

April 12, 2023

**TO:** Local Agency Formation Commission  
of Orange County

**FROM:** Executive Officer  
Assistant Executive Officer

**SUBJECT:** Professional Consultant Services Agreements for the  
Orange County Water District Municipal Service Review

### BACKGROUND

In October 2022, OC LAFCO received an application from the Orange County Water District (OCWD) to conduct a focused Municipal Service Review (MSR) on the potential consolidation of OCWD and the Municipal Water District of Orange County (MWDOC). OCWD's application was submitted in response to a report prepared by the Orange County Grand Jury, *Water in Orange County Needs "One Voice."* The report discusses the consolidation of OCWD and MWDOC into a single County wholesale water agency to increase the efficiency and effectiveness in delivering imported water and groundwater, major infrastructure investments, development of forward-thinking policies and practices, and opportunities at the local, State and federal levels in legislation, policy making and receiving subsidies and grants.

An MSR for OCWD was last conducted in 2013, and in part to the Commission's five-year cycle for MSRs and Sphere of Influence (SOI) Updates, the District's next review was scheduled to begin in 2023. In light of the District's application, the OCWD MSR process will now include a comprehensive review of the District in accordance with the state mandate and a feasibility analysis of the potential consolidation of OCWD and MWDOC. As a note, the most recent five-year cycle MSR for MWDOC was conducted and approved by the Commission in 2020. The MSR did not, however, include a discussion of potential consolidation of the agencies.

For assistance in preparing specialized technical assessments and fiscal analyses, OC LAFCO often uses professional consultants with expertise in these areas. This staff report provides a summary of the Request for Proposal (RFP) process conducted for assistance in preparing the OCWD MSR and a recommendation for approval by the Commission to engage two consultants.

### REGULAR MEMBERS

CHAIR  
**Douglass Davert**  
Special District Member

VICE CHAIR  
**Donald P. Wagner**  
County Member

IMMEDIATE PAST CHAIR  
**Derek J. McGregor**  
Public Member

**Wendy Bucknum**  
City Member

**Andrew Do**  
County Member

**James Fidler**  
Special District Member

**Vacant**  
City Member

### ALTERNATES

**Katrina Foley**  
County Member

**Kathryn Freshley**  
Special District Member

**Carol Moore**  
City Member

**Lou Penrose**  
Public Member

### STAFF

**Carolyn Emery**  
Executive Officer

**Scott Smith**  
General Counsel

## DISCUSSION

To secure proposals from firms qualified to complete the scope of work for the OCWD MSR, OC LAFCO released an RFP on January 9, 2023. The RFP delineated a scope of work composed of the following key components: 1) Conduct a review of the municipal services currently provided by the OCWD in accordance with the provisions of Government Code Sections 56425 (*Spheres of Influence*) and 56430 (*Municipal Service Reviews*); 2) Prepare a fiscal feasibility analysis focused on the potential consolidation of OCWD and MWDOC; and 3) Review and prepare an assessment of any required legislative changes involving governance structures for the potential consolidation of OCWD and MWDOC.

The RFP was electronically distributed to 40 firms, and the respective documents were posted on the agency's website. In part to the competitive process, OC LAFCO staff conducted a subsequent pre-proposal conference for staff and representatives from OCWD to address any questions from interested consultants. Afterwards, a proposal was received from Albert A. Webb Associates (WEBB) and reviewed by OC LAFCO staff to ensure that it addressed the requirements of the scope of work. Additionally, the firm was invited to participate in an interview to address additional questions from OC LAFCO and OCWD regarding the firm's experience and qualifications. Following the interview, WEBB was selected by OC LAFCO staff to perform the study based on its understanding of the project, the proposed personnel's experience and qualifications on the numerous areas covered by the scope of work, and submittal of a proposal that addressed the components of the RFP.

WEBB is located in Riverside County and since 1945 has consistently provided civil engineering, planning, municipal finance, and environmental services to several agencies in southern California, including special districts, cities, counties, and regional agencies. The firm's finance division brings experience in municipal finance, fiscal analyses and financial modeling and is further complemented with direct expertise in the areas of groundwater and imported water, engineering, water resources planning, California Environmental Quality Act, and Geographic Information Systems. WEBB's in-depth knowledge in these areas will assist in addressing the components of the OCWD MSR scope of work.

To review and prepare an assessment of the required legislative changes concerning the consolidation of OCWD and MWDOC, staff is recommending the Commission engage the services of Mr. John J. Schatz. Mr. Schatz has 34 years of legal counsel experience in the areas of surface and groundwater rights and water supplies, and the proceedings delineated by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Staff believes the expertise of Mr. Schatz in these areas, as well as familiarity with Orange County local agencies, will assist in the objective assessment of critical areas including the Districts' principal acts and the legal impediments and potential impacts of consolidation concerning governance. As a note, if approved by the Commission, the professional consulting services provided by Mr. Schatz will be limited to the governance component outlined in the scope of work and will not include or overlap with the legal services provided by the Commission's general counsel, Best Best & Krieger.

