

**PROFESSIONAL SERVICES AGREEMENT
(Not Construction Related)**

This Professional Services Agreement ("Agreement") is entered into and effective between CITY OF GLENDALE, an Arizona municipal corporation ("City") and Lewis & Ellis, Inc., a Texas corporation, authorized to do business in the State of Arizona, ("Consultant") as of the 1st day of July, 2016 ("Effective Date").

RECITALS

- A. City intends to undertake a project for the benefit of the public and with public funds that is more fully set forth in **Exhibit A**, Consultant's Response to the City's Request for Quote dated March 10, 2016 (the "Project");
- B. City desires to retain the professional actuarial services of Consultant to perform certain specific duties and produce the specific work as set forth in the attached **Exhibit B**, Consultant's Proposal for the City of Glendale dated February 18, 2016 ("Scope of Work" or "Scope");
- C. Consultant desires to provide City with professional services ("Services") consistent with best consulting or actuarial practices and the standards set forth in this Agreement, in order to complete the Project; and
- D. City and Consultant desire to memorialize their agreement with this document.

AGREEMENT

The parties hereby agree as follows:

1. Key Personnel; Other Consultants and Subcontractors.

- 1.1 Professional Services. Consultant will provide all Services necessary to assure the Project is completed timely and efficiently consistent within Project requirements, including, but not limited to, working in close interaction and interfacing with City and its designated employees, and working closely with others, including other consultants or contractors, retained by City.
- 1.2 Project Team.
 - a. Project Manager.
 - (1) Consultant will designate an employee as Project Manager with sufficient training, knowledge, and experience to, in the City's opinion, complete the project and handle all aspects of the Project such that the work produced by Consultant is consistent with applicable standards as detailed in this Agreement; and
 - (2) The City must approve the designated Project Manager.
 - b. Project Team.
 - (1) The Project Manager and all other employees assigned to the Project by Consultant will comprise the "Project Team."
 - (2) Project Manager will have responsibility for and will supervise all other employees assigned to the Project by Consultant.
 - c. Discharge, Reassign, Replacement.
 - (1) Consultant acknowledges the Project Team is comprised of the same persons and roles for each as may have been identified in **Exhibit A**.
 - (2) Consultant will not discharge, reassign, replace or diminish the responsibilities of any of the employees assigned to the Project who have been approved by City

without City's prior written consent unless that person leaves the employment of Consultant, in which event the substitute must first be approved in writing by City.

- (3) Consultant will change any of the members of the Project Team at the City's request if an employee's performance does not equal or exceed the level of competence that the City may reasonably expect of a person performing those duties, or if the acts or omissions of that person are detrimental to the development of the Project.

- d. Subcontractors. Consultant shall not engage any subcontractor for the work or services to be performed under this Agreement.

2. **Schedule.** The Services will be undertaken in a manner that ensures the Project is completed timely and efficiently in accordance with the needs of the Project and the Project Schedule Example contained in **Exhibit B**.

3. **Consultant's Work.**

- 3.1 Standard. Consultant must perform Services in accordance with the standards of due diligence, care, and quality prevailing among consultants having substantial experience with the successful furnishing of Services for projects that are equivalent in size, scope, quality, and other criteria under the Project and identified in this Agreement.

- 3.2 Licensing. Consultant warrants that:

- a. Consultant currently holds all appropriate and required licenses, registrations and other approvals necessary for the lawful furnishing of Services ("Approvals"); and
- b. Neither Consultant nor any Subconsultant has been debarred or otherwise legally excluded from contracting with any federal, state, or local governmental entity ("Debarment").
 - (1) City is under no obligation to ascertain or confirm the existence or issuance of any Approvals or Debarments, or to examine Consultant's contracting ability.
 - (2) Consultant must notify City immediately if any Approvals or Debarment changes during the Agreement's duration. The failure of the Consultant to notify City as required will constitute a material default under the Agreement.

- 3.3 Compliance. Services will be furnished in compliance with applicable federal, state, county and local statutes, rules, regulations, ordinances, building codes, life safety codes, and other standards and criteria designated by City.

Consultant must not discriminate against any employee or applicant for employment on the basis of race, color, religion, sex, national origin, age, marital status, sexual orientation, gender identity or expression, genetic characteristics, familial status, U.S. military veteran status or any disability. Consultant will require any Sub-contractor to be bound to the same requirements as stated within this section. Consultant, and on behalf of any subcontractors, warrants compliance with this section.

- 3.4 Coordination; Interaction.

- a. For projects that the City believes requires the coordination of various professional services, Consultant will work in close consultation with City to proactively interact with any other professionals retained by City on the Project ("Coordinating Project Professionals").
- b. Subject to any limitations expressly stated in the Project Budget, Consultant will meet to review the Project, Schedule, Project Budget, and in-progress work with Coordinating Project Professionals and City as often and for durations as City reasonably considers necessary in order to ensure the timely work delivery and Project completion.

- c. For projects not involving Coordinating Project Professionals, Consultant will proactively interact with any other contractors when directed by City to obtain or disseminate timely information for the proper execution of the Project.

3.5 Work Product.

- a. Ownership. Upon receipt of payment for Services furnished, Consultant grants to City exclusive ownership of and all copyrights, if any, to evaluations, reports, drawings, specifications, project manuals, surveys, estimates, reviews, minutes, all "architectural work" as defined in the United States Copyright Act, 17 U.S.C § 101, *et seq.*, and other intellectual work product as may be applicable ("Work Product").
 - (1) This grant is effective whether the Work Product is on paper (e.g., a "hard copy"), in electronic format, or in some other form.
 - (2) Consultant warrants, and agrees to indemnify, hold harmless and defend City for, from and against any claim that any Work Product infringes on third-party proprietary interests.
- b. Delivery. Consultant will deliver to City copies of the preliminary and completed Work Product promptly as they are prepared.
- c. City Use.
 - (1) City may reuse the Work Product at its sole discretion.
 - (2) In the event the Work Product is used for another project without further consultations with Consultant, the City agrees to indemnify and hold Consultant harmless from any claim arising out of the Work Product.
 - (3) In such case, City will also remove any seal and title block from the Work Product.

4. **Compensation for the Project.**

- 4.1 Compensation. Consultant's compensation for the Project, including those furnished by its Subconsultants or Subcontractors will not exceed **\$10,500.00** as specifically detailed in **Exhibit C** ("Compensation").
- 4.2 Change in Scope of Project. The Compensation may be equitably adjusted if the originally contemplated Scope as outlined in the Project is significantly modified.
 - a. Adjustments to Compensation require a written amendment to this Agreement and may require City Council approval.
 - b. Additional services which are outside the Scope of the Project contained in this Agreement may not be performed by the Consultant without prior written authorization from the City.
 - c. Notwithstanding the incorporation of the Exhibits to this Agreement by reference, should any conflict arise between the provisions of this Agreement and the provisions found in the Exhibits and accompanying attachments, the provisions of this Agreement shall take priority and govern the conduct of the parties.
- 4.3 Expenses. **All direct and indirect costs and out-of-pocket expenses are included in the amount agreed upon and to be paid by the City in accordance with Section 4.1 above.**

5. **Billings and Payment.**

5.1 Applications.

- a. Consultant will submit monthly invoices (each, a "Payment Application") to City's Project Manager and City will remit payments based upon the Payment Application as stated below.

- b. The period covered by each Payment Application will be one calendar month ending on the last day of the month.

