Agreement and records of CONTRACTOR's Reimbursable Expenses, in accordance with generally accepted accounting practices, and shall keep and make such records available for inspection and audit by representatives of the CITY upon reasonable written notice.
7. **Taxes.** CONTRACTOR shall pay, when and as due, any and all taxes incurred as a result of CONTRACTOR's compensation hereunder, including estimated taxes, and shall provide CITY with proof of such payment upon request. CONTRACTOR hereby agrees to indemnify CITY for any claims, losses, costs, fees, liabilities, damages or injuries suffered by CITY arising out of CONTRACTOR's breach of this Section 7.

Attachment 1 to Exhibit B

8. Cost Proposal

Based on our understanding of the requested scope of work, HMR estimates that 476 professional staff hours will be required to conduct a performance audit of the Sacramento Housing and Redevelopment Agency, resulting in \$91,090 in total fees. This amount represents our total fees, inclusive of all project-related materials, supplies and travel costs. The table below summarizes the audit tasks, hours, and cost by staff.

Task Description	Total Hours	Campbell Principal	Guma Manager	Goncher Analyst	Angotti Analyst
Entrance Conference	8	2	2	2	2
Initial Risk Assessment	30	2	12	8	8
Audit Planning & Task Plan Development	8	2	6		
Assessment of Structure/Formation of Nonprofit Entities	60	2	10		48
Evaluation of SHRA's Governance Structure	48	2	6	40	
Review of Financial Activities/ Processes for Asset Disposition	60	8	52		
Analysis of SHRA's Financial Controls and Compliance	48	8		40	
Best Practices Survey	50		6		44
Report Drafted & Exit Conference	128	24	40	32	32
Finalize and Transmit Final Report	36	10	18	4	4
Total Hours	476	60	152	126	138
Hourly Rates		\$240	\$215	\$185	\$150
Total Fees	\$91,090	\$14,400	\$32,680	\$23,310	\$20,700

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EXHIBIT C

PROFESSIONAL SERVICES AGREEMENT

FACILITIES AND EQUIPMENT TO BE PROVIDED BY CITY

CITY shall [check one] Not furnish any facilities or equipment for this Agreement; or
 furnish the following facilities or equipment for the Agreement; [*list, if applicable*]

**EXHIBIT D
PROFESSIONAL SERVICES AGREEMENT**

GENERAL PROVISIONS

1. Independent Contractor.

- A. It is understood and agreed that CONTRACTOR (including CONTRACTOR's employees) is an independent contractor and that no relationship of employer-employee exists between the parties hereto for any purpose whatsoever. Neither CONTRACTOR nor CONTRACTOR's assigned personnel shall be entitled to any benefits payable to employees of CITY. CITY is not required to make any deductions or withholdings from the compensation payable to CONTRACTOR under the provisions of this Agreement, and CONTRACTOR shall be issued a Form 1099 for its services hereunder. As an independent contractor, CONTRACTOR hereby agrees to indemnify and hold CITY harmless from any and all claims that may be made against CITY based upon any contention by any of CONTRACTOR's employees or by any third party, including but not limited to any state or federal agency, that an employer-employee relationship or a substitute therefor exists for any purpose whatsoever by reason of this Agreement or by reason of the nature and/or performance of any Services under this Agreement. (As used in this Exhibit D, the term "Services" shall include both Services and Additional Services as such terms are defined elsewhere in this Agreement.)
- B. It is further understood and agreed by the parties hereto that CONTRACTOR, in the performance of its obligations hereunder, is subject to the control and direction of CITY as to the designation of tasks to be performed and the results to be accomplished under this Agreement, but not as to the means, methods, or sequence used by CONTRACTOR for accomplishing such results. To the extent that CONTRACTOR obtains permission to, and does, use CITY facilities, space, equipment or support services in the performance of this Agreement, this use shall be at the CONTRACTOR's sole discretion based on the CONTRACTOR's determination that such use will promote CONTRACTOR's efficiency and effectiveness. Except as may be specifically provided elsewhere in this Agreement, the CITY does not require that CONTRACTOR use CITY facilities, equipment or support services or work in CITY locations in the performance of this Agreement.
- C. If, in the performance of this Agreement, any third persons are employed by CONTRACTOR, such persons shall be entirely and exclusively under the direction, supervision, and control of CONTRACTOR. Except as may be specifically provided elsewhere in this Agreement, all terms of employment, including hours, wages, working conditions, discipline, hiring, and discharging, or any other terms of employment or requirements of law, shall be determined by CONTRACTOR. It is further understood and agreed that CONTRACTOR shall issue W-2 or 1099 Forms for income and employment tax purposes, for all of CONTRACTOR's assigned personnel and subcontractors.

