

CONTRACT AGREEMENT

THIS AGREEMENT is made and entered into this 27th day of July 2006, by and between the **SACRAMENTO TRANSPORTATION AUTHORITY** (hereinafter called "AUTHORITY"), and **PUBLIC FINANCIAL MANAGEMENT, INC.** (hereinafter called "CONSULTANT").

Recitals:

WHEREAS, the AUTHORITY, a California local transportation authority, exists under the authority of Section 180000 et seq. of the California Public Utilities Code;

WHEREAS, the AUTHORITY requires the services of a **consulting financial advisor** to assist with implementing and updating the Plan of Finance for the *new* Sacramento County Measure A one-half percent transportation sales tax program.

WHEREAS, the AUTHORITY has determined that CONSULTANT is best qualified to perform the required services;

WHEREAS, CONSULTANT is able and willing to perform these services under the terms and conditions of this Agreement;

NOW, THEREFORE, for the consideration hereinafter stated, the parties agree as follows:

1. SCOPE OF SERVICES

AUTHORITY hereby engages CONSULTANT, and CONSULTANT agrees to provide on-going financial planning, analysis, and advisory services related to implementation of the Plan of Finance for the *New* Measure A transportation sales tax program—attached hereto as Exhibit B—in accordance with the terms of this Agreement. It is acknowledged that swap advisory, escrows, investment contract, and other investment related services will be provided by PFM Asset Management, LLC, an affiliated company. These services shall be subject to a specific engagement letter at the time of service in accordance with Securities & Exchange Commission (SEC) requirements.

2. COMPENSATION

Compensation for on-going advisory services shall be determined by using the labor rates (including overhead and fee) shown in the project cost estimate which is attached hereto as Exhibit A - "Hourly Rates," and incorporated herein by reference. Compensation for assistance and advice regarding specific financing transactions shall be that set forth in Exhibit A - "Bond Transactions." CONSULTANT may also be compensated for actual costs incurred for reimbursable expenses including: subcontractors, communication, reproduction, and travel expenses. Compensation for on-going (hourly) advisory services

and reimbursable expenses shall not exceed six thousand dollars (\$6,000.00) per month without prior written approval of the Executive Director.

3. PAYMENT

Upon submission of invoices by CONSULTANT and upon approval by the Executive Director, AUTHORITY shall pay CONSULTANT in arrears for costs incurred and for payment of work performed. Invoices submitted by CONSULTANT shall itemize out-of-pocket costs incurred in relation to work tasks. Each invoice shall be accompanied by a progress report of work performed during the period for which payment is claimed.

Payment shall be made on the following schedule:

For on-going advisory services, CONSULTANT will be paid no more frequently than monthly and no less frequently than quarterly.

For each successful sale of securities and/or execution of a related financial transaction, CONSULTANT will be paid a single lump-sum from bond proceeds or other available funds at closing. CONSULTANT will submit an itemized report of costs incurred and work performed in support of the issuance for review and approval by the Executive Director.

CONSULTANT shall submit all receipts and documentation for reimbursable expenses with its monthly invoice.

4. TIME OF COMMENCEMENT AND COMPLETION OF WORK

The time for commencing work under this agreement shall be the date upon which it has been duly approved by both affected parties.

The contract period will end June 30, 2011. AUTHORITY may extend the contract period subject to CONSULTANT'S satisfactory performance of contract terms.

5. MODIFICATION OR TERMINATION

This Agreement may be modified or amended only by written instrument signed by both parties hereto. CONSULTANT'S compensation and the time of performance of the Agreement shall be adjusted by mutual written agreement of the parties if they are materially affected by such modifications or amendment.

This Agreement may be terminated, without cause, by either party upon thirty (30) days written notice to the other party. Upon termination and upon compliance with Clause 16, Ownership of Work Product, CONSULTANT will be paid for all costs incurred in good faith in accordance with the terms of this Agreement that are unpaid on the effective date of termination.

6. DISPUTES

If a question of fact in connection with the work described herein cannot be resolved between CONSULTANT and the Executive Director, the question shall be submitted to the AUTHORITY'S Governing Board for resolution. If the Governing Board cannot develop a mutually satisfactory resolution, the dispute will be brought before a disinterested third party, agreed upon by both parties to this Agreement. The resolution recommended by the disinterested third party shall be final.

7. BEST EFFORTS OF CONSULTANT

CONSULTANT agrees to assign primary responsibility for managing the work performed under this Agreement to Keith Curry. CONSULTANT further agrees that assigned personnel, including subcontractors, will at all times faithfully, industriously, and to the best of their ability, experience, and talent, perform all of the duties that may be required of or from them, pursuant to the express and implicit terms of this Agreement, to the reasonable satisfaction of the AUTHORITY. AUTHORITY may reject the assignment of any tasks performed under this Agreement to a subcontractor it deems inadequate or otherwise inappropriate for this project.