5.2 Payment.

- a. After a full and complete Payment Application is received, City will process and remit payment within 30 days.
- b. Payment may be subject to or conditioned upon City's receipt of:
 - (1) Completed work generated by Consultant and its Subconsultants; and
 - (2) Unconditional waivers and releases on final payment from all Subconsultants as City may reasonably request to assure the Project will be free of claims arising from required performances under this Agreement.

5.3 Review and Withholding. City's Project Manager will timely review and certify Payment Applications.

- a. If the Payment Application is rejected, the Project Manager will issue a written listing of the items not approved for payment.
- b. City may withhold an amount sufficient to pay expenses that City reasonably expects to incur in correcting the deficiency or deficiencies rejected for payment.

6. Termination.

6.1 For Convenience. City may terminate this Agreement for convenience, without cause, by delivering a written termination notice stating the effective termination date, which may not be less than 15 days following the date of delivery.

- a. Consultant will be equitably compensated for Services furnished prior to receipt of the termination notice and for reasonable costs incurred.
- b. Consultant will also be similarly compensated for any approved effort expended, and approved costs incurred, that are directly associated with Project closeout and delivery of the required items to the City.

6.2 For Cause. City may terminate this Agreement for cause if Consultant fails to cure any breach of this Agreement within seven days after receipt of written notice specifying the breach.

- a. Consultant will not be entitled to further payment until after City has determined its damages. If City's damages resulting from the breach, as determined by City, are less than the equitable amount due but not paid Consultant for Services furnished, City will pay the amount due to Consultant, less City's damages, in accordance with the provisions of Sec. 5.
- b. If City's direct damages exceed amounts otherwise due to Consultant, Consultant must pay the difference to City immediately upon demand; however, Consultant will not be subject to consequential damages more than \$1,000,000 or the amount of this Agreement, whichever is greater.

7. **Conflict.** Consultant acknowledges this Agreement is subject to A.R.S. § 38-511, which allows for cancellation of this Agreement in the event any person who is significantly involved in initiating, negotiating, securing, drafting, or creating the Agreement on City's behalf is also an employee, agent, or consultant of any other party to this Agreement.

8. **Insurance.** For the duration of the term of this Agreement, Consultant shall procure and maintain insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of all tasks or work necessary to complete the Project as herein defined. Such insurance shall cover Consultant, its agent(s), representative(s), employee(s) and any subcontractors.

8.1 **Minimum Scope and Limit of Insurance.** Coverage must be at least as broad as:

- a. Commercial General Liability (CGL): Insurance Services Office Form CG 00 01, including products and completed operations, with limits of no less than **\$1,000,000** per occurrence for bodily injury, personal injury, and property damage. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
 - b. Automobile Liability: Insurance Services Office Form Number CA 0001 covering Code 1 (any auto), with limits no less than **\$1,000,000** per accident for bodily injury and property damage.
 - c. Professional Liability. Consultant must maintain a Professional Liability insurance covering errors and omissions arising out of the work or services performed by Consultant, or anyone employed by Consultant, or anyone for whose acts, mistakes, errors and omissions Consultant is legally liability, with a liability insurance limit of **\$3,000,000** for each claim and a **\$3,000,000** annual aggregate limit.
 - d. Worker's Compensation: Insurance as required by the State of Arizona, with Statutory Limits, and Employers' Liability insurance with a limit of no less than **\$1,000,000** per accident for bodily injury or disease.
- 8.2 **Other Insurance Provisions.** The insurance policies required by the Section above must contain, or be endorsed to contain the following insurance provisions:
- a. **The City, its officers, officials, employees and volunteers are to be covered as additional insureds** of the CGL and automobile policies for any liability arising from or in connection with the performance of all tasks or work necessary to complete the Project as herein defined. Such liability may arise, but is not limited to, liability for materials, parts or equipment furnished in connection with any tasks, or work performed by Consultant or on its behalf and for liability arising from automobiles owned, leased, hired or borrowed on behalf of the Consultant. General liability coverage can be provided in the form of an endorsement to the Consultant's existing insurance policies, provided such endorsement is at least as broad as ISO Form CG 20 10, 11 85 or both CG 20 10 and CG 23 37, if later revisions are used.
 - b. For any claims related to this Project, the **Consultant's insurance coverage shall be primary insurance** with respect to the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be in excess of the Consultant's insurance and shall not contribute with it.
 - c. Each insurance policy required by this Section shall provide that coverage shall not be canceled, except after providing notice to the City.
- 8.3 **Acceptability of Insurers.** Insurance is to be placed with insurers with a current A.M. Best rating of no less than A: VII, unless the Consultant has obtained prior approval from the City stating that a non-conforming insurer is acceptable to the City.
- 8.4 **Waiver of Subrogation.** **Consultant hereby agrees to waive its rights of subrogation which any insurer may acquire** from Consultant by virtue of the payment of any loss. Consultant agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. The Workers' Compensation Policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Consultant, its employees, agent(s) and subcontractor(s).
- 8.5 **Verification of Coverage.** Within 15 days of the Effective Date of this Agreement, Consultant shall furnish the City with original certificates and amendatory endorsements, or copies of any applicable insurance language making the coverage required by this Agreement effective. All certificates and endorsements must be received and approved by the City before work commences. Failure to obtain, submit or secure the City's approval of the required insurance policies, certificates or endorsements prior to the City's agreement that work may commence shall not waive the

Consultant's obligations to obtain and verify insurance coverage as otherwise provided in this Section. The City reserves the right to require complete, certified copies of all required insurance policies, including any endorsements or amendments, required by this Agreement at any time during the Term stated herein.

Consultant's failure to obtain, submit or secure the City's approval of the required insurance policies, certificates or endorsements shall not be considered a Force Majeure or defense for any failure by the Consultant to comply with the terms and conditions of the Agreement, including any schedule for performance or completion of the Project.

8.6 Subcontractors. Consultant shall require and shall verify that all subcontractors maintain insurance meeting all requirements of this Agreement.

8.7 Special Risk or Circumstances. The City reserves the right to modify these insurance requirements, including any limits of coverage, based on the nature of the risk, prior experience, insurer, coverage or other circumstances unique to the Consultant, the Project or the insurer.

8.8 Indemnification.

- a. To the fullest extent permitted by law, Consultant must defend, indemnify, and hold harmless City and its elected officials, officers, employees and agents (each, an "Indemnified Party," collectively, the "Indemnified Parties") for, from, and against any and all claims, demands, actions, damages, judgments, settlements, personal injury (including sickness, disease, death, and bodily harm), property damage (including loss of use), infringement, governmental action and all other losses and expenses, including attorneys' fees and litigation expenses (each, a "Demand or Expense" collectively "Demands or Expenses") asserted by a third-party (i.e. a person or entity other than City or Consultant) and that arises out of or results from the breach of this Agreement by the Consultant or the Consultant's negligent actions, errors or omissions (including any Subconsultant or Subcontractor or other person or firm employed by Consultant), whether sustained before or after completion of the Project.
- b. This indemnity and hold harmless provision applies even if a Demand or Expense is in part due to the Indemnified Party's negligence or breach of a responsibility under this Agreement, but in that event, Consultant will be liable only to the extent the Demand or Expense results from the negligence or breach of a responsibility of Consultant or of any person or entity for whom Consultant is responsible.
- c. Consultant is not required to indemnify any Indemnified Parties for, from, or against any Demand or Expense resulting from the Indemnified Party's sole negligence or other fault solely attributable to the Indemnified Party.

9. Immigration Law Compliance.

9.1 Consultant, and on behalf of any Subconsultant, warrants to the extent applicable under A.R.S. § 41-4401, compliance with all federal immigration laws and regulations that relate to their employees as well as compliance with A.R.S. § 23-214(A) which requires registration and participation with the E-Verify Program.