- D. The provisions of this Section 1 shall survive any expiration or termination of this Agreement. Nothing in this Agreement shall be construed to create an exclusive relationship between CITY and CONTRACTOR. CONTRACTOR may represent, perform services for, or be employed by such additional persons or companies as CONTRACTOR sees fit provided that CONTRACTOR does not violate the provisions of Section 5, below.
2. **Licenses; Permits, Etc.** CONTRACTOR represents and warrants that CONTRACTOR has all licenses, permits, City Business Operations Tax Certificate, qualifications, and approvals of whatsoever nature that are legally required for CONTRACTOR to practice its profession or provide any services under the Agreement. CONTRACTOR represents and warrants that CONTRACTOR shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement any licenses, permits, and approvals that are legally required for CONTRACTOR to practice its profession or provide such Services. Without limiting the generality of the foregoing, if CONTRACTOR is an out-of-state corporation, CONTRACTOR warrants and represents that it possesses a valid certificate of qualification to transact business in the State of California issued by the California Secretary of State pursuant to Section 2105 of the California Corporations Code.
 3. **Time.** CONTRACTOR shall devote such time and effort to the performance of Services pursuant to this Agreement as is necessary for the satisfactory and timely performance of CONTRACTOR's obligations under this Agreement. Neither party shall be considered in default of this Agreement, to the extent that party's performance is prevented or delayed by any cause, present or future, that is beyond the reasonable control of that party.
 4. **CONTRACTOR Not Agent.** Except as CITY may specify in writing, CONTRACTOR and CONTRACTOR's personnel shall have no authority, express or implied, to act on behalf of CITY in any capacity whatsoever as an agent. CONTRACTOR and CONTRACTOR's personnel shall have no authority, express or implied, to bind CITY to any obligations whatsoever.
 5. **Conflicts of Interest.** CONTRACTOR covenants that neither it, nor any officer or principal of its firm, has or shall acquire any interest, directly or indirectly, that would conflict in any manner with the interests of CITY or that would in any way hinder CONTRACTOR's performance of Services under this Agreement. CONTRACTOR further covenants that in the performance of this Agreement, no person having any such interest shall be employed by it as an officer, employee, agent or subcontractor, without the written consent of CITY. CONTRACTOR agrees to avoid conflicts of interest or the appearance of any conflicts of interest with the interests of CITY at all times during the performance of this Agreement. If CONTRACTOR is or employs a former officer or employee of the CITY, CONTRACTOR and any such employee(s) shall comply with the provisions of Sacramento City Code Section 2.16.090 pertaining to appearances before the City Council or any CITY department, board, commission or committee.
 6. **Confidentiality of CITY Information.** During performance of this Agreement, CONTRACTOR may gain access to and use CITY information regarding inventions, machinery, products, prices, apparatus, costs, discounts, future plans, business affairs, governmental affairs, processes, trade secrets, technical matters, systems, facilities, customer lists, product design, copyright, data, and other vital information (hereafter collectively referred to as "City Information") that are valuable, special and unique assets of the CITY. CONTRACTOR agrees to protect all City Information and treat it as strictly confidential, and further agrees that CONTRACTOR shall not at any time, either directly or indirectly, divulge, disclose or

communicate in any manner any City Information to any third party without the prior written consent of CITY. In addition, CONTRACTOR shall comply with all CITY policies governing the use of the CITY network and technology systems, as set forth in applicable provisions of the City of Sacramento Administrative Policy Instructions # 30. A violation by CONTRACTOR of this Section 6 shall be a material violation of this Agreement and shall justify legal and/or equitable relief.

