



## CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

May 2, 2011

The Honorable City Council  
Palo Alto, California

### **Approval of Contract with Macias Gini & O'Connell LLP (MGO), in an Amount Not to Exceed \$774,596 (including 10% contingency fee) for External Financial Audit Services for Fiscal Years Ending June 30, 2011 through June 30, 2015**

#### **RECOMMENDATION**

The Interim City Auditor recommends approval of an agreement with the accounting firm of Macias Gini & O'Connell LLP (MGO), for external financial audit services for the five fiscal years ending on June 30, 2011 through June 30, 2015. The cost of the agreement is \$704,178, plus a 10 percent contingency of \$70,418, for a total not to exceed amount of \$774,596.

#### **DISCUSSION**

The City Charter requires the City Council, through the City Auditor, to engage an independent certified public accounting firm to conduct the annual external audit, and report the results of the audit, in writing, to the City Council. The City's contract with Maze & Associates, the City's former external auditor, expired at the end of the Fiscal Year 2010 audit. Accordingly, the City conducted a competitive procurement process to select a certified public accounting firm to conduct the annual financial audit for the next five years.

The evaluation panel, which included staff from the City Auditor's Office and the Administrative Services Department (ASD), selected the firm of Macias, Gini & O'Connell LLP (MGO) to recommend to the City Council.

MGO is the principal auditor for 7 of the 10 largest California cities, as well as Santa Clara County, San Mateo County, the Contra Costa Water District, the Sacramento Municipal Utility District, and the Santa Clara Valley Water District.

The cost of the five-year agreement is \$704,178, plus a 10 percent contingency of \$70,418, for a total not to exceed amount of \$774,596.

On April 19, 2011, the Finance Committee unanimously approved my recommendation to negotiate an agreement with Macias Gini & O'Connell LLP, for external financial audit services. The Finance Committee also recommended the City Auditor's Office return to the Committee with a proposed External Financial Auditor rotation policy.

Respectfully submitted,

*Michael A. Edmonds*

Michael Edmonds  
Interim City Auditor

Attachment A: Finance Committee Meeting Excerpt (April 19, 2011)

Attachment B: City Auditor's Recommendation for Selection of External Financial Audit Firm

Attachment C: Contract with Macias Gini & O'Connell



## **FINANCE COMMITTEE - EXCERPT**

---

Regular Meeting  
Tuesday, April 19, 2011

Chairperson Scharff called the meeting to order at 7:17 p.m. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Scharff (Chair), Schmid, Shepherd, Yeh

Absent: None

### 5. City Auditor's Recommendation for Selection of External Financial Audit Firm

Michael Edmonds, Interim City Auditor, requested the Finance Committee to authorize the City Auditor to negotiate a contract with Macias Gini & O'Connell LLP (MGO) for external audit services for the fiscal years ending on June 30, 2011 through June 30, 2015. The total cost of the agreement is \$704,178, plus a ten percent contingency fee of \$70,418, for a total not to exceed amount of \$774,596. Mr. Edmonds stated that in February 2011, the City initiated a formal Request for Proposal (RFP) process that encouraged competition from all qualified firms, including the current external financial auditors, Maze & Associates. The RFP was sent to 16 audit firms, and in response, the City received proposals from seven audit firms. An evaluation team of six, including staff from the City Auditor's Office and the Administrative Services Department (ASD), reviewed and evaluated the seven proposals and agreed to interview the two most qualified firms, Maze & Associates and MGO.

Mr. Edmonds detailed how Maze & Associates has been the City's external financial auditor for the past 13 years, while MGO is the principal auditor for 7 of the 10 largest California cities. Although the evaluation team agreed that both firms were highly qualified,

experienced firms, the evaluation team recommended the award of the agreement for external audit services to MGO.

Mr. Edmonds discussed how MGO's cost proposal was lower than that of Maze & Associates by \$57,675 over the five years. The evaluation team contacted six references which reported that MGO was thorough, flexible with staff, met deadlines, and stayed within their cost proposal.

Mr. Edmonds explained that there were a couple of concerns regarding MGO. First, a couple members of the evaluation team expressed concern with the direct experience of the MGO team regarding their gas and electric utility experience. After some discussion with MGO, the firm agreed to language in the agreement to designate staff with experience in auditing gas and electric utilities to be included on the audit team at no additional cost to the City. The second concern was raised by the ASD Director in that with changing auditors at a time when the department is losing a number of key staff due to retirements, there will be additional staff costs and time associated with the transition to a new auditing firm. Mr. Edmonds stated he understood those concerns but was confident they would be addressed and overcome. Mr. Edmonds explained how other organizations experienced similar transitions with reduced resources, and were able to do so in a smoother than expected approach.

**MOTION:** Council Member Schmid moved, seconded by Council Member Yeh, that the Finance Committee recommend to the City Council to approve the City Auditor's Recommendation for Selection of External Financial Audit Firm.

Council Member Schmid said that after 13 years, he can see a need for change. He said that in the first year of the contract, he does not expect to see any budget savings.

Council Member Yeh asked whether the issue regarding gas and electric experience is the only concern pertaining to Utilities funds. Mr. Edmonds answered yes; the evaluation panel felt strongly that MGO was a highly qualified firm.

Lalo Perez, Director of Administrative Services, complimented Mr. Edmonds for addressing these concerns. He also stated the concern with ASD staff leaving was of high importance, but Mr. Edmonds was able to address those concerns to his satisfaction. He said that overall, he is happy with the change.

Council Member Yeh stated that it is good to know that all the issues are resolved. He suggested that since the City does not have a formal rotation policy in hiring an external financial auditor, the City Auditor's Office can review other organization's policies and/or go out for a RFP. This can be added as an amendment to the initial motion.

Mr. Edmonds confirmed that there is no formal auditor rotation policy in place right now, but he could develop one for Council's approval according to the Government Finance Officer's Association best practices for audit procurement.

Mr. Edmonds asked if this item should return to the Finance Committee or Policy and Services.

Chair Scharff stated that his sense is that it should go to Policy and Services.