9.2 Any breach of warranty under this section is considered a material breach of this Agreement and is subject to penalties up to and including termination of this Agreement.

9.3 City retains the legal right to inspect the papers of any Consultant, Subconsultant, or employee who performs work under this Agreement to ensure that the Consultant, Subconsultant, or any employee, is compliant with the warranty under this section.

9.4 City may conduct random inspections, and upon request of City, Consultant will provide copies of papers and records of Consultant demonstrating continued compliance with the warranty under this section. Consultant agrees to keep papers and records available for inspection by the City during normal business hours and will cooperate with City in exercise of its statutory duties and not

deny access to its business premises or applicable papers or records for the purposes of enforcement of this section.

- 9.5 Consultant agrees to incorporate into any subcontracts under this Agreement the same obligations imposed upon Consultant and expressly accrue those obligations directly to the benefit of the City. Consultant also agrees to require any Subconsultant to incorporate into each of its own subcontracts under this Agreement the same obligations above and expressly accrue those obligations to the benefit of the City.
- 9.6 Consultant's warranty and obligations under this section to the City is continuing throughout the term of this Agreement or until such time as the City determines, in its sole discretion, that Arizona law has been modified in that compliance with this section is no longer a requirement.
- 9.7 The "E-Verify Program" above means the employment verification program administered by the United States Department of Homeland Security, the Social Security Administration, or any successor program.

10. Notices.

10.1 A notice, request or other communication that is required or permitted under this Agreement (each a "Notice") will be effective only if:

- a. The Notice is in writing; and
- b. Delivered in person or by overnight courier service (delivery charges prepaid), certified or registered mail (return receipt requested).
- c. Notice will be deemed to have been delivered to the person to whom it is addressed as of the date of receipt, if:
 - (1) Received on a business day before 5:00 p.m. at the address for Notices identified for the Party in this Agreement by U.S. Mail, hand delivery, or overnight courier service; or
 - (2) As of the next business day after receipt, if received after 5:00 p.m.
- d. The burden of proof of the place and time of delivery is upon the Party giving the Notice.
- e. Digitalized signatures and copies of signatures will have the same effect as original signatures.

10.2 Representatives.

- a. Consultant. Consultant's representative (the "Consultant's Representative") authorized to act on Consultant's behalf with respect to the Project, and his or her address for Notice delivery is:

Bonnie S. Albritton
Vice President & Principal
Lewis & Ellis, Inc.
700 Central Expressway South, Suite 550
Allen, TX 75013-8098
(972) 850-0850

- b. City. City's representative ("City's Representative") authorized to act on City's behalf, and his or her address for Notice delivery is:

City of Glendale
c/o Vicki Moss
Human Resources Department
City of Glendale
5850 West Glendale Avenue
Glendale, Arizona 85301
(623) 930-2297

With required copy to:

City Manager
City of Glendale
5850 West Glendale Avenue
Glendale, Arizona 85301

City Attorney
City of Glendale
5850 West Glendale Avenue
Glendale, Arizona 85301

- c. Concurrent Notices.

- (1) All notices to City's representative must be given concurrently to City Manager and City Attorney.
- (2) A notice will not be deemed to have been received by City's representative until the time that it has also been received by the City Manager and the City Attorney.
- (3) City may appoint one or more designees for the purpose of receiving notice by delivery of a written notice to Consultant identifying the designee(s) and their respective addresses for notices.

- d. Changes. Consultant or City may change its representative or information on Notice, by giving Notice of the change in accordance with this section at least ten days prior to the change.

11. **Financing Assignment.** City may assign this Agreement to any City-affiliated entity, including a non-profit corporation or other entity whose primary purpose is to own or manage the Project.

12. **Entire Agreement; Survival; Counterparts; Signatures.**

12.1 Integration. This Agreement contains, except as stated below, the entire agreement between City and Consultant and supersedes all prior conversations and negotiations between the parties regarding the Project or this Agreement.

- a. Neither Party has made any representations, warranties or agreements as to any matters concerning the Agreement's subject matter.
- b. Representations, statements, conditions, or warranties not contained in this Agreement will not be binding on the parties.
- c. Inconsistencies between the solicitation, any addenda attached to the solicitation, the response or any excerpts attached as **Exhibit A**, and this Agreement, will be resolved by the terms and conditions stated in this Agreement.

12.2 Interpretation.

- a. The parties fairly negotiated the Agreement's provisions to the extent they believed necessary and with the legal representation they deemed appropriate.
- b. The parties are of equal bargaining position and this Agreement must be construed equally between the parties without consideration of which of the parties may have drafted this Agreement.
- c. The Agreement will be interpreted in accordance with the laws of the State of Arizona.

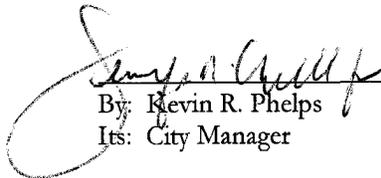
- 12.3 Survival. Except as specifically provided otherwise in this Agreement, each warranty, representation, indemnification and hold harmless provision, insurance requirement, and every other right, remedy and responsibility of a Party, will survive completion of the Project, or the earlier termination of this Agreement.
- 12.4 Amendment. No amendment to this Agreement will be binding unless in writing and executed by the parties. Electronic signature blocks do not constitute execution for purposes of this Agreement. Any amendment may be subject to City Council approval.
- 12.5 Remedies. All rights and remedies provided in this Agreement are cumulative and the exercise of any one or more right or remedy will not affect any other rights or remedies under this Agreement or applicable law.
- 12.6 Severability. If any provision of this Agreement is voided or found unenforceable, that determination will not affect the validity of the other provisions, and the voided or unenforceable provision will be reformed to conform with applicable law.
- 12.7 Counterparts. This Agreement may be executed in counterparts, and all counterparts will together comprise one instrument.
13. **Term.** The term of this Agreement commences upon the effective date and continues for a one year term, beginning on July 1, 2016 for the City's 2017 Fiscal Year. There is no renewal option for this Agreement and the Agreement may only be extended and this term changed in a subsequent written Amendment to this contract.
14. **Dispute Resolution.** Each claim, controversy and dispute (each a "Dispute") between Consultant and City will be resolved in accordance with **Exhibit D**. The final determination will be made by the City.

15. **Exhibits.** The following exhibits, with reference to the term in which they are first referenced, are incorporated by this reference.

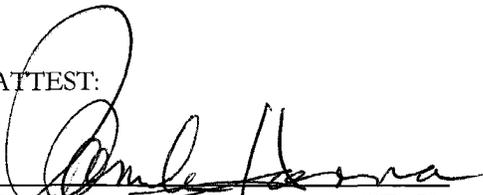
- Exhibit A Project
- Exhibit B Scope of Work
- Exhibit C Compensation
- Exhibit D Dispute Resolution

The parties enter into this Agreement on the Effective Date shown above.

