

**Letter from RSG Dated August 19, 2014  
along with Contract**

**Attachment 2**



BETTER COMMUNITIES. BOLDER FUTURES.

ROSENOW SPEVACEK GROUP INC.  
309 WEST 4TH STREET  
SANTA ANA, CALIFORNIA  
92701-4502

T 714 541 4585  
F 714 541 1175  
E INFO@WEBRSG.COM  
WEBRSG.COM

Via Electronic Mail

August 19, 2014

Kathleen Rollings-McDonald, Executive Officer  
SAN BERNARDINO LAFCO  
215 North "D" Street, Suite 204  
San Bernardino, CA 92415

RECEIVED  
AUG 19 2014  
LAFCO  
San Bernardino County

**PROPOSAL FOR CONSULTING SERVICES  
LOCAL AGENCY FORMATION COMMISSION – COUNTY OF SAN BERNARDINO  
FISCAL ANALYSIS OF COMMUNITY INCORPORATION FEASIBILITY**

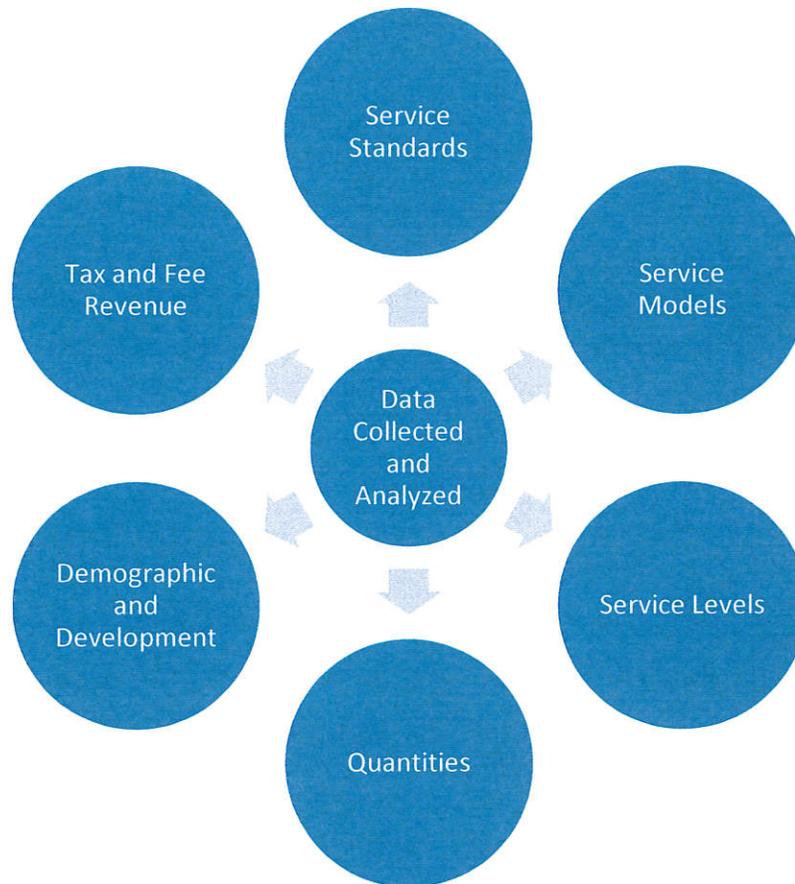
Dear Kathy:

Thank you for this opportunity to assist the Local Agency Formation Commission of San Bernardino County complete an incorporation feasibility study of the Rim of the World communities of Crest Forest, Lake Arrowhead, and Hilltop. RSG's role would be to assist LAFCO staff prepare the feasibility study, specifically by undertaking the fiscal modeling and the underlying financial analysis. Our role in this case would be to serve as an adjunct to LAFCO staff, working closely with staff to guide their data solicitation, collection and evaluation activities necessary to feed into our model.

RSG has a legacy of experience with these studies, including work on the last successful incorporation in the County (Chino Hills), as well as the fiscal feasibility study of the Oakhurst community incorporation, in the foothills near Yosemite which has some service similarities to the proposed incorporation. RSG's experience with these and similar studies for LAFCO's around the state goes back nearly 25 years.

RSG understands that the purpose of this study is to prepare financial projections for LAFCO's incorporation feasibility study. RSG will require close coordination and contact with the LAFCO staff overseeing the data collection process to ensure all information required for our work component is procured accurately, fulfilled as completely as possible, and delivered timely. As illustrated below, the financial work is integral to the overall study – data on existing service levels feeds assumptions on how expenses in the future may be projected, for example.