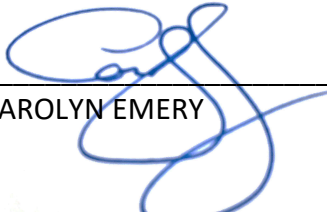
The professional service agreement with WEBB includes a total cost not to exceed **\$264,390**. The agreement with Mr. John J. Schatz includes a total cost not to exceed **\$15,000**. Both agreements are attached to this report for Commission review and consideration. If the agreements are approved by the Commission, the full costs will be funded by additional application fees to be provided by OCWD.

### RECOMMENDED ACTIONS

Staff recommends the Commission:

1. Approve the professional services agreement with Albert A. Webb Associates (WEBB) for services referenced in Attachment 1, Exhibit A and authorize the Executive Officer to execute the agreement.
2. Approve the professional services agreement with John J. Schatz for services referenced in Attachment 2, Exhibit A and authorize the Executive Officer to execute the agreement.

Respectfully submitted,



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CAROLYN EMERY



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LUIS TAPIA

Attachments:

1. OC LAFCO Professional Services Agreement with Albert A. Webb Associates (WEBB)
2. OC LAFCO Professional Services Agreement with John J. Schatz

**ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION  
PROFESSIONAL CONSULTANT SERVICES AGREEMENT**

This Agreement is made effective, \_\_\_\_\_, by and between ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION (hereinafter referred to as “OC LAFCO”), organized and operating pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (Government Code Sections 56000 et seq.), and ALBERT A. WEBB ASSOCIATES (hereinafter referred to as “Consultant”).

**RECITALS**

A. OC LAFCO is a public agency of the State of California and is in need of professional consulting services for the preparation of a Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Orange County Water District (OCWD), including a feasibility analysis of the potential consolidation of OCWD and the Municipal Water District of Orange County (MWDOC) (hereinafter referred to as “the Project”).

B. Consultant is qualified by virtue of experience, training, education and expertise to provide such services.

C. This Agreement is to establish the terms and conditions for OC LAFCO to retain Consultant to provide the services described herein.

**AGREEMENT**

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Term and Time of Performance.

The term of this Agreement shall be from the effective date through July 31, 2024 unless terminated in accordance with the procedures outlined in Section 15 of this Agreement. Consultant shall perform its services hereunder in a prompt and timely manner and shall commence performance upon the execution of this Agreement.

2. Services.

Consultant shall provide OC LAFCO with the services described in the Scope of Services attached hereto as Exhibit “A”.

3. Compensation.

a. Subject to paragraph 3(b) below, OC LAFCO shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit “B”.

b. The compensation for services rendered by the consultant pursuant to Exhibit “A” shall not exceed \$264,390. Any additional work must be approved in advance and agreed to by both parties as outlined in section 4.

c. Consultant shall invoice monthly for completed tasks in each phase, to include reimbursable expenses incurred at actual costs (i.e., mileage, overnight shipping, teleconference services, and noticing) as shown in Exhibit “B”.

d. Consultant shall submit to OC LAFCO a statement for services rendered. OC LAFCO shall cause payment to be made to Consultant within thirty (30) working days from receipt of statement for services and OC LAFCO's determination that Consultant has adequately performed those services for which OC LAFCO has been invoiced.

#### 4. Additional Work

If changes in the work seem merited by Consultant or OC LAFCO, and informal consultations with the other party indicate that a change is warranted, it shall be processed by OC LAFCO in the following manner: Consultant shall forward a letter outlining the changes to OC LAFCO with a statement of estimated changes in fee or time schedule. An amendment to the Agreement shall be prepared by OC LAFCO and executed by both parties before performance of such services or OC LAFCO will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

#### 5. Maintenance of Records.

Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the Agreement period and for four (4) years from the date of final payment under the contract for inspection by OC LAFCO.

#### 6. Delays in Performance.

Neither OC LAFCO nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the

circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government.

b. Consultant shall assist OC LAFCO in obtaining and maintaining all permits required of Consultant by Federal, State and local regulatory agencies.

8. Standard of Care.

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Sub-consultant.

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of OC LAFCO, which may be withheld for any reason. Nothing contained herein shall prevent Consultant from employing independent associates and sub-consultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Contractor.

It is agreed that Consultant shall act and be an independent contractor and is not an agent or employee of OC LAFCO and is not entitled to participate in any compensation plans or other benefits OC LAFCO provides for its employees. All services shall be performed by Consultant or under its supervision. Consultant will determine the means, methods and details of performing the services, subject to the requirements of this Agreement. Any additional personnel performing the services under this Agreement on behalf of Consultant shall also not be employees of OC LAFCO and shall at all times be under Consultant's exclusive direction and control. Consultant shall be responsible for all reports and obligations respecting such personnel, including but not limited to: social security taxes, income tax withholding, unemployment insurance, disability insurance and workers' compensation insurance.

11. Integration.

This Agreement represents the entire understanding of OC LAFCO and Consultant as to those matters contained herein and supersedes and cancels any prior oral or written understanding, promises or representations with respect to those matters covered hereunder. This Agreement may

not be modified or altered except in writing signed by both parties hereto. This is an integrated Agreement.

12. Insurance.

Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, all insurance set forth in Exhibit "C" hereto, in a form and with insurance companies acceptable to OC LAFCO.