City of Glendale,
an Arizona municipal corporation


By: Kevin R. Phelps
Its: City Manager

ATTEST:


Pamela Hanna (SEAL)
City Clerk

APPROVED AS TO FORM:


Michael D. Bailey
City Attorney

Lewis & Ellis, Inc.,
a Texas corporation


By: Bonnie S. Albritton
Its: Vice President & Principal

EXHIBIT A
Professional Services Agreement

PROJECT

Dallas

Cabe W. Chadick, F.S.A.
 S. Scott Gibson, F.S.A.
 Glenn A. Toblerman, F.S.A., F.C.A.S.
 Michael A. Mayberry, F.S.A.
 David M. Dillon, F.S.A.
 Gregory S. Wilson, F.C.A.S.
 Steven D. Bryson, F.S.A.
 Brian D. Rankin, F.S.A.
 Bonnie S. Albritton, F.S.A.
 Jacqueline B. Lee, F.S.A.
 Wesley R. Campbell, F.C.A.S., F.S.A.
 Xiaoxiao (Lisa) Jiang, F.S.A.
 Brian C. Stentz, A.S.A.
 Jennifer M. Allen, A.S.A.
 Josh A. Hammerquist, A.S.A.
 Johnathan I. O'Dell, A.S.A.
 Clint Prater, A.S.A.
 Larry Choi, A.S.A.
 Kevin Rugeberg, A.S.A.
 Holly Blanchard, FLMI, MCM, AIE, AIRC

**Kansas City**

Gary L. Rose, F.S.A.
 Terry M. Long, F.S.A.
 Leon L. Langlitz, F.S.A.
 D. Patrick Glenn, A.S.A., A.C.A.S.
 Christopher J. Merkel, F.S.A.
 Christopher H. Davis, F.S.A.
 Karen E. Elsom, F.S.A.
 Jill J. Humes, F.S.A.
 Kimberly S. Shores, F.S.A.
 Michael A. Brown, F.S.A.
 Naomi J. Kloeppersmith, F.S.A.
 Stephanie T. Crownhart, F.S.A.
 Mark W. Birdsall, F.S.A.

London/Kansas City

Timothy A. DeMars, F.S.A., F.I.A.
 Scott E. Morrow, F.S.A., F.I.A.

Denver

Mark P. Stukowski, F.S.A.
 William J. Gorski, F.S.A.

Indianapolis

Kathryn R. Koch, A.C.A.S.

Baltimore

David A. Palmer, C.F.E.

March 10, 2016

Ms. Vicki Moss, PHR-SHRM-CP
 HR Administration/Benefits
 City of Glendale
 5850 W. Glendale Ave
 Glendale, AZ 85301

RE: Request for Quote
 GASB 45, Other Post-Employment Benefits (OPEB) Compliance

Dear Ms. Moss:

As you requested, we have attached an engagement letter for the City of Glendale ("City") for actuarial analysis of the postemployment health plan in accordance with GASB 45. Lewis & Ellis, Inc. will provide actuarial and related consulting services to prepare the necessary disclosures and information required for the financial statement in accordance with GASB Statement No. 45.

Proposed Services

The valuation includes the following:

- 1) Development of the GASB OPEB liabilities (ARC, OPEB Cost, Net OPEB Obligation, etc.) and all required disclosures under Statement 45.
- 2) A 25-year projection of current covered employees and retirees, expected claims and expenses, expected retiree contributions, net pay-as-you-go costs, GASB liabilities, and OPEB costs under the Sponsor's chosen cost method.
- 3) Illustration of the impact of the liabilities under pay-as-you-go funding and advanced funding (if requested).
- 4) Preparation of a GASB 45 report.

Ms. Vicki Moss
March 10, 2016
Page Two

As requested in the RFQ, our services will also include the following:

- 1) The issuance of a Public Statement of Actuarial Opinion (PSAO) in accordance with the Qualification Standards of the American Academy of Actuaries.
- 2) Provide all services in accordance with Actuarial Standards of Practice, the Actuarial Code of Professional Conduct, and the Government Accounting Standards Board Statement No. 45.
- 3) Specific elements to be provided in the GASB 45 analysis will comply with minimum standards information requirements as described in Statement 45.

Proposed Cost

In our proposal, we provided a fixed fee for the calendar year ending 2016 based on a full actuarial valuation. For 2017, we provided two fees, one based on a full actuarial valuation and one assuming that there are no significant changes from the previous year. These are all-inclusive prices, covering all direct and indirect costs and out-of-pocket expenses.

<u>Valuation Year</u>	<u>Full Valuation</u>	<u>Interim Reporting</u>
2016	\$9,500	
2017	\$9,500	\$1,000

For this engagement and any future engagements with the Client, the attached terms of engagement will apply. If the terms of the engagement are acceptable, we request that you acknowledge your acceptance by signing and returning one copy of this engagement letter via email to balbritton@lewisellis.com or fax to (972) 850-0851.

We appreciate the opportunity to be of service. If you have any questions, please feel free to give me a call.

Sincerely,


Bonnie S. Albritton, F.S.A., M.A.A.A.
Vice President & Principal

Enclosures

Terms of Engagement for the City of Glendale ("the Client")

Fees. The Client agrees to pay the professional fees for the services of Lewis & Ellis, Inc. ("L&E") as described in the proposal.

Review of Charges. The Client has the right to review the supporting documentation for any hourly charges or out of pocket expenses assessed to the Client under the fee schedule.

Termination. The Client or L&E may terminate this agreement at any time by written notice to the other party, but the Client agrees to pay L&E all charges or prorate fees incurred to the date the termination notice is received and the actuary will cease any work in progress unless specific stopping points are provided in the notice.

Work Product. The final work product will be the property of the Client to be used as stated in the proposal. Ancillary use of the product is permitted but L&E is not responsible for the reliability of those projections. It is understood that all reports are subject to the open records laws of the contracting jurisdiction.

Indemnification. The Client agrees to indemnify and hold L&E as well as its officers, directors, employees, and shareholders harmless from and against any loss, liabilities, demands, claims, actions, and expenses (including any attorney's fees) incurred by L&E, as a result of any litigation or claim initiated or filed against L&E by any person other than the Client and arising from any services hereinafter performed or opinions hereinafter rendered by L&E hereunder, unless L&E provided written authorization to the Client for the disclosure to such third party of such L&E services or opinions. This limited liability, indemnification, and hold harmless provision shall survive termination of this Agreement and shall be binding on the parties' successors and assigns.

Reliance on Data. In performing L&E's services, L&E may rely upon information furnished to L&E by or on behalf of the Client, and/or upon information available from published sources. L&E assumes no responsibility for the accuracy or completeness of such information and shall have no obligation to independently verify the accuracy of such information. The Client represents and warrants that the information provided to L&E by or on behalf of the Client is accurate and complete in all material respects.

Professional Standards. L&E will provide qualified personnel for each engagement and follow all professional standards ascribed by the American Academy of Actuaries and the Governmental Accounting Standards Board.

Acknowledged and accepted by:

CLIENT

LEWIS & ELLIS, INC.