7. CONTRACTOR Information.

- A. CITY shall have full ownership and control, including ownership of any copyrights, of all information prepared, produced, or provided by CONTRACTOR pursuant to this Agreement. In this Agreement, the term "information" shall be construed to mean and include: any and all work product, submittals, reports, plans, specifications, and other deliverables consisting of documents, writings, handwritings, typewriting, printing, photostating, photographing, computer models, and any other computerized data and every other means of recording any form of information, communications, or representation, including letters, works, pictures, drawings, sounds, or symbols, or any combination thereof. CONTRACTOR shall not be responsible for any unauthorized modification or use of such information for other than its intended purpose by CITY.
- B. CONTRACTOR shall fully defend, indemnify and hold harmless CITY, its officers and employees, and each and every one of them, from and against any and all claims, actions, lawsuits or other proceedings alleging that all or any part of the information prepared, produced, or provided by CONTRACTOR pursuant to this Agreement infringes upon any third party's trademark, trade name, copyright, patent or other intellectual property rights. CITY shall make reasonable efforts to notify CONTRACTOR not later than ten (10) days after CITY is served with any such claim, action, lawsuit or other proceeding, provided that CITY's failure to provide such notice within such time period shall not relieve CONTRACTOR of its obligations hereunder, which shall survive any termination or expiration of this Agreement.
- C. All proprietary and other information received from CONTRACTOR by CITY, whether received in connection with CONTRACTOR's proposal to CITY or in connection with any Services performed by CONTRACTOR, will be disclosed upon receipt of a request for disclosure, pursuant to the California Public Records Act; provided, however, that, if any information is set apart and clearly marked "trade secret" when it is provided to CITY, CITY shall give notice to CONTRACTOR of any request for the disclosure of such information. The CONTRACTOR shall then have five (5) days from the date it receives such notice to enter into an agreement with the CITY, satisfactory to the City Attorney, providing for the defense of, and complete indemnification and reimbursement for all costs (including plaintiff's attorney fees) incurred by CITY in any legal action to compel the disclosure of such information under the California Public Records Act. The CONTRACTOR shall have sole responsibility for defense of the actual "trade secret" designation of such information.
- D. The parties understand and agree that any failure by CONTRACTOR to respond to the notice provided by CITY and/or to enter into an agreement with CITY, in accordance with the provisions of subsection C, above, shall constitute a complete waiver by CONTRACTOR of any rights regarding the information designated "trade secret" by CONTRACTOR, and such

information shall be disclosed by CITY pursuant to applicable procedures required by the Public Records Act.

8. Standard of Performance. CONTRACTOR shall perform all Services required pursuant to this Agreement in the manner and according to the standards currently observed by a competent practitioner of CONTRACTOR's profession in California. All products of whatsoever nature that CONTRACTOR delivers to CITY pursuant to this Agreement shall be prepared in a professional manner and conform to the standards of quality normally observed by a person currently practicing in CONTRACTOR's profession, and shall be provided in accordance with any schedule of performance specified in Exhibit A. CONTRACTOR shall assign only competent personnel to perform Services pursuant to this Agreement. CONTRACTOR shall notify CITY in writing of any changes in CONTRACTOR's staff assigned to perform the Services required under this Agreement, prior to any such performance. In the event that CITY, at any time during the term of this Agreement, desires the removal of any person assigned by CONTRACTOR to perform Services pursuant to this Agreement, because CITY, in its sole discretion, determines that such person is not performing in accordance with the standards required herein, CONTRACTOR shall remove such person immediately upon receiving notice from CITY of the desire of CITY for the removal of such person.