FISCAL HEALTH  
ECONOMIC DEVELOPMENT  
REAL ESTATE, HOUSING  
AND HEALTHY COMMUNITIES



We have taken this into account in the scope of services below to ensure we collaborate effectively and efficiently with staff.

We appreciate the opportunity to submit our proposal to the Local Area Formation Commission of San Bernardino County, and look forward to working with you. If you have any questions, please do not hesitate to contact me at 714.316.2122.

Sincerely,  
ROSENOW SPEVACEK GROUP, INC.

Jim Simon  
Principal

Jane Carlson  
Associate

## AGREEMENT FOR PROFESSIONAL SERVICES

THIS AGREEMENT is entered into this \_\_\_\_\_ day of September, 2014, by and between the San Bernardino Local Agency Formation Commission, or LAFCO, (hereinafter referred to as "CLIENT") and the Rosenow Spevacek Group, Inc. (hereinafter referred to as "CONSULTANT").

### WITNESSETH

The parties hereto do agree as follows:

SECTION 1. RECITALS. This Agreement is made and entered into with respect to the following facts:

(a) The CLIENT desires to undertake certain activities pursuant to Division 24 of the Health and Safety Code (the "Act") necessary for the planning, development and execution of projects thereunder; and

(b) The CLIENT desires a highly qualified CONSULTANT to provide technical assistance in the area of local government fiscal consulting; and

(c) The CONSULTANT represents that it is qualified to perform such services and has agreed to do so pursuant to this Agreement; and

(d) The CLIENT desires to contract with the CONSULTANT on the basis of the following terms and conditions.

SECTION 2. EMPLOYMENT. The CLIENT hereby employs the CONSULTANT and the CONSULTANT hereby accepts such employment, as CONSULTANT to the CLIENT, for purposes of providing a forecast of recurring operating revenues and expenditures for the CLIENT's study of the feasibility of incorporation of the Rim of the World communities, as provided to CONSULTANT.

SECTION 3. SCOPE OF SERVICES. The CONSULTANT will diligently perform the tasks and prepare the documents necessary as outlined in Exhibit "A".

SECTION 4. TERM. The term of this Agreement shall be the period from the date of this Agreement as first shown above until June 30, 2015 or until its abandonment by the CLIENT, whichever occurs first. The schedule of performance shall be as outlined in the preliminary schedule prepared by the CONSULTANT. If necessary, the schedule may be modified upon approval of the CLIENT staff.

SECTION 5. CONSULTANT PROJECT TEAM. Jim Simon, Principal will be designated as the responsible party for the CONSULTANT. Other CONSULTANT staff may be assigned as needed under the direction of Mr. Simon.

SECTION 6. COMPENSATION. The CONSULTANT will perform those tasks and deliver the products pursuant to Section 3 of this AGREEMENT for a fee not to exceed \$15,000, pursuant to the terms and conditions shown in Exhibit "B".

SECTION 7. PAYMENT PERIOD. The CLIENT shall review the invoices submitted by CONSULTANT to determine whether the nature and extent of the services performed are consistent with this Agreement. Payment shall be made within thirty-five (35) days following receipt of the invoice by the CLIENT or CLIENT shall give to

CONSULTANT a written notice objecting to charges, including a statement of reasons for such objections.

SECTION 8. RIGHT OF TERMINATION. This Agreement may be terminated by the CLIENT, with or without cause, in its sole discretion, on ten (10) days written notice to the CONSULTANT.

In such event, the CONSULTANT shall, on the CLIENT's request, promptly surrender to the CLIENT all completed work and work in progress, and all materials, records, and notes procured or produced pursuant to this Agreement. The CONSULTANT may retain copies of such work products as a part of its record of professional activity. The CONSULTANT is cognizant of the fact that all information and material obtained by the CONSULTANT from the CLIENT during the performance of this Agreement shall be treated as strictly confidential, and shall not be used by the CONSULTANT for any purpose other than the performance of this Agreement. The CONSULTANT shall be reimbursed for all expenses incurred to the date of termination.

SECTION 9. REPORTS AND DOCUMENTS. All reports, agreements and other documents prepared by the CONSULTANT pursuant to this Agreement are the property of the CLIENT and shall be turned over to the CLIENT upon expiration or termination of this Agreement.