By: _____

By: _____

Title: _____

Title: _____

Date: _____

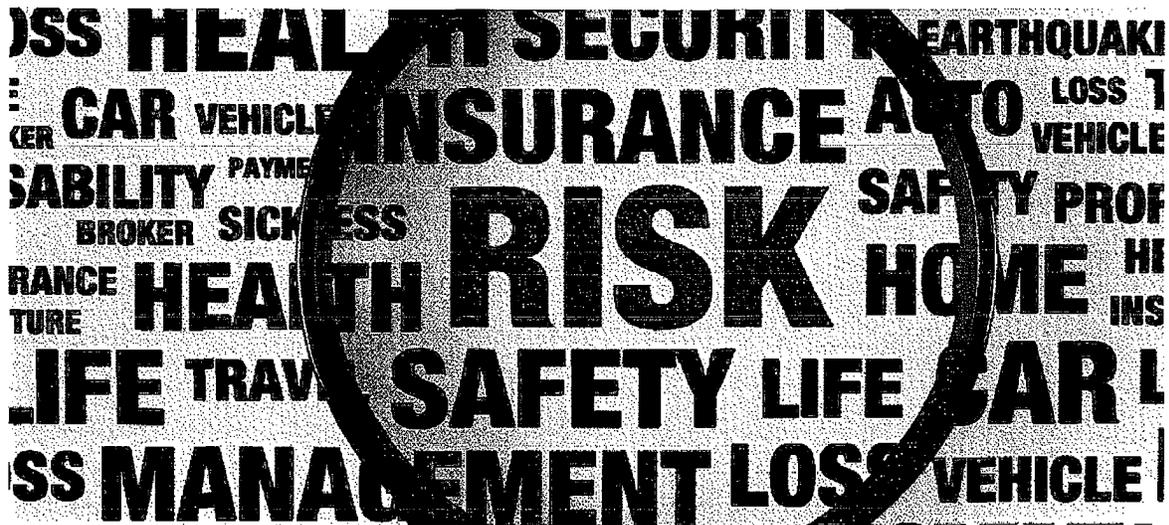
Date: _____

EXHIBIT B
Professional Services Agreement

SCOPE OF WORK



LEWIS & ELLIS



Proposal for the City of Glendale

GASB 45, Other Post-Employment Benefits (OPEB Compliance)

February 18, 2016

Dallas

Cabe W. Chadick, F.S.A.
S. Scott Gibson, F.S.A.
Glenn A. Tobleman, F.S.A., F.C.A.S.
Michael A. Mayberry, F.S.A.
David M. Dillon, F.S.A.
Gregory S. Wilson, F.C.A.S.
Steven D. Bryson, F.S.A.
Brian D. Rankin, F.S.A.
Bonnie S. Albritton, F.S.A.
Jacqueline B. Lee, F.S.A.
Wesley R. Campbell, F.C.A.S., F.S.A.
Xiaoxiao (Lisa) Jiang, F.S.A.
Brian C. Stentz, A.S.A.
Jennifer M. Allen, A.S.A.
Joh A. Hammerquist, A.S.A.
Johnathan I. O'Dell, A.S.A.
Clint Prater, A.S.A.
Larry Choi, A.S.A.



Kansas City

Gary L. Rose, F.S.A.
Terry M. Long, F.S.A.
Leon L. Langlitz, F.S.A.
D. Patrick Glenn, A.S.A., A.C.A.S.
Christopher J. Merkel, F.S.A.
Christopher H. Davis, F.S.A.
Karen E. Elsom, F.S.A.
Jill J. Humes, F.S.A.
Kimberly S. Shores, F.S.A.
Michael A. Brown, F.S.A.
Naomi J. Kloppersmith, F.S.A.
Stephanie T. Crownhart, F.S.A.
Mark W. Birdsall, F.S.A.

London/Kansas City

Timothy A. DeMars, F.S.A., F.I.A.
Scott E. Morrow, F.S.A., F.I.A.

Denver

Mark P. Stukowski, F.S.A.
William J. Gorski, F.S.A.

Indianapolis

Kathryn R. Koch, A.C.A.S.

Baltimore

David A. Palmer, C.F.E.

February 18, 2016

Ms. Vicki Moss, PHR-SHRM-CP
HR Administration/Benefits
City of Glendale
5850 W Glendale Ave
Glendale, AZ 85301

RE: Request for Quote
GASB 45, Other Post-Employment Benefits (OPEB) Compliance

Dear Ms. Moss:

Thank you for the opportunity to submit this proposal for actuarial services to the City of Glendale. We are committed to completing your GASB 45 valuation on time, within budget, and to your complete satisfaction.

This proposal has been prepared by the Dallas office of Lewis & Ellis, Inc. I am a Vice President and Principal and will be the contact with regard to this proposal. My phone number is (972) 850-0850 and my fax number is (972) 850-0851. I can be reached by email at balbritton@lewisellis.com. Any questions regarding this proposal should be directed to me.

We appreciate your consideration and look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script that reads 'Bonnie Albritton'.

Bonnie S. Albritton, F.S.A., M.A.A.A.
Vice President & Principal
Lewis & Ellis, Inc.



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Since L&E was founded in 1968, we have charted a course of significant growth built on dedication to professional competence, integrity, and service. We currently have over 40 actuaries serving clients coast-to-coast in all facets of life, health and property & casualty insurance operations, regulatory compliance, employee benefits, expert testimony, and life settlements. Our reach is supported by offices in Dallas, Kansas City, London, Baltimore, and Denver.

Innovative computing technology has been a cornerstone of our ability to provide cost-effective solutions to difficult problems. We have developed a suite of Windows- and SAS-based actuarial software to assist our consultants and outside actuaries in completing many of their activities in an efficient and effective manner. This includes an actuarial pricing and projection system, a statutory and tax reserve factor generator for traditional life plans, an exposure study and Monte Carlo simulation system for traditional life and health insurance, and a life settlement pricing system. L&E continues to improve and upgrade its existing portfolios of software, while at the same time developing new applications that will allow insurance professionals to manage their responsibilities more effectively.

Overview of Lewis & Ellis

Lewis & Ellis, Inc. has been among the leading actuarial firms in the country since its inception in 1968. Since 2006, AM Best has ranked L&E as a top 20 actuarial firm. In 2015, AM Best selected L&E as the:

- 4th ranked health insurance actuarial firm;
- 2nd ranked life insurance actuarial firm;
- 18th ranked property and casualty actuarial firm.

We remain flexible to meet our clientele's demands and fit our services to the needs of the clients rather than forcing the client to a particular approach or capability. We are large enough to have all the capabilities of any actuarial consulting firm, yet we are also flexible enough to meet a wide range of needs.

L&E has a high level of expertise throughout our organization, with many years of experience at all levels. The firm employs approximately 60 people, including 24 Fellows of the Society of Actuaries (FSA), 2 Fellows of the Casualty Actuarial Society (FCAS), 12 Associates of the Society of Actuaries (ASA), and 1 Associate of the Casualty Actuarial Society (ACAS). All FSAs, FCASs, ASAs, and ACASs are also Members of the American Academy of Actuaries (MAAA).

General Qualifications

Lewis & Ellis is among the leading actuarial consulting firms in the country. For over 45 years, we have served clients from coast to coast in all facets of employee benefits and life, health, and casualty insurance. We provide actuarial services for employee benefit programs, such as retirement systems, self-funded health plans and workers' compensation programs. Insurance services provided include actuarial examinations and assistance in connection with examinations of insurance companies conducted by state insurance departments, as well as actuarial services and management consulting for other regulatory agencies, life insurance companies, health insurance companies, and property & casualty companies.



Employee Benefit Experience

For over 40 years, Lewis & Ellis has served clients from coast to coast in all facets of employee benefits. We provide actuarial services for employee benefit programs, such as retirement systems, self-funded health plans and workers' compensation programs.

We have worked with our self-funded clients to develop adequate and reasonable reserves, set appropriate contribution levels for employees, retirees, and COBRA enrollees, evaluate benefit changes, healthcare cost levels and reimbursement processes, and analyze the cost-effectiveness of PPO networks and reimbursement levels. Since the passage of PPACA, we have been very involved in helping our clients understand and deal with the implications of the healthcare reform.

For our public sector clients with retiree medical benefits, we have also performed expense calculations under GASB Statements 43 and 45 and worked with clients to obtain the Retiree Drug Subsidy.

The implementation of GASB 43 and 45 has many implications for governmental entities. All of our clients have very realistic concerns about managing the expenses involved. L&E is experienced and capable of helping the City explore any alternatives that could relieve some of the burdens that GASB 43 and 45 will impose. Quite a few of our clients have requested our help with possible alternatives to make their expenses more manageable.