9. Term; Suspension; Termination.

- A. This Agreement shall become effective on the date that it is approved by both parties, set forth on the first page of the Agreement, and shall continue in effect until both parties have fully performed their respective obligations under this Agreement, unless sooner terminated as provided herein.
- B. CITY shall have the right at any time to temporarily suspend CONTRACTOR's performance hereunder, in whole or in part, by giving a written notice of suspension to CONTRACTOR. If CITY gives such notice of suspension, CONTRACTOR shall immediately suspend its activities under this Agreement, as specified in such notice.
- C. CITY shall have the right to terminate this Agreement at any time by giving a written notice of termination to CONTRACTOR. If CITY gives such notice of termination, CONTRACTOR shall immediately cease rendering Services pursuant to this Agreement. If CITY terminates this Agreement:
 - (1) CONTRACTOR shall, not later than five days after such notice of termination, deliver to CITY copies of all information prepared pursuant to this Agreement.
 - (2) CITY shall pay CONTRACTOR the reasonable value of Services rendered by CONTRACTOR prior to termination; provided, however, CITY shall not in any manner be liable for lost profits that might have been made by CONTRACTOR had the Agreement not been terminated or had CONTRACTOR completed the Services required by this Agreement. In this regard, CONTRACTOR shall furnish to CITY such financial information as in the judgment of the CITY is necessary for CITY to determine the reasonable value of the Services rendered by CONTRACTOR. The foregoing is cumulative and does not affect any right or remedy that CITY may have in law or equity.

10. Indemnity.

- A. Indemnity: CONTRACTOR shall defend, hold harmless and indemnify CITY, its officers and employees, and each and every one of them, from and against any and all actions, damages, costs, liabilities, claims, demands, losses, judgments, penalties, costs and expenses of every type and description, including, but not limited to, any fees and/or costs reasonably incurred by CITY's staff attorneys or outside attorneys and any fees and expenses incurred in enforcing this provision (hereafter collectively referred to as "Liabilities"), including but not limited to Liabilities arising from personal injury or death, damage to personal, real or intellectual property or the environment, contractual or other economic damages, or regulatory penalties, arising out of or in any way connected with performance of or failure to perform this Agreement by CONTRACTOR, any sub-consultant, subcontractor or agent, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, whether or not (i) such Liabilities are caused in part by a party indemnified hereunder or (ii) such Liabilities are litigated, settled or reduced to judgment; provided that the foregoing indemnity does not apply to liability for any damage or expense for death or bodily injury to persons or damage to property to the extent arising from the sole negligence or willful misconduct of CITY, its agents, servants, or independent contractors who are directly responsible to CITY, except when such agents, servants, or independent contractors are under the direct supervision and control of CONTRACTOR.
- B. Insurance Policies; Intellectual Property Claims: The existence or acceptance by CITY of any of the insurance policies or coverages described in this Agreement shall not affect or limit any of CITY's rights under this Section 10, nor shall the limits of such insurance limit the liability of CONTRACTOR hereunder. This Section 10 shall not apply to any intellectual property claims, actions, lawsuits or other proceedings subject to the provisions of Section 7.B., above. The provisions of this Section 10 shall survive any expiration or termination of this Agreement.

11. Insurance Requirements. During the entire term of this Agreement, CONTRACTOR shall maintain the insurance coverage described in this Section 11.

Full compensation for all premiums that CONTRACTOR is required to pay for the insurance coverage described herein shall be included in the compensation specified for the Services provided by CONTRACTOR under this Agreement. No additional compensation will be provided for CONTRACTOR's insurance premiums.

It is understood and agreed by the CONTRACTOR that its liability to the CITY shall not in any way be limited to or affected by the amount of insurance coverage required or carried by the CONTRACTOR in connection with this Agreement.

A. Minimum Scope & Limits of Insurance Coverage

- (1) Commercial General Liability Insurance, providing coverage at least as broad as ISO CGL Form 00 01 on an occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million

dollars (\$1,000,000) per occurrence. The policy shall provide contractual liability and products and completed operations coverage for the term of the policy.

- (2) Automobile Liability Insurance providing coverage at least as broad as ISO Form CA 00 01 on an occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000) per occurrence. The policy shall provide coverage for owned, non-owned and/or hired autos as appropriate to the operations of the CONTRACTOR.

No automobile liability insurance shall be required if CONTRACTOR completes the following certification:

"I certify that a motor vehicle will not be used in the performance of any work or services under this agreement." _____ (CONTRACTOR initials)

- (3) Workers' Compensation Insurance with statutory limits, and Employers' Liability Insurance with limits of not less than one million dollars (\$1,000,000). The Worker's Compensation policy shall include a waiver of subrogation for contracts involving construction or maintenance, or if required by the CITY by selecting the option below:

Workers' Compensation waiver of subrogation in favor of the City is required for all work performed by the CONTRACTOR.