13. Indemnification.

To the fullest extent permitted by law, Consultant shall defend, indemnify and hold OC LAFCO, its Board, members of the Board, employees, and authorized volunteers free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to the alleged negligent acts, errors or omissions caused by the negligence, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services or this Agreement, including without limitation the payment of all consequential damages, expert witness fees and attorney's fees and other related costs and expenses. Notwithstanding the foregoing, to the extent Consultant's services are subject to Civil Code Section 2782.8, the above indemnity shall be limited, to the extent required by Civil Code Section 2782.8, to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant.

In addition, Consultant shall defend, with counsel of OC LAFCO's choosing and, to the extent permitted by Civil Code Section 2782.8, at Consultant's own cost, expense and risk, any and all claims, suits, actions or other proceedings of every kind covered by this section arising out of, pertaining to, or incident to the alleged negligent acts, errors or omissions caused by the negligence, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services or this Agreement that may be brought or instituted against OC LAFCO or its Board, members of the Board, employees, and authorized volunteers. Consultant shall pay and satisfy any judgment, award or decree that may be rendered against OC LAFCO or its Board, members of the Board, employees, and authorized volunteers as part of any such claim, suit, action or other proceeding. Consultant shall also reimburse OC LAFCO for the cost of any settlement paid by OC LAFCO or its Board, members of the Board, employees, or authorized volunteers as part of any such claim, suit, action or other proceeding. Such reimbursement shall include payment for OC LAFCO's attorney's fees and costs, including expert witness fees. Consultant shall reimburse OC LAFCO and its Board, members of the Board, employees, and/or authorized volunteers, for any and all legal expenses and costs incurred by each of them in connection therewith or in enforcing the indemnity herein provided. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by OC LAFCO, its Board, members of the Board, employees,

or authorized volunteers. Consultant shall have no duty or obligation to defend, indemnify, and/or pay settlement expenses of OC LAFCO, its Board, its Board members, employees, or authorized volunteers due to the negligence, errors or omissions caused by the sole negligence, and/or willful misconduct of OC LAFCO, its Board, its Board members, employees or authorized volunteers.

14. Laws, Venue, and Attorneys' Fees.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Orange, State of California. In the event of any such litigation between the parties, the prevailing party shall be entitled to recover all reasonable costs incurred, including reasonable attorney's fees, as determined by the court.

15. Termination or Abandonment.

a. OC LAFCO may terminate this Agreement for any reason or no reason by giving thirty (30) calendar days' written notice of termination. OC LAFCO shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by OC LAFCO and Consultant of the portion of such task completed but not paid prior to said termination. OC LAFCO shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to OC LAFCO only in the event of substantial failure by OC LAFCO to perform in accordance with the terms of this Agreement through no fault of Consultant.

16. Key Personnel.

Consultant shall assign Stephanie Standerfer as the Vice President. The Vice President shall not be removed from the Project or reassigned without the prior written consent of OC LAFCO.

17. Notice.

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:



OC LAFCO:  
Carolyn Emery, Executive Officer  
2677 N. Main Street, Suite 1050  
  
Santa Ana, CA 92705

Consultant:  
Stephanie Standerfer, Vice President  
Albert A. Webb Associates  
3788 McCray Street  
Riverside, CA 92506

and shall be effective upon receipt thereof.

18. Third Party Rights.

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than OC LAFCO and the Consultant.

19. Severability.

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

20. Acknowledgment.

Consultant acknowledges that by executing this agreement, they are also, in good faith, determining that the appointment meets each of the requirements set forth in Government Code Section 7522.56, including the unemployment insurance requirement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**ORANGE COUNTY LOCAL AGENCY  
FORMATION COMMISSION**

**Albert A. Webb Associates**

By: \_\_\_\_\_  
Carolyn Emery, Executive Officer

By: \_\_\_\_\_  
Stephanie Standerfer, Vice President

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
Scott C. Smith, General Counsel

Attest:

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Cheryl Carter-Benjamin,  
Commission Clerk

**EXHIBIT “A”**  
**SCOPE OF SERVICES and SCHEDULE**

The Consultant will prepare a focused Municipal Service Review (MSR) on the potential consolidation of the Orange County Water District and the Municipal Water District of Orange County. To prepare the MSR, the Consultant will analyze the following areas of relevance:

Albert A. Webb Associates (“WEBB” or “Consultant”) will prepare the Municipal Service Review (MSR) update for Orange County Water District (OCWD), which includes a Sphere of Influence (SOI) review for OCWD’s existing SOI. The MSR will also include a consolidation feasibility analysis as requested by the OCWD application to OC LAFCO, which will include findings related to changes in the SOI.

**Task 1: Project Initiation**

Within 30 days of agreement approval, WEBB will schedule the following kickoff meetings in this order:

1. Virtual meeting with OC LAFCO and their legal consultant that has been obtained for this effort (“Legal Consultant”).
2. In-person meeting with OCWD, OC LAFCO, Legal Consultant, and MWDOC.

WEBB will circulate agendas ahead of each meeting to ensure understanding of our scope of services, objectives, critical paths and schedule, define roles and responsibilities, and define lines of communication. An initial data needs request will be included in the agenda. Prior to the kickoff meetings:

- WEBB will review past MSRs for OCWD and MWDOC and summarize the past findings in a matrix.
- OC LAFCO to provide MSR questionnaire and WEBB will propose revisions to be discussed at kickoff meeting.
- OC LAFCO will be responsible for sending out notifications to the subject and affected agencies.