The Dallas office of L&E currently has over 50 public sector clients. Some of L&E's current GASB 45 clients include the following:

- City of Alice, Texas
- City of Bastrop, Louisiana
- City of Cedar Rapids, Iowa
- City of Corpus Christi, Texas
- City of Glendale, Arizona
- City of Kenner, Louisiana
- City of Kingsville, Texas
- City of Mesquite
- City of New Braunfels, Texas
- City of Norman, Oklahoma
- City of Sulphur, Louisiana
- City of Tempe, Arizona
- City of Thibodaux, Louisiana
- Salt Lake City Corporation, Utah
- Town of Gilbert, Arizona
- Hidalgo County, Texas
- Montgomery County, Texas
- Webb County, Texas
- St. Bernard Parish Government, Louisiana
- Terrebonne Parish Consolidated Government, Louisiana
- Maryland Environmental Service, Maryland
- Caldwell Parish Sheriff, Louisiana
- West Carroll Parish Sheriff, Louisiana
- Louisiana Clerks of Court Association, Louisiana



Key Personnel

L&E's experience and expertise offers many advantages to the organizations we consult with. We have extensive knowledge of employee benefit programs. Because of the boutique nature of our firm, we can provide efficient consulting that brings value to our clients while benefiting from working with senior level staff

Bonnie Albritton, FSA, MAAA

Bonnie is a principal in the firm and has worked in the healthcare industry for 20 years. Her clients include numerous public and private sector employers, insurance companies and accounting firms. She has considerable experience with retiree medical valuations, certifying reserves, and pricing for employee benefit plans. She has spoken at industry meetings and published articles related to healthcare and the issues facing insurers and employers.

Steven Bryson, FSA, FCA, MAAA, EA

Steve is also a principal of the firm and has over 40 years of experience. He is an enrolled actuary and has extensive experience with both public and private-sector employers and retirement systems.

Actuarial Staff

The following chart lists the actuaries and other specialists in the Dallas office of Lewis & Ellis.

	Designations / Qualifications	Years of Experience	Area of Expertise
<u>Senior Actuaries</u>			
Bonnie Albritton	FSA, MAAA	20	Health/Life
Jackie Lee	FSA, MAAA	10	Health/Life
Dave Dillon	FSA, MAAA, MS	18	Health
Cabe Chadick	FSA, MAAA	23	Health
Brian Rankin	FSA, MAAA	26	Health
Mike Mayberry	FSA, MAAA	22	Life/Annuity
Glenn Tobleman	FSA, FCAS, MAAA	34	Life/P&C/Health
Steve Bryson	FSA, MAAA, EA	42	Retirement/Health
Greg Wilson	FCAS, MAAA	35	P&C
Wes Campbell	FSA, FCAS, MAAA	12	P&C
Scott Gibson	FSA, MAAA	30	Life/Annuity
Lisa Jiang	FSA, MAAA, MS	8	Life/Health/Annuity
<u>Actuaries</u>			
Brian Stentz	ASA, MAAAA	15	Health
Josh Hammerquist	ASA, MAAA	8	Health
John O'Dell	ASA, MAAA, MS	3	Health
Clint Prater	ASA, MAAA	5	Health
Larry Choi	ASA, MAAA	5	Health
Jennifer Allen	ASA, MAAA	5	Life/Annuity



Support Staff

In addition to the actuaries listed, we have a large staff of actuarial analysts to provide support to our actuarial staff.

Professional Association Membership & Continuing Education

The Actuarial Standards Board sets basic and continuing education standards for actuaries in the U.S. to be considered qualified in their fields. That includes a minimum of 30 hours of continuing education during each 1-year period. It is part of our profession's code of conduct that no actuary agrees to any assignment for which he or she is not qualified by reason of education and experience. All of our consulting actuaries are credentialed and meet the qualification standards of the ASB.

Contact Information

Corporation Name:	Lewis & Ellis, Inc.
Established:	1968
Type of business:	Actuarial Consulting
Corporation Address:	700 Central Expressway South, Suite 550 Allen, Texas 750013
Principal Contact:	Bonnie S. Albritton, FSA, MAAA Vice President & Principal
E-mail Address:	balbritton@lewisellis.com
Telephone Number:	(972) 850-0850
Fax Number:	(972) 850-0851
Federal Tax ID Number:	75-1281520



Bonnie S. Albritton, FSA, MAAA

Vice President & Principal

Prior Positions

1994-1996, 2000-2003: United Teacher Associates Insurance Company, Actuary

1999-2000: TIAA-CREF, Actuarial Analyst

1996-1999: Bankers Life Insurance Company of New York, Actuarial Analyst

Responsibilities and Experience

- o Actuarial analysis of self-insured group medical/dental plans
- o GASB and FASB accounting liability reporting for post-retirement benefits
- o Medicare Part D Retiree Drug Subsidy attestations
- o Actuarial audits of retirement and welfare systems, public and private
- o Development, pricing, profit analysis and re-rating of A&H individual and group products
- o Medicare Advantage and Part D reviews in conjunction with CMS
- o Actuarial audits of statutory and GAAP statements
- o Actuarial assistance to state insurance departments
- o Competitive benefit and rate studies
- o Group Term Life pricing, profit analysis and conversion analysis
- o Financial reporting: GAAP, statutory, tax and management information
- o Quarterly and Annual Statement preparations
- o Financial projections and forecasting
- o A & H claim and contract reserves
- o Evaluation and assistance in A&H acquisitions
- o Universal life reserve valuations on statutory, tax, and GAAP bases
- o Policy form and rate filings with state insurance departments
- o Policy form (e.g. application, group policies & certificates, etc.) development

Education

University of Texas at Austin,

B.A., Mathematics

Professional

Fellow, Society of Actuaries

Member, American Academy of Actuaries



Steven D. Bryson, FSA, FCA, MAAA, EA

Vice President & Consulting Actuary

Prior Positions

1986: Mitchell & Hartmann, Sherman Oaks, California

1983-1984: Brian R. Demsey + Associates, Newport Beach, California

1972-1983: Pacific Mutual Life Insurance Company, Newport Beach, California

Responsibilities and Experience

- Determination of minimum and recommended funding levels for private and public sector defined benefit pension plans
- Determination of accounting liabilities for defined benefit pension sponsors under FASB and GASB accounting rules
- Defined benefit plan design and amendments to conform to statutory requirements and sponsor funding policy
- Preparation of Form 5500 and Schedule B for ERISA plans
- Consultant to retirement plan sponsors, including design, amendment, funding and termination services
- Individual benefit determinations for defined benefit participants
- Independent third-party validation of pension actuarial services
- Actuarial audits of retirement and welfare systems, public and private
- FASB and GASB accounting liability reporting for post-retirement benefits
- Medicare Advantage and PDP programs
- Medicare Part D Retiree Drug Subsidy attestations
- Actuarial analysis of self-insured group medical/dental plans
- Development, pricing and rating of individual and group A & H products
- Policy and rate filing with state insurance departments
- State-specific certification of compliance with small employer A & H requirements
- Expert testimony

Education

University of California at Irvine,

B.A., Mathematics

Professional

Fellow, Society of Actuaries

Fellow, Conference of Consulting Actuaries

Member, American Academy of Actuaries

Enrolled Actuary



Overview of Work Plan

Under current accounting standards, public entities that provide OPEB ("other postemployment benefits") typically recognize the expense for such benefits as they are paid ("Pay-as-you-go"). GASB statement 45 requires those entities to recognize the expense for OPEB more quickly, ideally over the working lifetime of its covered employees.