The CLIENT may use, duplicate, disclose, and/or disseminate, in whole or in part, in any manner it deems appropriate, all papers, writings, documents, reports and other materials of whatever kind prepared, produced or procured in the performance of this Agreement, which are delivered to or acquired by CLIENT.

SECTION 10. INDEPENDENT CONTRACTOR. The parties hereby acknowledge that the CONSULTANT is an independent contractor and shall not be considered to be an employee of the CLIENT.

SECTION 11. INDEMNITY. CONSULTANT hereby agrees to and does indemnify, defend and hold harmless the CLIENT, and any and all of their respective officers, employees, and representatives from any and all claims, liabilities and expenses, including attorney fees and costs that arise out of CONSULTANT'S performance of this Agreement. However, if the CONSULTANT is joined in any legal action taken against the CLIENT except actions based on the negligent or wrongful acts of the CONSULTANT, the CLIENT will indemnify, defend and hold harmless the CONSULTANT.

SECTION 12. NOTICES. Notices pursuant to this Agreement shall be given by personal service or by deposit of the same in the custody of the United States Postal Service, postage prepaid, addressed as follows:

TO CLIENT: Kathleen Rollings-McDonald  
San Bernardino LAFCO  
215 N. "D" Street, Suite 204  
San Bernardino, CA 92415

TO CONSULTANT: Rosenow Spevacek Group, Inc.  
309 West 4th Street  
Santa Ana, CA 92701-4502

Notices shall be deemed to be given as of the date of personal service, or two (2) days following the deposit of the same in the course of transmission of the United States Postal Service.

SECTION 13. BINDING EFFECT. This Agreement shall be binding upon the parties hereto and their successors in interest.

SECTION 14. ASSIGNMENT. CONSULTANT shall not be permitted to assign any of its rights or obligations hereunder, except to subconsultants as approved by the CLIENT and except for the payment of funds due from the CLIENT, without prior written consent of the CLIENT. The consent of the CLIENT to an assignment shall not be unreasonably withheld, but prior to approving any assignment involving the performance of any obligations pursuant to this Agreement, the CLIENT shall be satisfied by competent evidence that the assignee is financially able and technically qualified to perform those services proposed to be assigned. In the event of such assignment, the CLIENT may condition the same so as to ensure compliance with the provisions of this Agreement.

SECTION 15. COMPLIANCE WITH LAWS. CONSULTANT shall comply with all applicable laws in performing its obligations under this Agreement.

SECTION 16. CONFIDENTIALITY. Information and materials obtained by the CONSULTANT from the CLIENT during the performances of this Agreement shall be treated as strictly confidential, and shall not be used by the CONSULTANT for any purpose other than the performance of this Agreement.

SECTION 17. CONSULTANT'S LIABILITY AND INSURANCE, PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE. The CONSULTANT shall assume all responsibility for damages to property or injuries to persons, including accidental death, which may be caused by the CONSULTANT'S performance of a contract, whether such performance be by himself, his subcontractor, or anyone directly or indirectly employed by him and whether such damage shall accrue or be discovered before or after termination of contract. The CLIENT shall be provided a certificate of insurance verifying the CONSULTANT'S liability insurance coverage.

SECTION 18. WORKERS' COMPENSATION INSURANCE. The CONSULTANT agrees to maintain at its expense, during the term of this Agreement, all necessary insurance for its employees engaged in the performance of this Agreement, including, but not limited to, workers' compensation insurance, and to provide the CLIENT with satisfactory evidence of such insurance coverage upon the CLIENT'S request.

SECTION 19. DISCRIMINATION. The CONSULTANT agrees that no person shall be excluded from employment in the performance of this Agreement on grounds of race, creed, color, sex, age, marital status, or place of national origin. In this connection, the CONSULTANT agrees to comply with all County, State and Federal laws relating to equal employment opportunity rights.

SECTION 20. WAIVER. The failure of either party to enforce any term or provision of this agreement shall not constitute a waiver of the right to enforce the same term or provision or any other term or provision thereafter.

SECTION 21. SEVERABILITY. In the event any clause, sentence term, condition, or provision of this agreement shall be held by any court of competent jurisdiction to be illegal, invalid, or unenforceable for any reason, the remaining portions of this agreement shall nonetheless remain in full force and effect.

SECTION 22. CONSUMMATION. The parties agree to execute all instruments and documents and to take all actions require to facilitate and effectuate this agreement.