No Workers' Compensation insurance shall be required if CONTRACTOR completes the following certification:

"I certify that my business has no employees, and that I do not employ anyone. I am exempt from the legal requirements to provide Workers' Compensation insurance." _____ (CONTRACTOR initials)

- (4) Professional Liability Insurance providing coverage on a claims made basis for errors, omissions or malpractice with limits of not less than one million (\$1,000,000) dollars if required by the CITY under Exhibit A, Section 2.

B. Additional Insured Coverage

- (1) Commercial General Liability Insurance: The CITY, its officials, employees and volunteers shall be covered by policy terms or endorsement as additional insureds as respects general liability arising out of activities performed by or on behalf of CONTRACTOR, products and completed operations of CONTRACTOR, and premises owned, leased or used by CONTRACTOR. The general liability additional insured endorsement must be signed by an authorized representative of the insurance carrier for contracts involving construction or maintenance, or if required by the CITY by selecting the option below:

Additional insured endorsement must be signed by an authorized representative of the insurance carrier.

If the policy includes a blanket additional insured endorsement or contractual additional insured coverage, the above signature requirement may be fulfilled by submitting that document with a signed declaration page referencing the blanket endorsement or policy form.

- (2) Automobile Liability Insurance: The CITY, its officials, employees and volunteers shall be covered by policy terms or endorsement as additional insureds as respects auto liability.

C. Other Insurance Provisions

The policies are to contain, or be endorsed to contain, the following provisions:

- (1) Except for professional liability, CONTRACTOR's insurance coverage shall be primary insurance as respects CITY, its officials, employees and volunteers. Any insurance or self-insurance maintained by CITY, its officials, employees or volunteers shall be in excess of CONTRACTOR's insurance and shall not contribute with it.
- (2) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to CITY, its officials, employees or volunteers.
- (3) Coverage shall state that CONTRACTOR's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
- (4) CITY will be provided with thirty (30) days written notice of cancellation or material change in the policy language or terms.

D. Acceptability of Insurance

Insurance shall be placed with insurers with a Bests' rating of not less than A:V. Self-insured retentions, policy terms or other variations that do not comply with the requirements of this Section 11 must be declared to and approved by the CITY Risk Management Division in writing prior to execution of this Agreement.

E. Verification of Coverage

- (1) CONTRACTOR shall furnish CITY with certificates and required endorsements evidencing the insurance required. The certificates and endorsements shall be forwarded to the CITY representative named in Exhibit A. Copies of policies shall be delivered to the CITY on demand. Certificates of insurance shall be signed by an authorized representative of the insurance carrier.
- (2) The CITY may withdraw its offer of contract or cancel this Agreement if the certificates of insurance and endorsements required have not been provided prior to execution of this Agreement. The CITY may withhold payments to CONTRACTOR and/or cancel the

Agreement if the insurance is canceled or CONTRACTOR otherwise ceases to be insured as required herein.

F. Subcontractors

CONTRACTOR shall require and verify that all sub-consultants and subcontractors maintain insurance coverage that meets the minimum scope and limits of insurance coverage specified in subsection A, above.

12. Equal Employment Opportunity. During the performance of this Agreement, CONTRACTOR, for itself, its assignees and successors in interest, agrees as follows:

- A. Compliance With Regulations: CONTRACTOR shall comply with the Executive Order 11246 entitled "Equal Opportunity in Federal Employment", as amended by Executive Order 11375 and 12086, and as supplemented in Department of Labor regulations (41 CFR Chapter 60), hereinafter collectively referred to as the "Regulations".
- B. Nondiscrimination: CONTRACTOR, with regards to the work performed by it after award and prior to completion of the work pursuant to this Agreement, shall not discriminate on the ground of race, color, religion, sex, national origin, age, marital status, physical handicap or sexual orientation in selection and retention of subcontractors, including procurement of materials and leases of equipment. CONTRACTOR shall not participate either directly or indirectly in discrimination prohibited by the Regulations.
- C. Solicitations for Subcontractors, Including Procurement of Materials and Equipment: In all solicitations either by competitive bidding or negotiations made by CONTRACTOR for work to be performed under any subcontract, including all procurement of materials or equipment, each potential subcontractor or supplier shall be notified by CONTRACTOR of CONTRACTOR's obligation under this Agreement and the Regulations relative to nondiscrimination on the ground of race, color, religion, sex, national origin, age, marital status, physical handicap or sexual orientation.
- D. Information and Reports: CONTRACTOR shall provide all information and reports required by the Regulations, or by any orders or instructions issued pursuant thereto, and shall permit access to its books, records, accounts, other sources of information and its facilities as may be determined by the CITY to be pertinent to ascertain compliance with such Regulations, orders and instructions. Where any information required of CONTRACTOR is in the exclusive possession of another who fails or refuses to furnish this information, CONTRACTOR shall so certify to the CITY, and shall set forth what efforts it has made to obtain the information.
- E. Sanctions for Noncompliance: In the event of noncompliance by CONTRACTOR with the nondiscrimination provisions of this Agreement, the CITY shall impose such sanctions as it may determine to be appropriate including, but not limited to:
 - (1) Withholding of payments to CONTRACTOR under this Agreement until CONTRACTOR complies;

(2) Cancellation, termination, or suspension of the Agreement, in whole or in part.

F. Incorporation of Provisions: CONTRACTOR shall include the provisions of subsections A through E, above, in every subcontract, including procurement of materials and leases of equipment, unless exempted by the Regulations, or by any order or instructions issued pursuant thereto. CONTRACTOR shall take such action with respect to any subcontract or procurement as the CITY may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event CONTRACTOR becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, CONTRACTOR may request CITY to enter such litigation to protect the interests of CITY.

13. **Entire Agreement.** This document, including all Exhibits, contains the entire agreement between the parties and supersedes whatever oral or written understanding they may have had prior to the execution of this Agreement. No alteration to the terms of this Agreement shall be valid unless approved in writing by CONTRACTOR, and by CITY, in accordance with applicable provisions of the Sacramento City Code.
14. **Severability.** If any portion of this Agreement or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and shall be enforced to the greatest extent permitted by law.
15. **Waiver.** Neither CITY acceptance of, or payment for, any Service or Additional Service performed by CONTRACTOR, nor any waiver by either party of any default, breach or condition precedent, shall be construed as a waiver of any provision of this Agreement, nor as a waiver of any other default, breach or condition precedent or any other right hereunder.
16. **Enforcement of Agreement.** This Agreement shall be governed, construed and enforced in accordance with the laws of the State of California. Venue of any litigation arising out of or connected with this Agreement shall lie exclusively in the state trial court or Federal District Court located in Sacramento County in the State of California, and the parties consent to jurisdiction over their persons and over the subject matter of any such litigation in such courts, and consent to service of process issued by such courts.
17. **Assignment Prohibited.** The expertise and experience of CONTRACTOR are material considerations for this Agreement. CITY has a strong interest in the qualifications and capability of the persons and entities that will fulfill the obligations imposed on CONTRACTOR under this Agreement. In recognition of this interest, CONTRACTOR shall not assign any right or obligation pursuant to this Agreement without the written consent of the CITY. Any attempted or purported assignment without CITY's written consent shall be void and of no effect.
18. **Binding Effect.** This Agreement shall be binding on the heirs, executors, administrators, successors and assigns of the parties, subject to the provisions of Section 17, above.
19. **Use Tax Requirements.** During the performance of this Agreement, CONTRACTOR, for itself, its assignees and successors in interest, agrees as follows:

- A. Use Tax Direct Payment Permit: For all leases and purchases of materials, equipment, supplies, or other tangible personal property used to perform the Agreement and shipped from outside California, the Contractor and any subcontractors leasing or purchasing such materials, equipment, supplies or other tangible personal property shall obtain a Use Tax Direct Payment Permit from the California State Board of Equalization ("SBE") in accordance with the applicable SBE criteria and requirements.