8. STANDARD OF CARE

AUTHORITY has relied upon the professional ability and training of CONSULTANT as represented by CONSULTANT as a material inducement to enter into this Agreement. CONSULTANT hereby agrees that all of its work will be performed, at a minimum, in accordance with generally accepted professional practices and standards.

9. INDEMNITY AND HOLD HARMLESS

CONSULTANT will indemnify, hold harmless and assume defense of, in any actions at law or in equity, the AUTHORITY, its officers, directors, employees, agents, and member jurisdictions from claims, losses, actions, causes of action, damage, including property damage, personal injury, including death, and liability of every kind, nature, and description, including reasonable attorney's fees, consultant and expert witness fees, and cost of litigation, to the extent arising from the negligent acts, errors, or omissions of CONSULTANT or of any persons directly or indirectly employed by or acting on behalf of, or as agent for CONSULTANT, in its performance of work hereunder or its failure to comply with any obligations contained in the Agreement, but not including the negligence or willful misconduct of the AUTHORITY. This indemnification shall extend to claims, losses, actions, causes of action, damages, injury, death, and any type of liability occurring after completion of but arising out of the aforementioned operations, as well as during the works' progress. Acceptance of insurance certificates required under this Agreement does not relieve CONSULTANT from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply to all damages and claims for damages of every kind suffered by

reason of any of CONSULTANT'S operations regardless of whether or not such insurance policies shall have been determined to be applicable to any of such damages or claims for damages.

10. INSURANCE REQUIREMENTS FOR CONSULTANTS

CONSULTANT shall procure and maintain for the duration of the contract, insurance against claims for injuries to person or damages to property which may arise from or in connection with the performance of work hereunder by the CONSULTANT, his agents, representatives, employees or subcontractors.

A. Minimum Scope of Insurance:

Coverage shall be at least as broad as:

- 1.) Insurance Services Office Commercial General Liability coverage ("occurrence" form CG 0001).
- 2.) Insurance Services Office form number CA 0001 (Ed. 1/87) covering Automobile Liability, code 1 (any auto).
- 3.) Workers' Compensation insurance as required by the State of California and Employer's Liability insurance.

B. Minimum Limits of Insurance:

Consultant shall maintain limits no less than:

- 1.) General Liability: \$1,000,000 per occurrence for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this location or the general aggregate limit shall be twice the required occurrence limit.
- 2.) Automobile Liability: \$1,000,000 per accident for bodily injury and property damage.
- 3.) Employer's Liability: \$1,000,000 per accident for bodily injury or disease.

C. Deductibles and Self-Insurance Retentions:

Any deductibles or self-insured retention must be declared to and approved by the AUTHORITY. At the option of the AUTHORITY, either: the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the AUTHORITY, its officers, officials, employees and volunteers; or the CONSULTANT shall provide a financial guarantee satisfactory to the

AUTHORITY guaranteeing payment of losses and related investigations, claim administration, and defense expenses.

D. Other Insurance Provisions:

The general liability policies are to contain, or be endorsed to contain, the following provisions:

- 1.) The AUTHORITY, its officers, officials, employees and volunteers are to be covered as insureds with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the CONSULTANT, and with respect to liability arising out of work or operations by or on behalf of the CONSULTANT including materials, parts or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the CONSULTANT'S insurance or as a separate owner's policy.
- 2.) For any claims related to this project, the CONSULTANT'S insurance coverage shall be primary insurance as respects the AUTHORITY, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the AUTHORITY, its officers, officials, employees and volunteers shall be excess of the CONSULTANT'S insurance and shall not contribute with it.
- 3.) Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the AUTHORITY.

E. Acceptability of Insurers:

All insurance, with the exception of workers' compensation coverage, is to be placed with insurers currently admitted in California with a current A.M. Best's rating of no less than A:VII. Workers' compensation coverage is to be placed with insurers currently admitted in California.

F. Verification of Coverage:

CONSULTANT shall furnish the AUTHORITY with original certificate and amendatory endorsements effecting coverage required by this clause. The endorsements should be on forms provided by the AUTHORITY or on other than AUTHORITY'S forms, provided those endorsements or policies conform to the

requirements stated in this clause. All certificates and endorsements are required to be received and approved by the AUTHORITY before work commences. The AUTHORITY reserves the right to require complete, certified copies of all required insurance policies, including endorsements effecting coverage required by these specifications at any time.

All insurance documents shall be submitted to:

Brian A. Williams
Executive Director
Sacramento Transportation Authority
901 F Street, Suite 210
Sacramento, CA 95814

G. Subcontractors

CONSULTANT shall include all subcontractors as insured under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all requirements stated above.