SECTION 23. JURISDICTION AND VENUE. This agreement and its terms and conditions shall be considered, review and decided in accordance with the law of the State of California. The negotiations, terms and final agreement were made and entered into in the County of Orange. Performance of this agreement is deemed to have happened in the County of Orange. If a legal dispute occurs over the terms and conditions of this agreement, including its enforcement, the venue for redress of such claims will be in the County of Orange, State of California.

SECTION 24. AMENDMENT. No amendment or modification of this agreement shall be valid or binding upon the parties unless made in writing and duly signed on behalf of each of the parties by their respective authorized representatives.

SECTION 25. RECOVERY OF LITIGATION COSTS. If any legal or equitable action or any arbitration or other proceeding is brought for the enforcement or interpretation of this Agreement or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party in such action or proceeding shall be entitled to recover reasonable attorneys' fees and other costs incurred in such action or proceeding in addition to any other relief to which such party may be entitled.

SECTION 26. ENTIRE AGREEMENT. This document constitutes the sole and entire agreement between the parties with respect to the rendering of Professional Services and/or an amendment to a professional services agreement. Any and all prior or contemporaneous agreements, understandings, negotiations, and discussions, whether oral or written, with respect to the subject matter hereof, are hereby superseded.

IN WITNESS WHEREOF, this Agreement has been duly authorized and executed by the parties hereto on the day and year first herein above written.

SAN BERNARDINO LOCAL AGENCY FORMATION COMMISSION

By: \_\_\_\_\_  
Kathleen Rollings-McDonald, Executive Officer

ROSENOW SPEVACEK GROUP, INC.

By: \_\_\_\_\_  
Jim Simon, President

EXHIBIT "A"  
SCOPE OF SERVICES  
2014 RIM OF THE WORLD INCORPORATION FEASIBILITY FORECAST

The overall deliverable will be a base year (2013-14, using audited data if available), and a 10 year forecast of commencing from the first full year following the assumed incorporation (to be determined in consultation with LAFCO staff). As part of this work, we have included a presentation of our work to the LAFCO board and/or Rim of the World constituencies.

RSG's scope of work for this proposal is based on the following specific tasks:

**Task 1: Prepare and Circulate Service Level and Fiscal Data Request**

RSG will prepare for LAFCO use a data request clearly identifying the items needed from the County and other parties in order to proceed with our forecast. In general, the data needed will include quantifiable metrics of service levels, such as law enforcement calls for service, inventory and frequency of infrastructure and facility maintenance needs, actual revenue collections, or similar data.

Specifically, RSG would first read through the respective municipal service reviews and audit reports (provided by staff already) and outline the categories of our data needs and any apparent issues or concerns. Next, we would meet with LAFCO staff and a key County officials that may be especially integral to the completion of this work, to review this outline and attempt to discern refinements in the data request process. From there, we would expect to draft specific data requests for the LAFCO's use (who may wish expand these for their separate purposes) and dissemination to each department, vendor and/or agency.

Our experience is that the nature of this work can be so cumbersome to key data providers that it is often difficult to anticipate all questions and issues that may arise, but we hope to do so to avoid any unnecessary concerns or delays, while limiting frustration with the relatively detail nature of this kind of work.

Some examples of what we would be requesting are preliminarily outlined below:

- Total amount of secured and unsecured taxes billed and collected for the Rim of the World communities in fiscal year 2013-14
- Recent property sales history and total revenue collected from property sales (i.e. property transfer taxes collected)
- Total Sales Tax collections
- Total Transient Occupancy Tax collections
- Detailed information on current staffing assigned to the Rim of the World communities and their service districts for any and all departments providing municipal services and, separately, any prorata share of regional services provided by the County, including applicable information on direct, administrative, indirect, or specialized support costs, training, and costs and schedules associated with equipment maintenance and replacement such as vehicles and safety equipment