Council Member Schmid said by going to Policy and Services, it gets them engaged in the audit process.

Chair Scharff said he thinks the City Auditor should come back to the Finance Committee meeting and then possibly afterwards to the Policy and Services Committee.

Chair Scharff asked what the evaluation team felt about other cities' bids when they were hiring for an external financial auditor.

Mr. Edmonds responded that there was no real sense regarding that question. The prices of the various firms are public information. Therefore, a competing firm to Maze & Associates, for example, knows what their bid price would be going into the process.

Mr. Perez mentioned that from his experience (in auditing and other areas), firms want to have Palo Alto on their resume.

**MOTION PASSED 4-0.**



## CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

April 19, 2011

The Honorable City Council  
Attn: Finance Committee  
Palo Alto, California

### **City Auditor's Recommendation for Selection of External Financial Audit Firm**

#### **RECOMMENDATION**

The Acting City Auditor should negotiate an agreement with Macias Gini & O'Connell LLP (MGO) for external audit services for the fiscal years ending on June 30, 2011 through June 30, 2015. The total cost of the agreement is \$704,178, plus a 10 percent contingency of \$70,418, for a total cost of \$774,596. The agreement amount for each of the fiscal years is as follows: \$136,945 for the fiscal years (FY) ending June 30, 2011; \$138,863 for the FY ending June 30, 2012; \$140,809 for the FY ending June 30, 2013; \$142,780 for the FY ending June 30, 2014; and \$144,781 for the FY ending June 30, 2015. This agreement will require approval by the City Council.

#### **DISCUSSION**

The City Charter requires the City Council, through the City Auditor, to engage an independent certified public accounting firm to conduct the annual external audit, and report the results of the audit, in writing, to the City Council. Accordingly, in February 2011, the City initiated a formal Request for Proposal (RFP) process that encouraged competition from all qualified firms, including the current external auditors, Maze & Associates. The RFP was sent to 16 audit firms, and in response, the City received proposals from seven audit firms: MGO, Caporicci & Larson, Inc., Chavan & Associates, Maze & Associates, Nigro & Nigro, Sotomayer & Associates, LLP, and Vavrinek, Trine, Day & Co., LLP.

An evaluation team of six, including staff from the City Auditor's Office and the Administrative Services Department (ASD), reviewed and evaluated the seven proposals and agreed to interview the two most qualified firms, Maze & Associates and MGO.

Maze & Associates specializes in government auditing services and has been the City's external auditor for the past 13 years. Maze & Associates currently has 40 cities as clients and annually audits over 200 entities including cities, special districts, joint powers authorities, redevelopment agencies, housing authorities, and financing authorities.

MGO is the principal auditor for 7 of the 10 largest California cities-San Diego, San Jose, San Francisco, Fresno, Sacramento, Oakland, and Santa Ana. MGO's list of clients also includes Santa Clara County, San Mateo County, Alameda County, the Contra Costa Water District, the Sacramento Municipal Utility District, and the Santa Clara Valley Water District.

Although the evaluation team agreed that both firms were highly qualified, experienced firms, the evaluation team recommended the award of the agreement for external audit services to MGO. The City does not have a formal rotation policy for its external auditor; however, the majority of the evaluation team believed that the auditor's independence would be enhanced by changing auditors at this time, especially considering the qualifications and experience of MGO.

MGO's cost proposal was lower than Maze & Associates. MGO's five year cost proposal of \$704,178 was \$57,675 less than Maze & Associates five year cost proposal of \$761,853. MGO's cost proposal for the first year of the contract was \$136,945, or approximately \$9,400 less than Maze & Associates first year cost proposal of \$146,389.

The evaluation team contacted six references for MGO-the City and County of San Francisco, the cities of San Jose, Oakland, Stockton, and Cupertino, and the Contra Costa Water District. References reported that MGO was thorough, flexible with staff, met deadlines, and stayed within their cost proposal. Two of the references, the City of Cupertino and the Contra Costa Water District, recently switched to MGO after using Maze & Associates for 10 years. Both these agencies reported that they were satisfied with the work of Maze & Associates but changed firms to provide a fresh perspective. Both agencies also reported that the transition from Maze & Associates to MGO went well and was smoother than expected.

A couple of members of the evaluation team were concerned with the level of experience of MGO's proposed audit team in auditing gas and electric utilities. To address this, the evaluation team agreed to request MGO to include language in the agreement to assign staff with more experience in auditing gas and electric utilities. MGO indicated that they firmly believe that the proposed audit team has more than the requisite qualifications and experience to handle all aspects of the City's financial audit. Nevertheless, MGO has agreed to language in the agreement to designate staff with experience in auditing gas and electric utilities to be included on the audit team.

The ASD Director raised concerns about changing auditors at a time when the department is losing a number of key staff due to retirements. The ASD Director believes that much of the cost savings in the first year of the contract will be offset by additional staff costs associated with the transition to a new auditing firm.

The City Auditor's Office believes that the ASD Director's concerns are valid, but can be addressed. Generally, changing auditors does create some additional work in the first year as the auditors try to gain understanding of the organization's financial system and internal controls. However, as noted above, both the City of Cupertino and the Contra Costa Water District reported that the switch from Maze & Associates to MGO was smoother than expected. In addition, MGO is very experienced in auditing organizations which have undergone significant staff reductions, and the firm is accustomed to working flexibly with staff to complete their work.

For the reasons cited above, I recommend the Finance Committee authorize the Acting City Auditor to negotiate an agreement with Macias Gini & O'Connell LLP that would be brought forward for approval to the full Council on May 2, 2011.

Respectfully submitted,



Michael Edmonds  
Acting City Auditor

Cc: Lalo Perez

**CITY OF PALO ALTO CONTRACT NO.: C11140018**

**AGREEMENT BETWEEN THE CITY OF PALO ALTO AND  
MACIAS GINI & O'CONNELL LLP  
FOR PROFESSIONAL EXTERNAL AUDIT SERVICES**

This AGREEMENT is entered into on this 2nd day of May, 2011, by and between the CITY OF PALO ALTO, a California chartered municipal corporation ("CITY"), and Macias Gini & O'Connell LLP, located at 2121 N. California Blvd., Walnut Creek, California, 94596 ("AUDITOR").