11. DISCRIMINATION

Services rendered under this Agreement shall be rendered without discrimination on the basis of age, ancestry, color, gender, marital status, medical condition, national origin, physical or mental disability, race, religion or sexual orientation. Further, there shall be no discrimination against any employee who is employed in the work covered by this Agreement because of age, ancestry, color, gender, marital status, medical condition, national origin, physical or mental disability, race, religion or sexual orientation. This includes, but is not limited to employment upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

12. COMPLIANCE WITH THE LAW

CONSULTANT shall be subject to and comply with all federal, state, and local laws and regulations applicable with respect to its performance under this agreement, including but not limited to, licensing, employment, and purchasing practices; and wages, hours, and conditions of employment.

13. INSPECTION

CONSULTANT'S performance, place of business, and records pertaining to this Agreement are subject to monitoring, inspection, review, and audit by authorized representatives of AUTHORITY.

14. RECORDS

CONSULTANT shall keep and make available for inspection and copying by authorized representatives of AUTHORITY, the CONSULTANT'S regular business and financial records and such additional records pertaining to this Agreement for at least three years after final payment to CONSULTANT.

15. SUBCONTRACT AND ASSIGNMENT

This Agreement binds the heirs, successors, assigns, and representatives of CONSULTANT. CONSULTANT shall not enter into subcontracts for any work contemplated under this Agreement except as shown in Exhibit A (Project Cost Estimate) and shall not assign this Agreement or monies due or to become due, without the prior written consent of the AUTHORITY.

16. OWNERSHIP OF WORK PRODUCT

AUTHORITY shall be the owner of, the owner of the copyright with respect to, and shall be entitled to possession of any computations, plans, correspondence, and other pertinent data and information gathered by, computed by, or prepared by CONSULTANT pursuant to this Agreement and prior to termination of this Agreement by either party or upon completion of the work pursuant to this Agreement.

17. INDEPENDENT CONTRACTOR STATUS

This Agreement is by and between two independent entities and is not intended to and shall not be construed to create the relationship of agent, servant, employee, partnership, joint venture, or association between and among the parties hereto.

18. NOTIFICATION

Any notices hereunder and communications regarding interpretation of the terms of this Agreement or changes thereto, shall be effected by the mailing thereof by registered or certified mail, return receipt requested, postage pre-paid, and addressed as follows:

AUTHORITY

Brian Williams
Executive Director
Sacramento Transportation Authority
901 F Street, Suite 210
Sacramento, CA 95814

CONSULTANT

Keith Curry
Managing Director
Public Financial Management, Inc.
660 Newport Center Drive, Suite 750
Newport Beach, CA 92660

19. COMPONENT PARTS OF THE AGREEMENT

The Agreement entered into consists of the following contract documents, all of which are component parts of the contract and which are incorporated herein by reference:

1. This Agreement.
2. Project Cost Estimate, attached hereto as Exhibit A
3. *New* Measure A Plan of Finance, attached hereto as Exhibit B

20. NON-WAIVER OF BREACH

CONSULTANT agrees that any waiver of any breach or violation of any term or condition of this Agreement, or failure to enforce any term or condition of this Agreement, shall not be deemed to be a waiver of any other term or condition contained herein, or a waiver of any subsequent breach or violation of the same or any other term or condition. The acceptance by the AUTHORITY of the performance of any work or services by CONSULTANT shall not be deemed to be a waiver of any term or condition of this Agreement.

21. GOVERNING LAW

The validity of this Agreement and of any of its terms or provisions, as well as the rights and duties of the parties hereunder, shall be governed by the laws of the State of California.

22. COUNTERPARTS TO AGREEMENT

This Agreement may be executed simultaneously or in any number of counterparts, each of which shall be deemed an original, equally admissible in evidence, but all of which together shall constitute one and the same Agreement, notwithstanding that the signatures of each party or their respective representatives do not appear on the same page of this agreement.

23. SEVERABILITY

If any provision or any part of any provision of this Agreement is, for any reason, held to be invalid, unenforceable, or contrary to any public policy, law, statute, regulation or ordinance, the remainder of this agreement shall not be affected thereby and shall remain valid and fully enforceable.

24. ENTIRE AGREEMENT

This Agreement, and any attachments or documents incorporated herein by inclusion or by reference, constitutes the complete and entire Agreement between the parties hereto, and there are no inducements, promises, terms, conditions, or obligations made or entered into by the AUTHORITY or CONSULTANT other than those contained herein. The foregoing provisions are understood and agreed to by CONSULTANT.

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT the day and year first above written.

SACRAMENTO TRANSPORTATION
AUTHORITY

PUBLIC FINANCIAL
MANAGEMENT, INC

BY _____
Brian A. Williams,
Executive Director

BY _____
Keith Curry,
Managing Director

APPROVED AS TO FORM:

AUTHORITY COUNSEL