- B. Sellers Permit: For any construction contract and any construction subcontract in the amount of \$5,000,000 or more, Contractor and the subcontractor(s) shall obtain sellers permits from the SBE and shall register the jobsite as the place of business for the purpose of allocating local sales and use tax to the City. Contractor and its subcontractors shall remit the self-accrued use tax to the SBE, and shall provide a copy of each remittance to the City.

- C. The above provisions shall apply in all instances unless prohibited by the funding source for the Agreement.

EXHIBIT E

REQUIREMENTS OF THE NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE

INTRODUCTION

The Sacramento Non-Discrimination In Employee Benefits Code (the "Ordinance"), codified as Sacramento City Code Chapter 3.54, prohibits City contractors from discriminating in the provision of employee benefits between employees with spouses and employees with domestic partners, and between the spouses and domestic partners of employees.

APPLICATION

The provisions of the Ordinance apply to any contract or agreement (as defined below), between a Contractor and the City of Sacramento, in an amount exceeding \$100,000.00. The Ordinance applies to that portion of a contractor's operations that occur: (i) within the City of Sacramento; (ii) on real property outside the City of Sacramento if the property is owned by the City or if the City has a right to occupy the property; or (iii) at any location where a significant amount of work related to a City contract is being performed.

The Ordinance does not apply: to subcontractors or subcontracts of any Contractor or contractors; to transactions entered into pursuant to cooperative purchasing agreements approved by the Sacramento City Council; to legal contracts of other governmental jurisdictions or public agencies without separate competitive bidding by the City; where the requirements of the ordinance will violate or are inconsistent with the terms or conditions of a grant, subvention or agreement with a public agency or the instructions of an authorized representative of any such agency with respect to any such grant, subvention or agreement; to permits for excavation or street construction; or to agreements for the use of City right-of-way where a contracting utility has the power of eminent domain.

DEFINITIONS

As set forth in the Ordinance, the following definitions apply:

"Contract" means an agreement for public works or improvements to be performed, or for goods or services to be purchased or grants to be provided, at the expense of the City or to be paid out of moneys deposited in the treasury or out of the trust money under the control or collected by the City. "Contract" also means a written agreement for the exclusive use ("exclusive use" means the right to use or occupy real property to the exclusion of others, other than the right reserved by the fee owner) or occupancy of real property for a term exceeding 29 days in any calendar year, whether by singular or cumulative instrument, (i) for the operation or use by others of real property owned or controlled by the City for the operation of a business, social, or other establishment or organization, including leases, concessions, franchises and easements, or (ii) for the City's use or occupancy of real property owned by others, including leases, concessions, franchises and easements.

"Contract" shall not include: a revocable at-will use or encroachment permit for the use of or encroachment on City property regardless of the ultimate duration of such permit; excavation, street construction or street use permits; agreements for the use of City right-of-way where a contracting utility has the power of eminent domain; or agreements governing the use of City property that constitute a public forum for activities that are

primarily for the purpose of espousing or advocating causes or ideas and that are generally protected by the First Amendment to the United States Constitution or that are primarily recreational in nature.

“Contractor” means any person or persons, firm partnership or corporation, company, or combination thereof, that enters into a Contract with the City. “Contractor” does not include a public entity.

“Domestic Partner” means any person who has a currently registered domestic partnership with a governmental entity pursuant to state or local law authorizing the registration.

“Employee Benefits” means bereavement leave; disability, life, and other types of insurance; family medical leave; health benefits; membership or membership discounts; moving expenses; pension and retirement benefits; vacation; travel benefits; and any other benefit given to employees. “Employee benefits” shall not include benefits to the extent that the application of the requirements of this chapter to such benefits may be preempted by federal or state.

CONTRACTOR’S OBLIGATION TO PROVIDE THE CITY WITH DOCUMENTATION AND INFORMATION

Contractor shall provide the City with documentation and information verifying its compliance with the requirements of the Ordinance within ten (10) days of receipt of a request from the City. Contractors shall keep accurate payroll records, showing, for each City Contract, the employee’s name, address, Social Security number, work classification, straight time pay rate, overtime pay rate, overtime hours worked, status and exemptions, and benefits for each day and pay period that the employee works on the City Contract. Each request for payroll records shall be accompanied by an affidavit to be completed and returned by the Contractor, as stated, attesting that the information contained in the payroll records is true and correct, and that the Contractor has complied with the requirements of the Ordinance. A violation of the Ordinance or noncompliance with the requirements of the Ordinance shall constitute a breach of contract.