**RECITALS**

The following recitals are a substantive portion of this Agreement.

- A. CITY intends for Macias Gini & O'Connell to perform External Audit Services for the City of Palo Alto ("Project") and desires to engage an outside Auditor to complete the Project ("Services").
- B. AUDITOR has represented that it has the necessary professional expertise, qualifications, and capability, and all required licenses and/or certifications to provide the Services.
- C. CITY, in reliance on these representations, desires to engage AUDITOR to provide the Services as more fully described in Exhibit "A", attached to and made a part of this Agreement.

NOW, THEREFORE, in consideration of the recitals, covenants, terms, and conditions, this Agreement, the parties agree:

**AGREEMENT**

**SECTION 1. SCOPE OF SERVICES.** AUDITOR shall perform the Services described in Exhibit "A" in accordance with the terms and conditions contained in this Agreement. The performance of all Services shall be to the reasonable satisfaction of CITY.

**SECTION 2. TERM.**

The term of this Agreement shall be from the date of its full execution through January 31, 2016 unless terminated earlier pursuant to Section 19 of this Agreement.



**SECTION 3. SCHEDULE OF PERFORMANCE.** Time is of the essence in the performance of Services under this Agreement. AUDITOR shall complete the Services within the term of this Agreement and in accordance with the schedule set forth in Exhibit "B", attached to and made a part of this Agreement. Any Services for which times for performance are not specified in this Agreement shall be commenced and completed by AUDITOR in a reasonably prompt and timely manner based upon the circumstances and direction communicated to the AUDITOR. CITY's agreement to extend the term or the schedule for performance shall not preclude recovery of damages for delay if the extension is required due to the fault of AUDITOR.

**SECTION 4. NOT TO EXCEED COMPENSATION.** The compensation to be paid to AUDITOR for performance of the Services described in Exhibit "C", including both payment for professional services and reimbursable expenses, shall not exceed Seven Hundred and Four Thousand One Hundred and Seventy Eight Dollars (\$704,178). In the event additional services are authorized, the total compensation for services and reimbursable expenses shall not exceed \$70,418 dollars, thereby the total Not-To-Exceed value of this agreement shall not exceed \$774,596 dollars. The applicable rates and schedule of payment are set out in Exhibit "C", which is attached to and made a part of this Agreement.

Additional Services, if any, shall be authorized in accordance with and subject to the provisions of Exhibit "C". AUDITOR shall not receive any compensation for Additional Services performed without the prior written authorization of the City Auditor. Additional Services shall mean any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described in Exhibit "A".

**SECTION 5. INVOICES.** In order to request payment, AUDITOR shall submit monthly invoices to the CITY describing the services performed and the applicable charges (including an identification of personnel who performed the services, hours worked, hourly rates, and reimbursable expenses), based upon the AUDITOR's billing rates (set forth in Exhibit "C"). If applicable, the invoice shall also describe the percentage of completion of each task. The information in AUDITOR's payment requests shall be subject to verification by CITY. AUDITOR shall send all invoices to the City's project manager at the address specified in Section 13 below. The City will generally process and pay invoices within thirty (30) days of receipt.

**SECTION 6. QUALIFICATIONS/STANDARD OF CARE.** All of the Services shall be performed by AUDITOR or under AUDITOR's supervision. AUDITOR represents that it possesses the professional and technical personnel necessary to perform the Services required by this Agreement and that the personnel have sufficient skill and experience to perform the Services assigned to them. AUDITOR represents that it, its employees and subcontractors, if permitted, have and shall maintain during the term of this Agreement all licenses, permits, qualifications, insurance and approvals of whatever nature that are legally required to perform the Services.

All of the services to be furnished by AUDITOR under this agreement shall meet the professional standard and quality that prevail among professionals in the same discipline and of similar knowledge and skill engaged in related work throughout California under the same or similar circumstances.

Professional Services

Rev. December 1, 2009

**SECTION 7. COMPLIANCE WITH LAWS.** AUDITOR shall keep itself informed of and in compliance with all federal, state and local laws, ordinances, regulations, and orders that may affect in any manner the Project or the performance of the Services or those engaged to perform Services under this Agreement. AUDITOR shall procure all permits and licenses, pay all charges and fees, and give all notices required by law in the performance of the Services.

**SECTION 8. ERRORS/OMISSIONS.** Deleted.

**SECTION 9. COST ESTIMATES.** Deleted

**SECTION 10. INDEPENDENT CONTRACTOR.** Deleted.

**SECTION 11. ASSIGNMENT.** Deleted

**SECTION 12. SUBCONTRACTING.**

**No Subcontractor:** AUDITOR shall not subcontract any portion of the work to be performed under this Agreement without the prior written authorization of the City Auditor or designee.

**SECTION 13. PROJECT MANAGEMENT.** AUDITOR will assign David Bullock as the Project Manager to have supervisory responsibility for the performance, progress, and execution of the Services and to represent AUDITOR during the day-to-day work on the Project. If circumstances cause the substitution of the project manager or any other key personnel for any reason, the appointment of a substitute project manager and the assignment of any key new or replacement personnel will be subject to the prior written approval of the CITY's project manager. AUDITOR, at CITY's request, shall promptly remove personnel who CITY finds do not perform the Services in an acceptable manner, are uncooperative, or present a threat to the adequate or timely completion of the Project or a threat to the safety of persons or property.

The City's project manager is the City Auditor for the City of Palo Alto. The project manager will be AUDITOR's point of contact with respect to performance, progress and execution of the Services. The City Auditor may designate an alternate project manager from time to time.

**SECTION 14. OWNERSHIP OF MATERIALS.** All programs, working papers, files and other materials of the AUDITOR made pursuant to this Agreement shall remain property of the AUDITOR. The City Auditor will have access to this material during normal business hours. The AUDITOR shall not disclose to any third party the contents of the programs, working papers, files or any other material without prior written approval of the City Auditor. The reports issued by the AUDITOR shall become the property of the CITY.