L&E will develop benefit obligation liabilities for those benefits as specified by GASB 45, including the ARC, the Annual OPEB Cost, and specified disclosures for the valuation year.

To calculate the liabilities, we project post-employment benefit costs for current retirees and current active employees who may retire in the future. The projection includes all post-employment benefits made available to the Sponsor's retirees. The projection considers the likely cost of future benefits, and the expectation of survival of retirees, employees and dependents to receive such benefits. The projection also includes expected expenses (if any) and retiree contributions.

To assist the Sponsor in choosing the optimal rate of expense recognition, L&E will project OPEB costs under two of the primary actuarial cost methods (Unit Credit and Entry Age) over a 25-year period. An example of this projection is included in our sample report.

More Details

If a benefit program is fully insured, the projection of benefit costs is more complex than a simple estimation of future premiums. The premiums that the plan sponsor pays for medical, vision and dental insurance are not typically rated by age or gender, although sometimes the medical premiums for the over-65 participants are different from the under-65 participants. Paragraph 13a(1) of GASB 45 applies to situations like this: "When an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated for actuarial measurement purposes, and the projection of future retiree benefits should be based on claims costs, or age-adjusted premiums approximating claims costs, for retirees, in accordance with actuarial standards issued by the Actuarial Standards Board."

The statement requires this approach because medical costs increase with advancing age. Therefore, the claim costs for the retiree group are higher than the claim costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

To comply with the standard, we compute the underlying cost for retiree coverage by imputing an age-dependent claim cost for our projections. We do that by analyzing the risk characteristics of the entire covered group (employees, dependents and retirees) and applying those in the aggregate to the carrier premium schedule.

If a benefit program is self-insured, the projection of the benefit costs is a composite of the expected claims, stop loss premiums, and administrative expenses for each covered individual from the valuation date to the end of the benefit period. Stop loss premiums and expenses are usually known for the coming fiscal year. For the expected claims, we have to determine an average claim cost from claim and enrollment records, adjusted for the risk characteristics of the covered group and trended to the valuation date.



To develop the total expected benefit costs for each year in the projection, we adjust those values for inflation and for the risk factors for each covered family. If benefits are paid after eligibility for Medicare, then we carve out those benefits that Medicare will cover.

All of our projections are based on assumptions with regard to the survival of plan members, the average per-capita claim costs, and so forth. Those assumptions are disclosed in the appendices attached to our report. One of the most important assumptions is the discount rate, which is used by the model to compute the present value of future post-retirement benefits. The higher the discount rate, the lower the present values, and therefore the OPEB cost.

GASB 45 stipulates that the selection of the discount rate be determined, in part, based on whether the plan benefits are funded in advance. If the employer contributions are at least as great as the OPEB cost for the year, and if they are deposited in an irrevocable trust for the exclusive purpose of paying post-retirement health benefits, the guidance states that the discount rate may be a reasonable long-term rate on the expected investments in that trust. If the employer does not utilize a trust, the employer is limited to using the rate of return expected on all employer assets. If the employer uses a trust, but funds at a level below the OPEB cost, then a blended rate may be used.

Another key assumption for the determination of the plan liabilities is the expected survival of current employees and retirees. We develop age-dependent employee turnover and retirement rates based on the group's experience and expectations, and use a modern mortality table developed by the Society of Actuaries. From these we create a model that calculates the probability that each member will survive to retirement, elect to participate in the plan, and receive benefits over their life expectancy.

The liability (present value of benefits) for each enrollee is simply the sum for each future year over his/her life span of the product of three values:

- a) The interest discount factor for that year
- b) The expected cost of benefits (net of retiree contributions) in that year
- c) The probability of receiving retirement benefits in that year

Our actuarial model allocates a portion of each employee's and retiree's present value to the current fiscal year. The methodology of that allocation is called an "Actuarial Cost Method." GASB 45 allows the employer a choice between six different cost methods. The three primary methods are known as "Projected Unit Credit," "Entry Age Normal," and "Aggregate." The other three methods are variations of the primary methods, and do not produce different results in the first year of application.

Work Flow

- 1) L&E provides the client with an updated and detailed data request (see below for example).
- 2) After receipt of the data, staff reviews it for completeness and consistency with the data request. To the extent necessary, follow-up requests are made.
- 3) Project manager contacts the client to discuss appropriate actuarial assumptions and other issues relevant to the liability calculations. In our experience, a telephone conference is more than adequate and more cost-effective than an on-site meeting.
- 4) Preliminary calculations are made and communicated with the client and/or the auditor in a preliminary report.
- 5) Based on feedback, a final report is published and delivered.
- 6) L&E provides answers to follow-up questions from the client and/or its auditors.



Project Schedule (example)

- | | |
|--------------------|--|
| 1) Apr 15 | L&E submits data requirements |
| 2) Apr 15 – May 15 | Data and benefit descriptions are collected and reviewed for reasonableness. Questions are forwarded to the Sponsor as needed. |
| 3) May 15 – May 31 | Actuarial assumptions are set. Benefit costs are projected and liabilities are calculated. |
| 4) Jun 15 – Jun 30 | L&E prepares draft reports, reflecting any Sponsor comments received. |
| 5) Jul 1 | L&E presents the projected draft results. |
| 6) Jul 1 – Jul 15 | Sponsor reviews draft report and provides feedback and questions. |
| 6) Jul 15 – Jul 31 | Report is finalized. |
| 7) Aug 1 | Final report and final funding recommendations are delivered to the Sponsor. |

Please keep in mind that this schedule is illustrative, and that actual results are sensitive to data quality and availability. We are normally able to present the draft report within three to four weeks from the receipt of complete and accurate data. We will always make every effort to meet client expectations and deadlines.

Proposed Scope of Services

The valuation includes the following:

- 1) Development of the GASB OPEB liabilities (ARC, OPEB Cost, Net OPEB Obligation, etc.) and all required disclosures under Statement 45.
- 2) A 25-year projection of current covered employees and retirees, expected claims and expenses, expected retiree contributions, net pay-as-you-go costs, GASB liabilities, and OPEB costs under the Sponsor's chosen cost method.
- 3) Illustration of the impact of the liabilities under pay-as-you-go funding and advanced funding (if requested).
- 4) Preparation of a GASB 45 report.

As requested in the RFQ, our services will also include the following:

- 1) The issuance of a Public Statement of Actuarial Opinion (PSAO) in accordance with the Qualification Standards of the American Academy of Actuaries.
- 2) Provide all services in accordance with Actuarial Standards of Practice, the Actuarial Code of Professional Conduct, and the Government Accounting Standards Board Statement No. 45.
- 3) Specific elements to be provided in the GASB 45 analysis will comply with minimum standards information requirements as described in Statement 45.

Effective with the City's fiscal year ending June 30, 2018, GASB 45 is being replaced with GASB 75. If the City chooses a multi-year proposal, the scope of our work will change to incorporate the requirements of GASB 75



Proposed Cost

It is our understanding that the City would like a multi-year proposal. We are providing a fixed fee for the fiscal year ending 2016 based on a full actuarial valuation.

GASB 45 requires at least biennial valuations for sponsors with more than 200 participants. If significant changes have occurred, a full valuation is required during the interim year. For each of the fiscal years following 2016, we are providing two fees, one based on a full actuarial valuation and one assuming that there are no significant changes from the previous year. These are all-inclusive prices, covering all direct and indirect costs and out-of-pocket expenses.

We are providing a five-year proposal. However, we are open to shorter or longer arrangements. We are also open to the City continuing to do its own interim year reporting.