EMPLOYER COMPLIANCE CERTIFICATE AND NOTICE REQUIREMENTS

(a) All contractors seeking a Contract subject to the Ordinance shall submit a completed Declaration of Compliance Form, signed by an authorized representative, with each proposal, bid or application. The Declaration of Compliance shall be made a part of the executed contract, and will be made available for public inspection and copying during regular business hours.

(b) The Contractor shall give each existing employee working directing on a City contract, and (at the time of hire), each new employee, a copy of the notification provided as Attachment “A.”

(c) Contractor shall post, in a place visible to all employees, a copy of the notice provided as Attachment “B.”

Attachment A



YOUR RIGHTS UNDER THE CITY OF SACRAMENTO'S NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE

On (date), your employer (the "Employer") entered into a contract with the City of Sacramento (the "City") for (contract details), and as a condition of that contract, agreed to abide by the requirements of the City's Non-Discrimination In Employee Benefits Code (Sacramento City Code Section 3.54).

The Ordinance does not require the Employer to provide employee benefits. The Ordinance does require that if certain employee benefits are provided by the Employer, that those benefits be provided without discrimination between employees with spouses and employees with domestic partners, and without discrimination between the spouse or domestic partner of employees.

The Ordinance covers any employee working on the specific contract referenced above, but only for the period of time while those employees are actually working on this specific contract.

The included employee benefits are:

- Bereavement leave
- Disability, life and other types of insurance
- Family medical leave
- Health benefits
- Membership or membership discounts
- Moving expenses
- Pension and retirement benefits
- Vacation
- Travel benefits
- Any other benefits given to employees

(Employee Benefits does not include benefits that may be preempted by federal or state law.)

If you feel you have been discriminated or retaliated against by your employer in the terms and conditions of your application for employment, or in your employment, or in the application of these employee benefits, because of your status as an applicant or as an employee protected by the Ordinance, or because you reported a violation of the Ordinance, and after having exhausted all remedies with your employer,

You May . . .

- Submit a written complaint to the City of Sacramento, Procurement Services containing the details of the alleged violation. The address is:

City of Sacramento
Procurement Services Division
915 I Street, Second Floor
Sacramento, CA 95814

- Bring an action in the appropriate division of the Superior Court of the State of California against the Employer and obtain the following remedies:
 - Reinstatement, injunctive relief, compensatory damages and punitive damages
 - Reasonable attorney's fees and costs

Attachment B



YOUR RIGHTS UNDER THE CITY OF SACRAMENTO'S NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE

If your employer provides employee benefits, they must be provided to those employees working on a City of Sacramento contract without discriminating between employees with spouses and employees with domestic partners.

The included employee benefits are:

- Bereavement leave
- Disability, life and other types of insurance
- Family medical leave
- Health benefits
- Membership or membership discounts
- Moving expenses
- Pension and retirement benefits
- Vacation
- Travel benefits
- Any other benefits given to employees

If you feel you have been discriminated against by your employer . . .

You May . . .

- Submit a written complaint to the City of Sacramento, Procurement Services, containing the details of the alleged violation. The address is:

City of Sacramento
Procurement Services Division
915 I Street, Second Floor
Sacramento, CA 95814

- Bring an action in the appropriate division of the Superior Court of the State of California against the employer and obtain reinstatement, injunctive relief, compensatory damages, punitive damages and reasonable attorney's fees and costs.

Discrimination and Retaliation Prohibited.

If you feel you have been discriminated or retaliated against by your employer in the terms and conditions of your application for employment, or in your employment, because of your status as an applicant or as an employee protected by the Ordinance, or because you reported a violation of this Ordinance . . .

You May Also . . .

Submit a written complaint to the City of Sacramento, Procurement Services, at the same address, containing the details of the alleged violation.