**SECTION 15. AUDITS.** AUDITOR will permit CITY to audit, at any reasonable time during the term of this Agreement and for three (3) years thereafter, AUDITOR's records pertaining to matters covered by this Agreement. AUDITOR further agrees to maintain and retain such records for at least three (3) years after the expiration or earlier termination of this Agreement.

**SECTION 16. INDEMNITY.**

16.1. To the fullest extent permitted by law, AUDITOR shall protect, indemnify, defend and hold harmless CITY, its Council members, officers, employees and agents (each an "Indemnified Party") from and against any and all demands, claims, or liability of any nature, including death or injury to any person, property damage or any other loss, including all costs and expenses of whatever nature including attorney's fees, expert's fees, court costs and disbursements ("Claims") resulting from, arising out of or in any manner related to performance or nonperformance by AUDITOR, its officers, employees, agents or contractors under this Agreement, regardless of whether or not it is caused in part by an Indemnified Party.

16.2. Notwithstanding the above, nothing in this Section 16 shall be construed to require AUDITOR to indemnify an Indemnified Party from Claims arising from the active negligence, sole negligence or willful misconduct of an Indemnified Party.

16.3. The acceptance of AUDITOR's services and duties by CITY shall not operate as a waiver of the right of indemnification. The provisions of this Section 16 shall survive the expiration or early termination of this Agreement.

**SECTION 17. WAIVERS.** The waiver by either party of any breach or violation of any covenant, term, condition or provision of this Agreement, or of the provisions of any ordinance or law, will not be deemed to be a waiver of any other term, covenant, condition, provisions, ordinance or law, or of any subsequent breach or violation of the same or of any other term, covenant, condition, provision, ordinance or law.

**SECTION 18. INSURANCE.**

18.1. AUDITOR, at its sole cost and expense, shall obtain and maintain, in full force and effect during the term of this Agreement, the insurance coverage described in Exhibit "D". AUDITOR and its contractors, if any, shall obtain a policy endorsement naming CITY as an additional insured under any general liability or automobile policy or policies.

18.2. All insurance coverage required hereunder shall be provided through carriers with AM Best's Key Rating Guide ratings of A-:VII or higher which are licensed or authorized to transact insurance business in the State of California. Any and all contractors of AUDITOR retained to perform Services under this Agreement will obtain and maintain, in full force and effect during the term of this Agreement, identical insurance coverage, naming CITY as an additional insured under such policies as required above.

18.3. Certificates evidencing such insurance shall be filed with CITY concurrently with the execution of this Agreement. The certificates will be subject to the approval of CITY's Risk Manager and will contain an endorsement stating that the insurance is primary coverage and will not

be canceled, or materially reduced in coverage or limits, by the insurer except after filing with the Purchasing Manager thirty (30) days prior written notice of the cancellation or modification, AUDITOR shall be responsible for ensuring that current certificates evidencing the insurance are provided to CITY's Purchasing Manager during the entire term of this Agreement.

18.4. The procuring of such required policy or policies of insurance will not be construed to limit AUDITOR's liability hereunder nor to fulfill the indemnification provisions of this Agreement. Notwithstanding the policy or policies of insurance, AUDITOR will be obligated for the full and total amount of any damage, injury, or loss caused by or directly arising as a result of the Services performed under this Agreement, including such damage, injury, or loss arising after the Agreement is terminated or the term has expired.

### **SECTION 19. TERMINATION OR SUSPENSION OF AGREEMENT OR SERVICES.**

19.1. The CITY AUDITOR may suspend the performance of the Services, in whole or in part, or terminate this Agreement, with or without cause, by giving ten (10) days prior written notice thereof to AUDITOR. Upon receipt of such notice, AUDITOR will immediately discontinue its performance of the Services.

19.2. AUDITOR may terminate this Agreement or suspend its performance of the Services by giving thirty (30) days prior written notice thereof to CITY, but only in the event of a substantial failure of performance by CITY.

19.3. Upon such suspension or termination, AUDITOR shall deliver to the CITY immediately any and all copies of data given to AUDITOR or its contractors, if any, in connection with this Agreement. Such materials will become the property of CITY.

19.4. Upon such suspension or termination by CITY, AUDITOR will be paid for the Services rendered or materials delivered to CITY in accordance with the scope of services on or before the effective date (i.e., 10 days after giving notice) of suspension or termination; provided, however, if this Agreement is suspended or terminated on account of a default by AUDITOR, CITY will be obligated to compensate AUDITOR only for that portion of AUDITOR's services which are of direct and immediate benefit to CITY as such determination may be made by the City Auditor acting in the reasonable exercise of his/her discretion

19.5 No payment, partial payment, acceptance, or partial acceptance by CITY will operate as a waiver on the part of CITY of any of its rights under this Agreement

### **SECTION 20. NOTICES.**

All notices hereunder will be given in writing and mailed, postage prepaid, by certified mail, addressed as follows:

To CITY:                   City Auditor  
                                   City of Palo Alto  
                                   Post Office Box 10250

Palo Alto, CA 94303

With a copy to the Purchasing Manager

To AUDITOR: David Bullock, Partner  
Macias Gini & O'Connell LLP  
2121 N. California Blvd., Suite 750  
Walnut Creek, CA 94596

**SECTION 21. CONFLICT OF INTEREST.**

21.1. In accepting this Agreement, AUDITOR covenants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of the Services.

21.2. AUDITOR further covenants that, in the performance of this Agreement, it will not employ subcontractor or persons having such an interest. AUDITOR certifies that no person who has or will have any financial interest under this Agreement is an officer or employee of CITY; this provision will be interpreted in accordance with the applicable provisions of the Palo Alto Municipal Code and the Government Code of the State of California.

