

Exhibit A & B

September 16, 2010

Ms. Charlene Gallina
Director of Planning & Building
1232 Washington Street
Calistoga, CA 94515

**RE: PROPOSAL FOR CITY OF CALISTOGA
 FEE ANALYSIS AND COST RECOVERY
 RECOMMENDATIONS**

Dear Ms. Gallina,

Based on our understanding of your project needs, we are pleased to provide this proposal for professional services. This proposal provides a work effort that will assist the City in preparing and developing a cost of service and fee evaluation.

Our firm, CDA Consulting Group, Inc. ("CDA"), has specialized capabilities in local government accounting strategies and cost recovery. We have successfully completed the City of Santa Rosa's fee analysis and cost of services recovery project, as well as numerous other projects. We are familiar with California's tax limitations and its relationship to fees. Our approach is contemporary and has proved to be consistent with these laws.

This effort will be accomplished through an approach where Calistoga staff will identify and collect the data necessary to identify the total costs of services for certain development related services. CDA will assist by suggesting types of data that would be pertinent to formulate a decision related to the cost of service. CDA will also review the data collected and prepared by City staff and will make recommendations to improve the overall quality of the data, analyses and conclusions.

In addition, CDA will suggest process steps that will provide for public input on whether there may be any public need to support fee type services with general fund revenue. Where fees can be assessed to recover service costs, we would assist by suggesting methods to identify and set the fees for these services.

Our approach is also centered on assisting the City to establish fiscal policy related to building and planning permit fees. This is proposed to be accomplished through deliberation by the Council at a meeting that is used to evaluate the overall project financial principals.

We look forward to an opportunity to work with you.

1.0 PROJECT APPROACH

In an effort to work with staff to minimize the overall project costs, we have prepared a proposal that would utilize our experience with cost of

services studies, while using the City's existing staff to conduct the research, analysis and development of the final report. Our services will be provided on a time and material basis and our work efforts will be managed through the Director and Administrative Services Office. Charlene Gallina, Director of the Planning and Building Department will serve as the project's primary coordinator. CDA will coordinate with the City staff in an effort to indentify the major steps in developing this project. And, CDA will assist the staff by attending several meetings that are designed to consider the directions and outcomes of this project.

Each local government has its own ideas about the proper balance between user fees and the general fund. CDA would use its experience to coordinate with City staff in their effort to develop a process that is expected to identify and categorize specific services, the benefits they provide to different segments of the community, and models for cost of service recovery options.

We propose participating with city staff through five meetings in Calistoga to conduct this effort. These include the following meetings:

1. ***Intro and fact finding.*** Before the process can get fully underway, we would meet with City staff to share our approach and ideas for developing the project process and benchmarks. Various types of data will be needed to prepare the actual cost of service for different types of services. Some data will be readily available (such as fiscal year budgets), while other types of data may need to be developed (such as staff time allocations by type of service). This initial meeting will map out the project and the information needed to prepare the cost of service recommendations (this task is completed).
2. ***Organizational project overview/ Council introduction.*** This meeting is used to accomplish two tasks. The first is to evaluate the start-up activities that are being conducted by staff. Once the project details have been identified in Meeting #1, an initial review will be needed to brainstorm the types of data can be developed and collected to serve as the foundation for decision making. CDA will assist in the brainstorming task and with suggestions to correct the approach as needed to keep the project on task. During this task, City Staff will schedule an initial council presentation. Assuming sufficient budget funding is available to support this task, CDA will attend this meeting. This presentation is intended to accomplish a number of items, including:
 - Providing the City Council and community an overview of the approach, time line and possible outcomes of the project;
 - Initiating a public involvement process; and
 - Establishing financial principals that will be used to guide the project.

3. **Evaluate analysis.** CDA will suggest types of data that could be collected that will assist the City to identify the overall cost of service for various services provided by the City. CDA will meet with City staff to review the results of the analyses and data summaries that will be prepared by City staff. CDA recommends that the City prepare the analyses to include evaluating the relationships between existing and predicted revenues and expenditures. CDA would provide suggestions on ways to investigate the balance between public funds and user fees. The City will prepare the analysis that is intended to isolate the recovery cost of development services. The preliminary results of this analysis would then be prepared by City staff as a written draft report. CDA will coordinate with City staff in a discussion that is intended to consider alternative models for cost of service recovery. Using the outcomes of this discussion, the City staff will draft implementation model types. City staff can use these model types to model and initial cost recovery recommendations. Once completed, this draft report should be circulated to the City's legal counsel to verify compliance with the California Code, and then to others for comment.
4. **Community Involvement Meetings/ Legal Review.** CDA would be available to assist the City in conducting one or more community workshops, assuming there is a budget to support this task. The purpose of this workshop is to provide opportunities for citizen input into the draft concepts and data prior to its review through a formal public hearing process. Input should be sought at this workshop to assist in refining the report and recommendations. CDA would coordinate with City staff to identify areas where revisions to the workshop draft may be appropriate.
5. **Council Presentation.** CDA will review the City staff version of the draft public review report and, within a level of effort commensurate with the task budget, will make suggestions to edit or improve the document. CDA suggests that additional coordination with the City's legal counsel occur prior to the Council review of the formal draft report to allow for consideration of any new information and conclusions that may be within the formal draft document.

Once completed, CDA would attend the first public hearing set before the Council. The Council meeting would include the staff presentation, including the staff review of the report and recommendations, and an opportunity to consider public input. CDA will be available to respond to questions within the context of CDA scope of work. Depending upon the outcomes of this meeting, the Council may conduct final deliberations and adoption of fee recommendations, or schedule additional City Council meetings if further public input or project amendments are desired.

The concepts identified within this memorandum are intended to outline the areas where our participation can best assist the City. We will endeavor to remain flexible to meet adjustments that may be necessary to support this project.

Sincerely,

Clay Moorhead, Principal

Statement of Fees

Principal rate	\$121/hr
Associate rate	\$ 87/hr
Copy and printing	at cost
Incidental expenses	at cost
Travel (air)	\$450/rt
Travel (vehicle)	\$100/day
Travel (hotel)	\$200/night

CDA will not bill time for travel in-flight time. In addition, CDA will not bill time for non-work related time after 5:00pm during overnight stays in Calistoga.

Estimated Budget (5 Meetings)

Travel, Hotel, Rental Car	\$ 3,750
CDA Assistance	<u>\$ 12,250</u>
	\$ 16,000

Work on this scope commences August 23, 2010.

Authorization to Proceed with Work:

William C. Norton
Interim City Manager

Clay Moorhead, Principal
CDA, Consulting Group

Date

Date