*Timing and work products:*

- *April-May 2023*
- *Deliverables: agenda, data needs request, updated questionnaire, matrix of prior MSR findings*

**Task 2: Data Collection and Analysis**

First, WEBB will compile demographic data available from OC LAFCO to develop discussions for the MSR on: existing and future population estimates, city and county land use plans, and locations of DUCs – for both OCWD and MWDOC service areas. OC LAFCO to provide:

- Shapefiles/boundaries of each affected agency, each SOI, and each DUC in the study area.
- OC LAFCO’s report preferences (e.g., font, appearance, etc.) to be consistent with other MSRs in the county.

**EXHIBIT “A”**  
**SCOPE OF SERVICES and SCHEDULE**

Second, WEBB will distribute the OC LAFCO MSR questionnaire to OCWD, MWDOC, and other agencies as determined in consultation with OC LAFCO. WEBB will analyze the feedback from the notifications OC LAFCO sent as part of Task 1 to the subject and affected agencies.

Third, WEBB will work with OCWD to compile an understanding of their existing and future facilities, locations of service deficiencies, financial data pertinent to the MSR/SOI study, including budgets, assets, liabilities, retirement plans.

Fourth, WEBB will be in close contact with OC LAFCO’s Legal Consultant to ensure our efforts align. The findings of Legal Consultant are a critical path and determine whether Task 2.3, below, can proceed.

Timing:

- August 2023
- *Deliverables: Analysis of responses from subject and affected agencies to OC LAFCO notification*

**Task 2.1: MSR Determinations**

WEBB will prepare the draft MSR findings per Gov. Code Section 56430 for OC LAFCO review.

1. Municipal Service Review (MSR) Criteria Detail (Gov. Code Section 56430)
  - a. ***Growth and population projections for the affected area:*** Consultant will analyze current and future population and demographic characteristics as they relate to the service area of OCWD and delivery for existing and proposed service area of OCWD. Analysis will include discussion of how OCWD is planning to meet future needs given demographic trends and population projections.
  - b. ***The location and characteristics of any disadvantaged unincorporated communities (DUCs) within or contiguous to the SOI:*** Consultant will obtain from OC LAFCO staff the current DUCs that are within and contiguous to the OCWD SOI.
  - c. ***Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies in any disadvantaged and unincorporated communities within or contiguous to the sphere of influence:*** Consultant will obtain from OCWD a listing of existing and planned facilities, real property assets, and infrastructure within the DUCs identified in previous Subtask “b”. Analysis will identify present sufficiency and future requirements.
  - d. ***Financial ability of agencies to provide services:*** A detailed financial analysis will be conducted on the present and future capacity of OCWD to support the current and future servicing needs of the OCWD service area.
  - e. ***Status of, and opportunities for, shared services:*** Consultant will analyze existing facilities and service area of OCWD for duplication of efforts and to address potential economies of scale to be gained through shared opportunities.

**EXHIBIT “A”**  
**SCOPE OF SERVICES and SCHEDULE**

- f. **Accountability for community service needs, including governmental structure and operational efficiencies.** Consultant will review the current government structure of OCWD, including performed audits and the availability of the findings to the public as well as efforts made by OCWD to encourage public participation and ensure accountability.
- g. **Any other matter related to effective or efficient service delivery, as required by commission policy.** Consultant will discuss with OC LAFCO.

Timing and work products:

- *September 2023*
- *Deliverables: Draft MSR findings for existing OCWD SOI.*

**Task 2.2: SOI Determinations**

WEBB will prepare the draft SOI findings per Gov. Code Section 56425 for OC LAFCO review.

**1. Sphere of Influence (SOI) Criteria Detail (Gov. Code Section 56425)**

- a. **The present and planned land uses in the area, including agricultural and open-space lands.** Consultant will analyze existing and future land use designations within OCWD SOI and their compatibility with local general plans. Analysis will include protection of prime agricultural, open space, and recreational public benefit land use designations.
- b. **Present and probable need for public facilities and services in the area.** Consultant will review present service provisions and facilities, and present capacity to support future requirements for OCWD will be conducted. Consideration will be given to potential changes in service area/program size while maintaining or increasing efficiencies.
- c. **The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide:** Consultant will review the present infrastructure, facilities, and service programming while analyzing the ability of OCWD to access and address its own local service demands.
- d. **The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency:** Consultant will review existing socio-economic communities of interest for OCWD to determine current service deficiencies, challenges, and opportunities in addressing the needs of each community while planning for the future.
- e. **For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structure fire protection that occurs pursuant to subdivision (g)\*1 on or after July 1, 2012 along with the present and probable need for those public facilities and services of any DUCs within the existing SOI:** Consultant will

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<sup>1</sup> Subdivision (g) of Section 56425 states: *On or before January 1, 2008, and every five years thereafter, the commission shall, as necessary, review and update each sphere of influence.*

**EXHIBIT “A”**  
**SCOPE OF SERVICES and SCHEDULE**

review the present and future needs by DUCs within existing OCWD SOI for said public facilities and services.