21.3. Deleted

**SECTION 22. NONDISCRIMINATION.** As set forth in Palo Alto Municipal Code section 2.30.510, AUDITOR certifies that in the performance of this Agreement, it shall not discriminate in the employment of any person because of the race, skin color, gender, age, religion, disability, national origin, ancestry, sexual orientation, housing status, marital status, familial status, weight or height of such person. AUDITOR acknowledges that it has read and understands the provisions of Section 2.30.510 of the Palo Alto Municipal Code relating to Nondiscrimination Requirements and the penalties for violation thereof, and agrees to meet all requirements of Section 2.30.510 pertaining to nondiscrimination in employment.

**SECTION 23. ENVIRONMENTALLY PREFERRED PURCHASING.** AUDITOR shall comply with the City's Environmentally Preferred Purchasing policies which are available at the city's Purchasing Department which are incorporated by reference and may be amended from time to time.

**SECTION 24. NON-APPROPRIATION**

24.1. This Agreement is subject to the fiscal provisions of the Charter of the City of Palo Alto and the Palo Alto Municipal Code. This Agreement will terminate without any penalty (a) at the end of any fiscal year in the event that funds are not appropriated for the following fiscal year, or (b) at any time within a fiscal year in the event that funds are only appropriated for a portion of the fiscal year and funds for this Agreement are no longer available. This Section 24.8 shall take precedence in the event of a conflict with any other covenant, term, condition, or provision of this Agreement.

24.2. The individuals executing this Agreement represent and warrant that they

have the legal capacity and authority to do so on behalf of their respective legal entities.

**SECTION 25. MISCELLANEOUS PROVISIONS.**

25.1. This Agreement will be governed by the laws of the State of California.

25.2. In the event that an action is brought, the parties agree that trial of such action will be vested exclusively in the state courts of California in the County of Santa Clara, State of California.

25.3. The prevailing party in any action brought to enforce the provisions of this Agreement may recover its reasonable costs and attorney's fees expended in connection with that action. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorney's fees paid to third parties.

25.4. This document represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations, and contracts, either written or oral. This document may be amended only by a written instrument, which is signed by the parties.

25.5. The covenants, terms, conditions and provisions of this Agreement will apply to, and will bind, the heirs, successors, executors, administrators, assignees, and auditors of the parties.

25.6. If a court of competent jurisdiction finds or rules that any provision of this Agreement or any amendment thereto is void or unenforceable, the unaffected provisions of this Agreement and any amendments thereto will remain in full force and effect.

25.7. All exhibits referred to in this Agreement and any addenda, appendices, attachments, and schedules to this Agreement which, from time to time, may be referred to in any duly executed amendment hereto are by such reference incorporated in this Agreement and will be deemed to be a part of this Agreement.

25.8 If, pursuant to this contract with AUDITOR, CITY shares with AUDITOR personal information as defined in California Civil Code section 1798.81.5(d) about a California resident ("Personal Information"), AUDITOR shall maintain reasonable and appropriate security procedures to protect that Personal Information, and shall inform City immediately upon learning that there has been a breach in the security of the system or in the security of the Personal Information. AUDITOR shall not use Personal Information for direct marketing purposes without City's express written consent.

IN WITNESS WHEREOF, the parties hereto have by their duly authorized representatives executed this Agreement on the date first above written.

**CITY OF PALO ALTO**

**MACIAS GINI & O'CONNELL LLP**

\_\_\_\_\_  
CITY AUDITOR

By: David Bullock  
Name: David Bullock  
Title: Partner

APPROVED AS TO FORM:

\_\_\_\_\_  
CITY ATTORNEY

**Attachments:**

- EXHIBIT "A": SCOPE OF SERVICES
- EXHIBIT "B": SCHEDULE OF PERFORMANCE
- EXHIBIT "C": COMPENSATION
- EXHIBIT "D": INSURANCE

**EXHIBIT A**  
**SCOPE OF SERVICES**  
**External Audit Services**

**PROJECT SPECIFICATIONS**

Unless otherwise noted, all audit services cover the City's fiscal years ending on June 30, 2011 through June 30, 2015. The audit services are to be performed in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the United States Government Accountability Office's Government Auditing Standards, the provisions of the federal Single Audit Act of 1984, as amended in 1996, and the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Generally accepted accounting principles provide for certain required supplementary information, such as Management's Discussion and Analysis to accompany the City's basic financial statements. AUDITOR shall apply certain limited procedures consisting principally of inquiries of management regarding the methods of measurement and presentation, which the City shall affirm to the AUDITOR in the City's Management Letter.

**Basic Audit Services Required**

"AUDITOR" shall audit the City's financial statements and prepare the City's federal and state tax returns for the Palo Alto Public Improvement Corporation for the fiscal years ending on June 30, 2011 through June 30, 2015. In providing these services, AUDITOR shall:

- A. Audit the basic financial statements and supplementary entity-wide combining and individual fund financial statements included in the City's Comprehensive Annual Financial Report (CAFR), including all funds under the jurisdiction and control of the City, and render a professional opinion thereon.

Prior to year-end and preferably during March and April, Auditor shall perform interim work to test internal controls of accounting processes. The Auditor shall provide the City Auditor and the Director of Administrative Services with a draft Management Letter on issues noted at completion of the interim work.