<u>Valuation Year</u>	<u>Full Valuation</u>	<u>Interim Reporting</u>
2016	\$9,500	
2017	\$9,500	\$1,000
2018	\$10,000	\$1,000
2019	\$10,000	\$1,000
2020	\$10,000	\$1,000

Note that our full valuation fees include the transition to GASB 75 for the fiscal year ending June 30, 2018.



Draft Terms of Engagement for the City of Glendale ("Client")

Fees. The Client agrees to pay the professional fees for the services of Lewis & Ellis, Inc. ("L&E") as described in the proposal.

Review of Charges. The Client has the right to review the supporting documentation for any hourly charges or out of pocket expenses assessed to the Client under the fee schedule.

Termination. The Client or L&E may terminate this agreement at any time by written notice to the other party, but the Client agrees to pay L&E all charges or prorate fees incurred to the date the termination notice is received and the actuary will cease any work in progress unless specific stopping points are provide in the notice.

Work Product. The final work product will be the property of the Client to be used as stated in the proposal. Ancillary use of the product is permitted but L&E is not responsible for the reliability of those projections. It is understood that all reports are subject to the open records laws of the contracting jurisdiction.

Indemnification. The Client agrees to indemnify and hold L&E as well as its officers, directors, employees, and shareholders harmless from and against any loss, liabilities, demands, claims, actions, and expenses (including any attorney's fees) incurred by L&E, as a result of any litigation or claim initiated or filed against L&E by any person other than the Client and arising from any services hereinafter performed or opinions hereinafter rendered by L&E hereunder, unless L&E provided written authorization to the Client for the disclosure to such third party of such L&E services or opinions. This limited liability, indemnification, and hold harmless provision shall survive termination of this Agreement and shall be binding on the parties' successors and assigns.

Reliance on Data. In performing L&E's services, L&E may rely upon information furnished to L&E by or on behalf of the Client, and/or upon information available from published sources. L&E assumes no responsibility for the accuracy or completeness of such information and shall have no obligation to independently verify the accuracy of such information. The Client represents and warrants that the information provided to L&E by or on behalf of the Client is accurate and complete in all material respects.

Professional Standards. L&E will provide qualified personnel for each engagement and follow all professional standards are ascribed by the American Academy of Actuaries and the Governmental Accounting Standards Board.

Acknowledged and accepted by:

CLIENT

LEWIS & ELLIS, INC.

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT C
Professional Services Agreement

COMPENSATION

METHOD AND AMOUNT OF COMPENSATION

Compensation will be paid on a pay-as-go monthly invoice basis.

NOT-TO-EXCEED AMOUNT

The total amount of compensation paid to Consultant for full completion of all work required by the Project during the entire term of the Project must not exceed **\$10,500.00**.

DETAILED PROJECT COMPENSATION

The Consultant will be paid **\$9,500.00** as a fixed fee for a full actuarial valuation for the City's fiscal year 2017 and **\$1,000.00** for any interim reporting throughout the term of this Agreement.

EXHIBIT D
Professional Services Agreement

DISPUTE RESOLUTION

1. Disputes.

- 1.1 Commitment. The parties commit to resolving all disputes promptly, equitably, and in a good-faith, cost-effective manner.
- 1.2 Application. The provisions of this Exhibit will be used by the parties to resolve all controversies, claims, or disputes ("Dispute") arising out of or related to this Agreement-including Disputes regarding any alleged breaches of this Agreement.
- 1.3 Initiation. A party may initiate a Dispute by delivery of written notice of the Dispute, including the specifics of the Dispute, to the Representative of the other party as required in this Agreement.
- 1.4 Informal Resolution. When a Dispute notice is given, the parties will designate a member of their senior management who will be authorized to expeditiously resolve the Dispute.
 - a. The parties will provide each other with reasonable access during normal business hours to any and all non-privileged records, information and data pertaining to any Dispute in order to assist in resolving the Dispute as expeditiously and cost effectively as possible;
 - b. The parties' senior managers will meet within 10 business days to discuss and attempt to resolve the Dispute promptly, equitably, and in a good faith manner, and
 - c. The Senior Managers will agree to subsequent meetings if both parties agree that further meetings are necessary to reach a resolution of the Dispute.

2. Arbitration.

- 2.1 Rules. If the parties are unable to resolve the Dispute by negotiation within 30 days from the Dispute notice, and unless otherwise informal discussions are extended by the mutual agreement, the Dispute will be decided by binding arbitration in accordance with Construction Industry Rules of the AAA, as amended herein. Although the arbitration will be conducted in accordance with AAA Rules, it will not be administered by the AAA, but will be heard independently.
 - a. The parties will exercise best efforts to select an arbitrator within five business days after agreement for arbitration. If the parties have not agreed upon an arbitrator within this period, the parties will submit the selection of the arbitrator to one of the principals of the mediation firm of Scott & Skelly, LLC, who will then select the arbitrator. The parties will equally share the fees and costs incurred in the selection of the arbitrator.
 - b. The arbitrator selected must be an attorney with at least 15 years' experience with commercial construction legal matters in Maricopa County, Arizona, be independent, impartial, and not have engaged in any business for or adverse to either Party for at least 10 years.
- 2.2 Discovery. The extent and the time set for discovery will be as determined by the arbitrator. Each Party must, however, within 10 days of selection of an arbitrator deliver to the other Party copies of all documents in the delivering party's possession that are relevant to the dispute.

- 2.3 Hearing. The arbitration hearing will be held within 90 days of the appointment of the arbitrator. The arbitration hearing, all proceedings, and all discovery will be conducted in Glendale, Arizona unless otherwise agreed by the parties or required as a result of witness location. Telephonic hearings and other reasonable arrangements may be used to minimize costs.
 - 2.4 Award. At the arbitration hearing, each Party will submit its position to the arbitrator, evidence to support that position, and the exact award sought in this matter with specificity. The arbitrator must select the award sought by one of the parties as the final judgment and may not independently alter or modify the awards sought by the parties, fashion any remedy, or make any equitable order. The arbitrator has no authority to consider or award punitive damages.
 - 2.5 Final Decision. The Arbitrator's decision should be rendered within 15 days after the arbitration hearing is concluded. This decision will be final and binding on the Parties.
 - 2.6 Costs. The prevailing party may enter the arbitration in any court having jurisdiction in order to convert it to a judgment. The non-prevailing party will pay all of the prevailing party's arbitration costs and expenses, including reasonable attorney's fees and costs.
3. **Services to Continue Pending Dispute.** Unless otherwise agreed to in writing, Consultant must continue to perform and maintain progress of required Services during any Dispute resolution or arbitration proceedings, and City will continue to make payment to Consultant in accordance with this Agreement.
 4. **Exceptions.**
 - 4.1 Third Party Claims. City and Consultant are not required to arbitrate any third-party claim, cross-claim, counter claim, or other claim or defense of a third party who is not obligated by contract to arbitrate disputes with City and Consultant.
 - 4.2 Liens. City or Consultant may commence and prosecute a civil action to contest a lien or stop notice, or enforce any lien or stop notice, but only to the extent the lien or stop notice the Party seeks to enforce is enforceable under Arizona Law, including, without limitation, an action under A.R.S. § 33-420, without the necessity of initiating or exhausting the procedures of this Exhibit.
 - 4.3 Governmental Actions. This Exhibit does not apply to, and must not be construed to require arbitration of, any claims, actions or other process filed or issued by City of Glendale Building Safety Department or any other agency of City acting in its governmental permitting or other regulatory capacity.