Timing and work products:

- *September 2023*
- *Deliverables: Draft SOI findings for existing OCWD SOI.*

**Task 2.3: Consolidation Analysis**

In addition to factors of Government Code Sections 56425 and 56430, the MSR shall also include an analysis involving the potential consolidation of OCWD and MWDOC. The analysis shall involve, but not be limited to, Government Code Sections 56653, 56700, 56826.5, 56865, 57150(d), 57500, 57502, 57077.2 and assess the following:

- (1) Fiscal sustainability involving the consolidation of OCWD and MWDOC’s operations, infrastructures, programs, contracts and agreements, retirement plans and other obligations of both Districts.
- (2) The potential opportunities of consolidation involving an increase in efficiency and effectiveness involving the following areas:
  - a. Provision and management of wholesale imported water, groundwater, and recycled water services
  - b. Infrastructure investments
  - c. Legislative advocacy
  - d. Local, state and federal funding, including subsidies and grants

Relative to potential consolidation of OCWD and MWDOC, WEBB will also analyze the following:

- i. Districts’ revenues and expenditures
- ii. Districts’ audited financials
- iii. Districts’ rates, fees and assessments and potential impacts to each involving consolidation
- iv. Districts’ rate studies and projections
- v. Potential impacts to water supply reliability involving consolidation
- vi. Districts’ debt obligations and potential impacts involving consolidation
- vii. Districts’ Current and projected staffing levels involving consolidation
- viii. Transition cost projections involving consolidation

Given the complexities of the relationships, this task includes additional meeting time with OC LAFCO, OCWD, MWDOC, and OC LAFCO Legal Consultant. The success of this analysis is contingent on the prompt provision of requested data from all agencies involved.

Timing and work products:

- *March 2024*
- *Deliverables: Draft consolidation analysis results for hypothetical consolidation scenario of OCWD and MWDOC.*

**EXHIBIT “A”**  
**SCOPE OF SERVICES and SCHEDULE**

**Task 3: Administrative Draft Report**

WEBB will provide OC LAFCO and their Legal Consultant for review and comment an administrative draft report that combines the efforts of Tasks 2.0-2.3, above. The analysis will be two-fold: OCWD in its current state as a standard 5-year MSR update; and a feasibility analysis of the potential consolidation of OCWD and MWDOC. We understand OCWD and MWDOC will also have an opportunity to review and comment on the Administrative Draft Report. WEBB will respond to one round of comments from MWDOC, OCWD, and OC LAFCO and update the report for Task 4, below. An opportunity to comment from MWDOC and OCWD is not a commitment to accepting any/all comments provided by the agency. WEBB will provide electronic drafts and expects to receive one electronic version using tracked changes feature from each agency.

*Timing and work products:*

- *April 2024*
- *Deliverables: Administrative Draft Report*

**Task 4: Public Review Draft Report**

After internal reviews in Task 3 are complete, WEBB will prepare a public review draft MSR that has internal OC LAFCO and agency comments incorporated per direction by OC LAFCO staff. We have budgeted for the Public Review Draft to be distributed to OC LAFCO staff, OCWD, MWDOC, and Legal Consultant to review all changes prior to public release. WEBB will work with OC LAFCO to notify of the availability of the report and publish the draft report in an accessible location for 30-day review period. WEBB will present in-person the findings of the report to the OC LAFCO Board of Commissioners at one public meeting. We assume no hard copies of the public review draft report will be required.

*Timing and work products:*

- *May 2024*
- *Deliverables: Public review draft report, presentation to Commission.*

**Task 5: Final Report**

WEBB will collect all public comments received during the 30-day public review period and prepare a Response to Comments document to append to the final draft MSR report. We have assumed in our budget that all responses to comments and the final draft report will be reviewed by OC LAFCO staff and Legal Consultant prior to finalization. WEBB will present in-person the findings of the report to OC LAFCO Commissioners at a public meeting. We assume no hard copies of the final report will be required.

*Timing and work products:*

- *June 2024-July 2024*
- *Deliverables: Final draft report, Responses to Comments, presentation to Commission.*

**EXHIBIT “A”**  
**SCOPE OF SERVICES and SCHEDULE**

**Task 6: Project Management**

This task accounts for 12 hours of standard monthly internal project management effort that is required including, monthly invoicing and schedule updates. This task also includes 60 hours of ongoing internal and external meetings with OC LAFCO, the affected Districts, and OC LAFCO Legal Consultant. Preparing agendas and meeting minutes by the Project Manager or her designee are also included. If this amount of time (60 hours) is exceeded, then additional budget authorization will be needed. This task includes 8 hours of support from WEBB’s business development and marketing team as-needed for report covers, file sharing/sharepoint support, powerpoint slide preparation support, and exhibits.

**Task 7: Expenses**

This task includes up to \$400 for WEBB and/or WEBB Municipal Finance mileage expenses for mileage to in-person meetings that are necessary for this effort.