- B. Prepare a Management Letter to the City Council which will include observations and recommendations noted and identified during the audit. This may include:
- (1) issues regarding internal control over financial reporting (e.g., information systems, functions, and procedures)
  - (2) items concerning compliance with laws, rules, and regulations
  - (3) opportunities for economies and efficiencies inherent in the accounting functions or



reporting activities of the City

- (4) other matters of interest to the City Council and management.
- C. Audit the financial statements of the Regional Water Quality Control Plant and issue a report thereon in accordance with the requirements in the "Basic Agreement between the Cities of Palo Alto, Mountain View and Los Altos for Acquisition, Construction and Maintenance of a Joint Sewer System", and all addenda thereto.
  - D. Audit and issue a report on the financial statements of the Palo Alto Public Improvement Corporation, which the City has created to finance the construction of specific facilities and prepare their applicable Federal and State informational and tax returns.
  - E. Audit the City's federal financial assistance program and issue reports thereon in accordance with the provisions of the Single Audit Act of 1984, including 1996 amendments to the Single Audit Act, and any other amendments which become effective during the term of this contract.
  - F. Audit the City's state financial assistance program (Transportation Development Act) and issue reports thereon in accordance with applicable State requirements.
  - G. Perform agreed upon procedures on the Gann Limit calculation and prepare a letter summarizing procedures performed and any findings, as required.
  - H. Audit the statements of, and issue a report thereon, cable television franchise receipts and disbursements, for the current period, relating to the Joint Operating Agreement signed on October 13, 1988, by and among the City of Palo Alto, Town of Atherton, City of Menlo Park, City of East Palo Alto, the County of San Mateo, and the County of Santa Clara.
  - I. Audit and issue a report on the financial statements of the Redevelopment Agency, created on October 9, 2001 under the provisions of the Redevelopment Law (California Health and Safety Code).
  - J. Prepare the Annual Financial Transactions Report, Annual Street Report, and Redevelopment Agency Report, in accordance with instructions from the California State Controller's Office.
  - K. Audit and issue a report on the financial statements of the Palo Alto Library Bond Fund, and perform agreed upon procedures on the Library Bond Fund and issue a report of compliance, as required.
  - L. Use its consultants to examine the integrity and reliability of the City's financial systems using a comprehensive assessment of the general and applications controls of the City's information technology environment that affect the accuracy and completeness of financial data, and provide an evaluation and assessment based on physical observation and testing, qualitative and quantitative assessments, reviews of documentation and actual practices, and other information technology performance

data.

- M. Assist the City in the transition to adhere to any new GASB pronouncements. To the extent possible, this assistance should be provided during the interim work, and may include reviewing reports, transactions, Management's Discussion and Analysis, and GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions.
- N. Prepare and provide to the CITY a CAFR template in Excel and Word formats at the beginning of the audit. The City provides electronic data of financial statements prior to the start of the year-end audit. The template financial reports (Excel) are mapped to the City's general ledger accounts by the AUDITOR. During audit fieldwork, adjustments (prepared by City staff or recommended by AUDITOR), eliminations, and entity-wide consolidations and reconciliations are prepared and entered into the template by the AUDITOR. The AUDITOR will prepare the draft CAFR including all financial statements and notes. City staff will provide the transmittal letter, Management's Discussion and Analysis, and statistical schedules for the AUDITOR to include in the CAFR. At the completion of the audit, the AUDITOR will provide a draft CAFR for City review. The CAFR should be prepared in the format recommended by the Government Finance Officers Association, in accordance with City requirements, and with website-compatibility.
- O. Meet with the City Auditor or designee independently to review internal control issues noted during the audit. This will include significant deficiencies, if applicable, reflected in the draft Management Letter.
- P. Upon completion of the audit, hold an exit conference with the City Auditor, Director of Administrative Services, and appropriate staff. At this meeting, the AUDITOR will present the financial statements and first draft of the Management Letter.
- Q. Attend a minimum of one City Council and one Council Finance Committee meeting for the purpose of discussing the audit and the Management Letter.
- R. Provide professional publications and software including applicable licenses as described below.

The AUDITOR will provide to the City Auditor and Director of Administrative Services or designee, at no additional cost, any publications produced by the Auditor, the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association (GFOA), and the United States Government Accountability Office (GAO). Examples of these publications include:

- AICPA Professional Standards
- State and Local Governments - Audit and Accounting Guide (AICPA)
- FASB Accounting Standards
- Codification of Governmental Accounting and Financial Reporting Standards (GASB)
- Governmental Accounting, Auditing and Financial Reporting (GFOA)
- Government Auditing Standards (GAO)

In addition, the Auditor will make available any past, current or new GASB statements.

- S. Provide training for the City's personnel regarding important industry developments and technical matters as described below:

GASB pronouncements and major projects may significantly impact the City's financial reporting over the next several years. The Auditor will provide the City, at no additional cost, with proactive guidance on complying with such requirements. Formal training classes will be offered to the City Auditor and Director of Administrative Services or designee regarding industry developments and new accounting regulations.

### **AUDITOR'S STAFFING**

AUDITOR shall assign the following staff members to the City's audit:

David Bullock, Engagement Partner  
 Caroline Walsh, Technical Reviewer (electric, gas, and water auditing experience)  
 Craig Boyer, Engagement Manager  
 David Livingston, Engagement Director, Utility Operations  
 Irene Chan, Senior Assurance Associate  
 Jan Rosati, Tax Partner  
 Gregory Matayoshi, Information Technology Consultant  
 Other MGO experienced and staff associates

### **ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION**

#### **Administrative Services Department (ASD) and Clerical Assistance**

ASD staff and responsible management will be available during the audit to assist the firm by providing information, documentation and explanations. ASD staff will prepare statements and schedules for the Auditor as requested.

Report editing and compilation shall be the responsibility of the Auditor. Printing is the responsibility of the City for those reports not identified above.

#### **Work Area, Telephones, Photocopying and Facsimile Machines**

The City will provide the Auditor with reasonable workspace. The Auditor will also be provided with access to telephone lines, photocopying machine, and internet access. The invoices submitted by the Auditor will be reduced by any telephone charges.

### **WORKING PAPER RETENTION AND ACCESS TO WORKING PAPERS**

AUDITOR shall maintain its audit workpapers and reports, at the AUDITOR's expense,

for at least three years after final payment under the agreement is made, unless the firm is notified in writing by the City of Palo Alto of the need to extend the retention period.

Upon request and after reasonable notice, the AUDITOR may be required to make workpapers available to the City of Palo Alto or other organizations designated by the City of Palo Alto, during the AUDITOR's normal business hours. There will be no charge for any such reviews or inspections.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

**EXHIBIT B  
SCHEDULE OF PERFORMANCE**

A. AUDITOR shall deliver the following items:

Items 1-4 are to be delivered to the City Auditor. For items 5-7, one courtesy copy is to be delivered to the City Auditor and the number of the copies indicated below are to be delivered to the Director of Administrative Services Department. The report issuance dates are shown for the fiscal year ending June 30, 2011. The report issuance dates for subsequent fiscal years are expected to be around the same dates, with the exact dates to be determined.