- Applied and documented standards of service (e.g. one staff member for 1,000 service area population)
- Total animal control calls for service from the Rim of the World communities on a monthly basis, for the last fiscal year
- The most recent fee studies performed as applicable
- Revenues from any fees or taxes that offset costs as a percentage of total cost recovery
- Amounts, services, and scope of any special funding, including grants, that the Rim of the World communities and County have received during the past fiscal year and/or the 10 year period of the forecast
- Number of building and safety permits issued and associated revenues resulting from service to the Rim of the World communities
- Number of planning permits issued and associated revenues resulting from service to the Rim of the World communities
- Typical cost recovery rate for building inspection services and planning services
- Number of code violation citations and associated fees billed for citations within the Rim of the World communities, as well as the typical rate of payment for 2013-14
- The general percent of Code Compliance citations that are reactive versus pro-active in the Rim of the World communities
- A summary of total calls for law enforcement service from the Rim of the World communities on a monthly basis, for the period beginning in fiscal year 2013-14
- Number and types of citations issued by month during 2013-14, the associated fees billed, number of bookings, if any, during the five year period by month
- Value of forfeited assets seized from the Rim of the World communities for the year to date, as well as for fiscal years 2013-14
- A map or description of which streets patrolled by the Sheriff's department and which are patrolled by the California Highway Patrol as applicable
- A map or description of beat/patrol areas within the City
- Annual operational and maintenance costs and schedule associated with traffic signals, street lighting, street sweeping, sidewalk maintenance, gutter/storm drain maintenance, landscaping, and street maintenance
- A map or written description and inventory detailing length/size/number of public roads, curbs, storm drains, sidewalks, landscape, lighting, and traffic signals in the Rim of the World communities

- Total number of businesses and amount of revenue generated by business licenses in the Rim of the World communities
- Information on new development and any known changes in business activity for the area, occurring since 2013-14 and anticipated development by year for the next 15 years. This information should include, at a minimum, a brief description of the size and timing of this economic event, such as the amount of square footage of building area constructed and the year completed, as well as other information contingent upon the nature of the event. RSG will consult with the County planning staff to fulfill this part of the work.

Fulfillment of the data request is anticipated to take 3-6 weeks following execution of this Agreement and receipt of the data request. During this process, because of the interrelationship between the proposed Plan for Services and the fiscal forecast, RSG recommends regular (weekly or even more frequent) conference calls to discuss the implications of data responses on the modeling and service plan. This should help advance the entire effort in a cohesive manner, and highlight needs for any clarifying questions or follow-up to respondents.

Upon receipt of all necessary data, RSG shall proceed with its study, but we hope that we may be able to proceed with some of the pieces as quickly as possible.

### **Task 2: Analyze Reference Data**

RSG will then develop a series of spreadsheets and analysis by category and/or department as appropriate. Revenue estimates shall be based upon data provided primarily by the County as identified in Task 1 and/or through other sources available to the County (such as State Board of Equalization, sales tax consultants, etc.), such as total assessed values, taxable sales, transient occupancy taxes, etc. As this study is not a statutory requirement, LAFCO may have to settle for less than precise responses from participating respondents; during a formal comprehensive fiscal analysis, LAFCO may have more success with data estimates because providers tend to be more precise and responsive.

The analysis shall specify all assumptions on which it relies. At the conclusion of the review and analysis of the data collected, RSG will prepare and circulate the 10 year revenue and cost analysis to the LAFCO for their initial review, along with a rider of assumptions used therein. These projections are intended to facilitate discussion and comment on the forecast in advance of completion of the Draft Report.

### **Task 3: Develop and Present Final Report**

RSG shall develop a Draft Report for review and comments by LAFCO. The Draft Report will consist of the following:

- A concise executive summary of findings, a review of study methodology,
- A base line revenue and cost budget for municipal and regional services
- Projections including computations and conclusions of costs for each municipal and regional service documented based on existing service levels for the Rim of the World communities
- Relevant exhibits, charts and graphics as applicable, as well as an appendix of source information compiled for this study.

**MEETINGS**

Jim Simon, Principal, and/or Jane Carlson, Associate, may attend up to two (2) meetings with staff and one (1) meeting with the Board of Supervisors if necessary. Additional staff may be present at some or all of these meetings as needed.

**SCHEDULE**

Below, RSG has outlined a preliminary schedule of key tasks involved in the engagement. The actual schedule is contingent upon several factors, such as the staff responsiveness, the availability of critical data, review process, and participation levels.

- Data Requests Submitted to LAFCO ..... 1 Week
- Data Requests Transmitted and Completed by Departments/Agencies..... 3-6 Weeks
- Data Collected/Follow-up/Analysis .....Ongoing
- Draft Report Prepared and Circulated ..... 1 Week
- Staff Review of Draft Report..... 1 Week

RSG may suggest distribution of individual pieces of the analysis as they are completed to expedite review and completion of the Draft Report. This can be discussed in more detail with staff at a kick-off meeting.