**Assumptions**

WEBB assumes the following tasks will be handled by OC LAFCO’s Legal Consultant and are not a part of WEBB’s scope of work:

- Metropolitan Water District of Southern California representation, advocacy and coordination of programs and operations.
- Clarity and accountability with one County wholesale agency.
- Recommended and required legislative changes involving governance structures involving potential consolidation of Districts formed under different principal acts.
- Potential impacts of consolidation on governance of the groundwater basin and wholesale water supplies and the respective producers and members.
- Potential impacts to current and future representation of Orange County on the Metropolitan Water District of Southern California (MWD).
- Possible Board structure and representation options involving consolidation.

Additional assumptions include:

- Any and all complete information needed for WEBB to complete the MSR, SOI and Consolidation report from any and all parties will be provided to WEBB in a timely manner.
- One in person meeting would be included for the Initial Kickoff meeting; all other meetings during report development would be virtual.
- OC LAFCO Hearings and presentations (2 hearings included) are assumed to be in person.
- Effort will be billed monthly as time and materials not to exceed without prior authorization from OC LAFCO.



**EXHIBIT "B"**  
**SCHEDULE OF CHARGES/PAYMENTS**

The following charges and payments shall apply to work performed under this Agreement:

Based on the Scope of Services described in Exhibit A, the services provided by the Consultant shall not exceed \$264,390 inclusive of the hours and reimbursable expenses pursuant to the Consultant's Billing Rate and Fee Schedule. Transportation mileage will be reimbursed at the current IRS approved rate per mile. Services provided will be billed on a time and materials basis, so actual cost may be less than the not to exceed amount. A budget detail and workflow schedule are also presented within this Exhibit B (see page 15).

**EXHIBIT “B”  
SCHEDULE OF CHARGES/PAYMENTS**



The following schedule for charges and payments shall apply to work performed under this Agreement:

**Proposal 015788 – OC LAFCO Municipal Service Review, Sphere of Influence Update for OCWD**

Item	Description	Sam Gershon	Bradley Sackett	Stephanie Standerfer	Autumn DeWoody	Monica Tobias	Kristopher Danielson	Virginia Waters	Chandler Drachslin	Cheryl DeGano	Total Hours	Subtotal - Labor	WEBB Municipal Finance, LLC	Expenses	Total/task <sup>1</sup>
	<b>Billout Rate</b>	\$302	\$302	\$302	\$220	\$220	\$272	\$142	\$189	\$287					
	<b>Total Hours per Associate</b>	<b>46</b>	<b>8</b>	<b>25</b>	<b>326</b>	<b>58</b>	<b>64</b>	<b>56</b>	<b>38</b>	<b>44</b>	<b>665</b>	<b>\$153,508</b>	<b>\$110,466</b>	<b>\$400</b>	<b>\$264,390</b>
Task 1	Project Initiation (kickoff w/ OC LAFCO, OCWD, MWDOC)	4		4	8	4	4				24	\$ 6,144	\$3,776		\$9,920
Task 2	Data Collection & Document Review (questionnaire, analysis, answer 10 questions)	4	2	4	24	16	6	8	8	8	80	\$18,396	\$22,962		\$41,360
Task 2.1	MSR Determinations	6	2	2	40	8	20	8	3	8	97	\$23,019	\$11,276		\$34,300
Task 2.2	SOI Determinations	2	2	2	30	8	10	8	3	6	71	\$16,317	\$4,404		\$20,720
Task 2.3	Consolidation Analysis	6	2	2	80	8	8	8	8	6	128	\$28,926	\$38,522		\$67,450
Task 3	Administrative Draft Report (additional analysis, findings for MSR, SOI, and Consolidation)	8		1	32	8	8	8	8	8	81	\$18,638	\$6,602		\$25,240
Task 4	Public Review Draft Report (include agency comments, presentation to Commission)	8		1	16	4	4	8	4	4	49	\$11,246	\$7,762		\$19,010
Task 5	Final Report (include response to comments and presentation of final to Commission)	8		1	16	2	4	8	4	4	47	\$10,806	\$9,122		\$19,930
Task 6	Project Management (12 for PM, 8 for BD, 60 for meetings)			8	80						88	\$20,016	\$6,040		\$26,060
Task 7	Expenses (mileage)	-	-	-	-	-	-	-	-	-		\$ -		\$400	\$400
<b>Total</b>		<b>46</b>	<b>8</b>	<b>25</b>	<b>326</b>	<b>58</b>	<b>64</b>	<b>56</b>	<b>38</b>	<b>44</b>	<b>665</b>	<b>\$153,508</b>	<b>\$110,466</b>	<b>\$400</b>	<b>\$264,390</b>

**EXHIBIT "C"**  
**INSURANCE REQUIREMENTS**

1. Commercial General Liability

- a. The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to OC LAFCO.
- b. Coverage for Commercial General Liability insurance shall be at least as broad as the following: ISO Commercial General Liability coverage (Occurrence Form CG 0001)
- c. Commercial General Liability Insurance must include coverage for the following:
  - i. Bodily Injury and Property Damage
  - ii. Personal Injury/Advertising Injury
  - iii. Premises/Operations Liability
- d. All such policies shall give OC LAFCO, its Board, members of the Board, employees, and authorized volunteers insured status using ISO endorsement CG2010, CG2033, or equivalent.
- e. The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by OC LAFCO.