- 1) Five (5) draft reports by October 24, 2011 or one week after fieldwork concludes at the exit conference and five (5) final bound reports by November 29, 2011 on the following:

Palo Alto Improvement Corporation  
Regional Water Quality Control Plant  
Transportation Development Act  
Bicycle/Pedestrian Projects  
Redevelopment Agency of the City of Palo Alto Component Unit

- 2) A copy of the comprehensive Management Letter delivered to the City Auditor and to the Director of Administrative Services as follows:

Draft Management Letter for interim work	June 17, 2011 (for subsequent years, it is anticipated that the letter be completed around mid-April)
--	---

Draft Management Letter for completed fieldwork	October 24, 2011 or one week after fieldwork concludes at the exit conference
---	---

Final comprehensive Management Letter	November 29, 2011
---------------------------------------	-------------------

- 3) Seven (7) bound copies of the cable report on November 29, 2011.
- 4) Two (2) original copies and a complete electronic version in a website-compatible format of the Comprehensive Annual Financial Report, including the Single Audit Report, on November 29, 2011.

- 5) One hundred (100) (30 in color) bound copies of the Comprehensive Annual Financial Report including the Opinion Letter and the Single Audit Report by December 1, 2011. Also, provide one copy to the City Auditor.
  - 6) Five (5) copies of the Gann Limit Letter on May 30, 2011. Also, provide one copy to the City Auditor.
  - 7) Two (2) copies of Federal and State tax returns on January 9, 2012. Also, provide one copy to the City Auditor.
  - 8) Two (2) copies of the Annual Financial Transactions Report on November 29, 2011, Annual Street Report on September 19, 2011, and Redevelopment Agency Report on November 29, 2011, to be delivered to the City's Accounting Manager before the due date for signature and mailing. Also, provide one copy of each report to the City Auditor.
  - 9) Five (5) copies of the Library Bond reports on November 29, 2011. Also, provide one copy to the City Auditor.
- B. Meet with the City Auditor and the Assistant Director of Administrative Services or their designees on a weekly basis during the audit engagement, to report on the progress of Auditor's examinations and on their preliminary audit findings and recommendations.
- C. Provide the Director of Administrative Services with comments to responses on issues noted at completion of the interim audit work (Accounting Issues memo). The Auditor's comments will be provided within three weeks.
- D. Schedule for Audit for each Fiscal Year ending June 30th (exact dates to be determined)

Interim Work	end of May (for subsequent years, it is anticipated that interim work be completed in March and April)
Fieldwork Completed	mid-October
Initial Draft Report	end of October
Final Report	end of November
Presentation of Audit Results to Finance Committee and City Council	mid-December

- E. The City Auditor may, upon notice and showing of good cause therefore given and

made by the Auditor at least fifteen (15) days before the above scheduled dates, grant an extension of time for completion of such audit and completion and delivery of such reports and Management Letter for a reasonable period of time after the specified delivery dates.

**Exhibit C  
COMPENSATION**

The CITY agrees to compensate the AUDITOR for professional services performed in accordance with the terms and conditions of the Agreement, and as set forth in the schedule below. Compensation shall be calculated based on the hourly rate specified below up to the not to exceed fees for each task set forth below.

The compensation to be paid to AUDITOR under this Agreement for all services described in Exhibit "A" ("Basic Services") is \$704,178 plus a 10 percent contingency of \$70,418, for a total not to exceed \$774,596. AUDITOR agrees to complete all Basic Services, including reimbursable expenses, within this amount. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the City.

AUDITOR shall perform the audit services and prepare the reports as outlined and budgeted below.



**Fees for Audit Services & Reports for  
Fiscal Years Ending June 30,**

	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$
A Comprehensive Annual Financial Report (CAFR)	72,914	73,935	74,970	76,020	77,084
B Management Letter	1,409	1,429	1,449	1,469	1,490
C Regional Water Quality Control Plant	9,568	9,702	9,838	9,976	10,116
D Palo Alto Public Improvement Corp.	5,263	5,337	5,412	5,488	5,565
E Single Audit Report	8,843	8,967	9,093	9,220	9,349
F Transportation Development Act	2,024	2,052	2,081	2,110	2,140
G Gann Limit Agreed Upon Procedures	1,141	1,157	1,173	1,189	1,206
H Cable Television Franchise	4,082	4,139	4,197	4,256	4,316
I Palo Alto Redevelopment Agency	9,978	10,118	10,260	10,404	10,550
J State's Annual Financial Transactions, Annual Street & Redevelopment Agency Reports	9,248	9,377	9,508	9,641	9,776
K Palo Alto Library Bond Fund Financial statements & agreed-upon procedures	4,618	4,683	4,749	4,815	4,882
L GASB pronouncement transition Assistance					
M Provide electronic data used to prepare the CAFR to the City	404	410	416	422	428
N Reproduce & deliver reports pursuant to due dates	273	277	281	285	289
O Weekly meetings with the City Auditor & the Asst Director of ASD	1,244	1,261	1,279	1,297	1,315
P Provide interim comments to the Director of ASD for responses	1,814	1,839	1,865	1,891	1,917
Q Meet with City Auditor or designee independently to review internal control issues	465	472	479	486	493
R Hold exit conferences with the City Auditor, Director of ASD & staff	727	737	747	757	768
S Attend a minimum of one City Council & one Council Finance Committee meeting	930	943	956	969	983
T Provide professional publications including applicable license to 2 individuals	-	-	-	-	-
U Provide training for the City's personnel regarding important industry developments					
2 license fees for technical publications	<u>2,000</u>	<u>2,028</u>	<u>2,056</u>	<u>2,085</u>	<u>2,114</u>
<b>Total:</b>	\$136,945	\$138,863	\$140,809	\$142,780	\$ 144,781
<b>Contingency Fee @ 10%:</b>	\$ 13,695	\$ 13,886	\$ 14,081	\$ 14,278	\$ 14,478
<b>Total cost of contract not to exceed:</b>					\$774,596

**Single Audit Act** – Additional program audits typically will take 30 to 60 hours depending on the complexity of the program. Thus, these audits will average approximately \$4,000 per program. Prior to initiating any additional program audits, AUDITOR will provide a detailed, written estimated cost proposal subject to approval by the City Auditor. No audits will exceed \$6,000.