2. Automobile Liability

- a. At all times during the performance of the work under this Agreement the Consultant shall maintain Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to OC LAFCO.
- b. Coverage for Automobile Liability Insurance shall be at least as broad as: ISO Form Number CA 0001 covering automobile liability (Coverage Symbol 1, any auto).
- c. The automobile liability program may utilize deductibles, but not a self-insured retention, subject to written approval by OC LAFCO.

3. Workers' Compensation/Employer's Liability

- a. Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing work under this Agreement.

**EXHIBIT “C”  
INSURANCE REQUIREMENTS**

- b. Consultant shall maintain full compensation insurance for all persons employed directly by him/her to carry out the work contemplated under this Agreement, all in accordance with the “Workers' Compensation and Insurance Act,” Division IV of the Labor Code of the State of California and any acts amendatory thereof, and Employer's Liability Coverage in amounts indicated herein. Consultant shall require all subconsultants to obtain and maintain, for the period covered by the work under this Agreement, workers' compensation of the same type and limits as specified in this section.
- c. Such insurance shall include an insurer's Waiver of Subrogation in favor of OC LAFCO and will be in a form and with insurance companies acceptable to OC LAFCO.

4. Minimum Policy Limits Required

- a. The following insurance limits are required for the Agreement:

	Combined Single Limit
Commercial General Liability	\$1,000,000 per occurrence/\$2,000,000 aggregate for bodily injury, personal injury and property damage
Automobile Liability	\$1,000,000 per occurrence for bodily injury and property damage
Employer's Liability/ Workers' Compensation	\$1,000,000 per occurrence/ Statutory

5. Evidence Required

- a. Prior to execution of the Agreement, the Consultant shall file with OC LAFCO evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 2010 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (ACORD Form 25-S or equivalent). All evidence of insurance shall be signed by a properly authorized officer, agent or qualified representative of the insurer and shall certify the names of the insured, any additional insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies, and the expiration date of such insurance.

**EXHIBIT “C”  
INSURANCE REQUIREMENTS**

6. Required Policy Provisions

- a. Certificates of insurance and policy endorsements shall require 30 days (10 days for non-payment of premium) notice of cancellation to OC LAFCO. Statements that the carrier “will endeavor” and “that failure to mail such notice shall impose no obligation and liability upon the company, its agents or representatives,” will not be acceptable on certificates. If any of the required coverage expires during the term of this Agreement, the Contractor shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to OC LAFCO at least ten (10) days prior to the expiration date.
- b. The Commercial General Liability policy shall contain a provision stating that Consultant's policy is primary insurance and that any insurance, self-insurance or other coverage maintained by OC LAFCO or any named insureds shall not be called upon to contribute to any loss.
- c. The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three (3) years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period i) if the retroactive date is advanced past the effective date of this Agreement; ii) if the policy is canceled or not renewed; or iii) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

7. Qualifying Insurers

- a. All policies required shall be issued by acceptable insurance companies, as determined by OC LAFCO, which satisfy the following minimum requirements:
- b. Insurance carriers shall have a current AM Best rating of not less than “A-” policyholder's rating and a financial rating of not less than “Class VII,” unless otherwise approved in advance by OC LAFCO.

8. Additional Insurance Provisions

- a. The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by OC LAFCO, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

- b. If at any time during the life of the Agreement, the Consultant fails to maintain in full force any insurance required by the Agreement documents OC LAFCO may terminate the Agreement.

**EXHIBIT "C"**  
**INSURANCE REQUIREMENTS**

- c. The Consultant shall include all subconsultants as insureds under its policies or shall furnish separate certificates and endorsements for each subconsultant. All coverages for subconsultants shall be subject to all of the requirements stated herein.
- d. OC LAFCO may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.
- e. Neither OC LAFCO, its Board, members of the Board, employees, or authorized volunteers shall be personally responsible for any liability arising under or by virtue of the Agreement.

**REGULAR MEMBERS**

CHAIR  
**Douglass Davert**  
Special District Member

VICE CHAIR  
**Donald P. Wagner**  
County Member

IMMEDIATE PAST CHAIR  
**Derek J. McGregor**  
Public Member

**Wendy Bucknum**  
City Member

**Andrew Do**  
County Member

**James Fisler**  
Special District Member

**Vacant**  
City Member

**ALTERNATES**

**Katrina Foley**  
County Member

**Kathryn Freshley**  
Special District Member

**Carol Moore**  
City Member

**Lou Penrose**  
Public Member

**STAFF**

**Carolyn Emery**  
Executive Officer

**Scott Smith**  
General Counsel

April 12, 2023

**John J. Schatz, Esq.**  
**P.O. Box 7775**  
**Laguna Niguel, CA 92607-7775**  
Email: [Jschatz13@cox.net](mailto:Jschatz13@cox.net)

**SUBJECT:** Letter of Agreement for Professional Legal Consulting Services

Dear Mr. Schatz:

This letter shall be our Agreement regarding the Professional Legislative Consulting Services described below ("Services") to be provided by John J. Schatz, Esq. ("Consultant") as an independent contractor to the Orange County Local Agency Formation Commission ("OC LAFCO") in connection with the Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Orange County Water District (OCWD)("Project").