### **Additional Services**

The AUDITOR shall provide additional services only by advanced, written authorization from the City Auditor. The AUDITOR, at the City Auditor's written request, shall submit a detailed proposal including all hours, rates, other direct costs, overhead, and profit and schedule. The additional services fee amount shall be negotiated and agreed to in writing by the City Auditor and AUDITOR shall include a description of the scope of services, schedule, and Auditor's maximum compensation for such services. Payment for additional services is subject to all requirements and restrictions in the Agreement.

<u>Position</u>	<u>Hourly Rate</u> *
Engagement Partner	\$285
Technical Reviewer	\$285
Engagement Director	\$225
Engagement Manager	\$180
Senior Assurance Associate	\$135
Staff auditors	\$105
Support staff	\$60

\* These rates will be adjusted annually for a cost of living Adjustment, based upon the U.S. Bureau of Labor Statistics, using the Consumer Price Index for Urban Wage Earners and Clerical Workers, San Francisco-Oakland-San Jose.

**EXHIBIT D**  
**INSURANCE CERTIFICATE**



### VERIFICATION OF INSURANCE

ISSUED TO: **City of Palo Alto**  
 250 Hamilton Avenue  
 Palo Alto, CA 94301

We, the undersigned Insurance Brokers, hereby verify that Lexington Insurance Company has issued the following described insurance, which is in force as of the date thereof-

#### PROFESSIONAL LIABILITY INSURANCE

NAME OF INSURED: Macias Gini & O'Connell LLP, Macias Consulting Group, Inc., IntelliBridge Partners, LLC and others as more fully described in the Policy.

POLICY NUMBER: 044177425

PERIOD OF INSURANCE: May 1, 2010 to May 1, 2011; at 12:01 a.m. both days

SUM INSURED: \$7,000,000 Each claim and in the annual aggregate, including costs, charges and expenses

#### SUBJECT TO ALL TERMS, CONDITIONS AND LIMITATIONS OF THE POLICY

This document is furnished to you as a matter of information only and is not insurance coverage. Only the formal policy and applicable endorsements offer a comprehensive review of the coverage in place. The issuance of this document does not make the person or organization to whom it is issued an additional insured, nor does it modify in any manner the contract of insurance between the Insured and the Insurer. Any amendment, change or extension of such contract can only be effected by specific endorsement attached thereto.

Lemme Insurance Group is not responsible for the insolvency, bankruptcy or other adverse financial condition of any Insurer, including but not limited to the failure to pay, or respond to claims; or breach of contracts requiring a minimum third party financial rating. Should the City's insurance requirements change prior to award or performance of any contract with the Insured, Lemme will endeavor to negotiate requisite coverage amendments but makes no guarantee of coverage made available by the above-referenced insurer.

Issued at Chicago, Illinois

Date: April 22, 2011

Lemme Insurance Group, Inc.

Per:

  
 Sam Rudman  
 Vice President

CA Property & Casualty License Number 0F63119

# ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
4/22/2011

<b>PRODUCER</b> Wells Fargo Insurance Services USA, Inc. CA DOI Lic. #0D08408 (916) 231-1741 11017 Cobblerock Drive, Suite 100 Rancho Cordova, CA 95670-6049	<b>THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.</b>	
	<b>INSURERS AFFORDING COVERAGE</b>	<b>NAIC #</b>
<b>INSURED</b> Macias Gini & O'Connell LLP Macias Consulting Group & Intellibridge Partners LLC 3000 S St. Ste 300, Sacramento, CA 95816	INSURER A: American Automobile Insurance Company	21849
	INSURER B: Cypress Insurance Company	10855
	INSURER C:	
	INSURER D:	
	INSURER E:	

**COVERAGES**

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		<b>GENERAL LIABILITY</b> <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	AZC80851069	04/30/2010	04/30/2011	EACH OCCURRENCE	\$ 2,000,000
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 1,000,000
						MED EXP (Any one person)	\$ 10,000
						PERSONAL & ADV INJURY	\$ 2,000,000
						GENERAL AGGREGATE	\$ 4,000,000
						PRODUCTS - COMP/OP AGG	\$ 4,000,000
A		<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS <input checked="" type="checkbox"/> No Owned Autos	AZC80851069	04/30/2010	04/30/2011	COMBINED SINGLE LIMIT (Ea accident)	\$ 2,000,000
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
		<b>GARAGE LIABILITY</b> <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN EA ACC	\$
						AUTO ONLY: AGG	\$
A		<b>EXCESS/UMBRELLA LIABILITY</b> <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE <input checked="" type="checkbox"/> RETENTION \$ 0	AZC80851069	04/30/2010	04/30/2011	EACH OCCURRENCE	\$ 1,000,000
						AGGREGATE	\$ 1,000,000
							\$ 2,000,000
							\$
							\$
B		<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below	3300055235-101	04/30/2010	04/30/2011	<input checked="" type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER	
						E.L. EACH ACCIDENT	\$ 1,000,000
						E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000
						E.L. DISEASE - POLICY LIMIT	\$ 1,000,000
		OTHER					

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS  
 Evidence of Insurance

<b>CERTIFICATE HOLDER</b> City of palo Alto 250 Hamilton Avenue Palo Alto, CA 94301	<b>CANCELLATION</b> Ten Day Notice for Non-Payment SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL <u>30</u> DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE <i>Jeanne Brandon</i>
--	---

## **IMPORTANT**

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

## **DISCLAIMER**

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.