The services to be provided are more particularly described in the Scope of Services attached hereto as Exhibit "A" and incorporated herein by this reference.

Consultant shall perform all Services under this Letter of Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of California, and consistent with all applicable laws, including those which require the payment of prevailing wage rates and the performance of other requirements on "public works" and "maintenance" projects if they apply. Consultant represents that it, its employees and subconsultants have all licenses, permits, qualifications and approvals of whatever nature that are legally required to perform the Services and that such licenses and approvals shall be maintained throughout the term of this Agreement.

Compensation for the Services shall be based on the actual amount of time spent in adequately performing the Services at the rate of \$300.00 per hour; however, unless expressly agreed in writing in advance by the OC LAFCO, the cost to the OC LAFCO for the Services shall not exceed the total amount of Fifteen Thousand Dollars (\$15,000.00).

Invoices shall be submitted to the OC LAFCO monthly as performance of the Services progresses. OC LAFCO shall review and pay the approved charges within thirty (30) days of receipt of such invoices. If the OC LAFCO disputes any of Consultant’s fees, the OC LAFCO shall give written notice to Consultant, within thirty (30) days of receipt of an invoice, of any disputed fees set forth therein.

Services on the Project shall begin immediately and be completed by July 31, 2024, unless extended by the Executive Officer in writing. The OC LAFCO may terminate this Letter of Agreement at any time with or without cause. If the OC LAFCO finds it necessary to terminate this Letter of Agreement without cause before Project completion, Consultant shall be entitled to be paid in full for those Services adequately completed prior to the notification of termination. Consultant may terminate this Letter of Agreement for cause only.

Consultant agrees to procure and maintain, at Consultant’s expense all insurance specified in Exhibit “B” attached hereto and by this reference incorporated herein. Consultant shall require all subconsultants to carry the same policies and limits of insurance that the Consultant is required to maintain, unless otherwise approved in writing by the OC LAFCO.

To the fullest extent permitted by law, Consultant shall defend, indemnify and hold the OC LAFCO, its officials, officers, employees, agents and volunteers free and harmless from any and all claims, demands, causes of action, expenses, liabilities, losses, damages and injuries to property or persons, including wrongful death, in any manner arising out of negligent acts, omissions or willful misconduct of Consultant, its officials, officers, employees, agents, consultants and contractors arising out of or in connection with the performance of this Agreement, including, without limitation, the payment of all consequential damages, attorneys’ fees and other related costs and expenses. The only limitations on this provision shall be those imposed by Civil Code Sections 2782 and 2782.8.

If you agree with the terms of this Letter of Agreement, please indicate by signing and dating where indicated below.

**ORANGE COUNTY  
LOCAL AGENCY FORMATION COMMISSION**

**JOHN J. SCHATZ, ESQ.**

By: \_\_\_\_\_  
Carolyn Emery  
Executive Officer

By: \_\_\_\_\_  
John J. Schatz, Esq.



**ATTEST:**

By: \_\_\_\_\_  
Cheryl Carter-Benjamin  
Commission Clerk

**APPROVED AS TO FORM:**

By: \_\_\_\_\_  
Scott C. Smith  
General Counsel

**EXHIBIT "A"****SCOPE OF SERVICES**

In connection with the preparation of the Municipal Service Review (MSR) and Sphere of Influence (SOI) Update for the Orange County Water District (OCWD), Consultant shall provide services as provided herein involving the potential consolidation of OCWD and MWDOC. The analysis shall involve, but not be limited to, Government Code Sections 56653, 56700, 56826.5, 56865, 57150(d), 57500, 57502, 57077.2 and assess the following:

- (1) Required legislative changes involving governance structures concerning the potential consolidation of districts formed under different principal acts.
- (2) Legal impediments that must be addressed before or concurrently with OC LAFCO proceedings for special district consolidation or reorganization.
- (3) Potential impacts of consolidation to the governance of the groundwater basin and wholesale water supplies and the respective producers and members.
- (4) Potential impacts to current and future representation of Orange County on the Metropolitan Water District of Southern California (MWD).
- (5) Options for board structure and representation options involving consolidation.

**EXHIBIT "B"****INSURANCE REQUIREMENTS**

Prior to commencement of the Services, Consultant shall provide proof of Professional Liability insurance with coverage of not less than \$1,000,000 per occurrence and \$1,000,000 in the general aggregate, and Automobile Liability insurance with coverage of at least \$1,000,000. Defense costs shall be paid in addition to the limits. If Consultant is an employer or otherwise hires one or more employees during the term of this Project, Consultant shall also provide proof of workers' compensation coverage as required by the State of California and Employer's Liability Insurance with a limit of not less than \$1,000,000 per accident for bodily injury and disease, together with a waiver of subrogation endorsement stating that the insurer waives all rights of subrogation against the OC LAFCO, its officials, officers, employees, agents and volunteers.

Any self-insured retentions or deductibles must be declared and approved by the OC LAFCO. Each such policy shall be from a company or companies with a current A.M. Best's rating of no less than A:VII and authorized to do business in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law. Requirement of specific coverage or minimum limits contained in this Exhibit are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Any subconsultants used to perform the Services shall meet all requirements set forth in this Exhibit unless waived in writing by the OC LAFCO.