

**6:00 p.m. WORK SESSION – Utility Billing Policies and Fees**

**AGENDA FOR COUNCIL MEETING  
KLAMATH FALLS CITY COUNCIL  
SEPTEMBER 19, 2016  
7:00 P.M.**

*Matters for Council consideration not scheduled on the Agenda can be addressed by the general public under the "Public Comment" section on the agenda. Testimony must be presented according to Council procedure. Items of a non-emergency nature may be scheduled for future Council determination in order to provide sufficient time to analyze the issue.*

**CALL TO ORDER AND ROLL CALL**

**PLEDGE OF ALLEGIANCE**

**PROCLAMATION DECLARING THE WEEK OF THE COLLEGE STUDENT**

**PRESENTATION OF SERVICE AWARDS**

**ROD DENSON Public Works/Water Division 30 years**  
**DALE KESSLER Public Works/Engineering Division 30 years**  
**BRUCE SORLIEN Public Works/Maintenance Division 15 years**  
**ANDY SHADLEY Support Services/Technology Services Division 10 years**  
**ROBBIE WEST Support Services/Utility Billing Division 10 years**  
**SAMUEL PAGAN Airport 10 years**

**PUBLIC COMMENT**

**1. CONSENT AGENDA**

- a. Approval of September 19, 2016 agenda and September 6, 2016 regular meeting minutes
- b. Authorization for the Airport to Execute a Lease with General Services Administration (GSA) for Passenger Screening by Transportation Security Administration (TSA)
- c. Supervision of City Attorney and Municipal Judge

**LAND USE PUBLIC HEARING - QUASI JUDICIAL**

**LAND USE PUBLIC HEARING – LEGISLATIVE**

**GENERAL PUBLIC HEARING**

**LEGISLATIVE ACTION**

**2. AUTHORIZATION FOR AIRPORT TO SUBMIT CRITICAL OREGON AIRPORT RELIEF (COAR) GRANT APPLICATION TO THE OREGON DEPARTMENT OF AVIATION (ODA)**

- a. Report of Airport Director
- b. Move to Authorize Airport Staff to Submit Critical Oregon Airport Relief (COAR) Grant Application to the Oregon Department of Aviation (ODA), and to Accept the Grant, if offered

**3. RESOLUTION TO AMEND RESOLUTION NO. 16-12 TO LIMIT THE CITY'S INVESTMENT IN THE OREGON LOCAL GOVERNMENT INTERMEDIATE FUND (OLGIF) AND TO DELEGATE AUTHORITY TO THE CITY MANAGER**

- a. Report of Senior Accountant
- b. Move to introduce the Resolution by title
- c. Move to approve the Resolution

**4. RESOLUTION AUTHORIZING AN EXEMPTION FROM SOLICITATION FOR POOL RESURFACING CONTRACTS**

- a. Report of Asst. to City Manager
- b. Move to introduce the Resolution by title
- c. Move to approve the Resolution

**OTHER MATTERS**

**ADJOURNMENT**

The City Council may recess/adjourn to Executive Session under ORS 192.660 as follows: ORS 192.660(2):

- (a) - Employment of Public Officers, Employees
- (b) - Discipline of Public Officers and Employees and Agents
- (d) - Labor Negotiations
- (e) - Real Property Transactions
- (f) - Exempt Public Records
- (g) - Trade Negotiations
- (h) - Consultation with Legal Counsel
- (i) - Performance Evaluations of Public Officers and Employees
- (i) - Public Investments

**\*\*\*AMERICANS WITH DISABILITIES ACT NOTICE\*\*\***

Please contact the City Recorder's office, Klamath Falls City Hall, 500 Klamath Avenue, Klamath Falls, OR 97601, or call 541.883.5316 at least 48 hours prior to the scheduled meeting time if you need an accommodation to participate in the meeting. The City's TTY/TDD number is 541.883.5324



# CITY OF KLAMATH FALLS, OREGON

500 KLAMATH AVENUE – P.O. BOX 237  
KLAMATH FALLS, OREGON 97601



## PROCLAMATION

- WHEREAS,** *The citizens of the City of Klamath Falls value public education as a resource for its residents;*
- WHEREAS,** *Klamath Community College and Oregon Institute of Technology are respected educators and members of the community;*
- WHEREAS,** *Economic development, community improvement, cultural enrichment and a service-minded citizenship are based on the cornerstones of education;*
- WHEREAS,** *The City of Klamath Falls appreciates the efforts of college students from Klamath Falls and those who travel to Klamath Falls to study;*
- WHEREAS,** *The leaders of the City of Klamath Falls seek to welcome all who pursue higher education in Klamath County; and*
- WHEREAS,** *College courses commence this week at both Klamath Community College and Oregon Institute of Technology.*

**NOW, THEREFORE, I, TODD KELLSTROM, MAYOR OF THE CITY OF KLAMATH FALLS, OREGON, DO HEREBY PROCLAIM THE WEEK OF SEPTEMBER 25, 2016 AS**

## **WEEK OF THE COLLEGE STUDENT**

**IN WITNESS WHEREOF, I have hereunto set my hand this 19<sup>TH</sup> day of September, 2016.**



TODD KELLSTROM  
MAYOR

Mayor & Council  
541.883.5316

City Attorney  
541.883.5323

City Manager  
541.883.5316



# *Certificate of Service*

*Awarded to:*

**Rodney Denson**

**Public Works/Water Division**

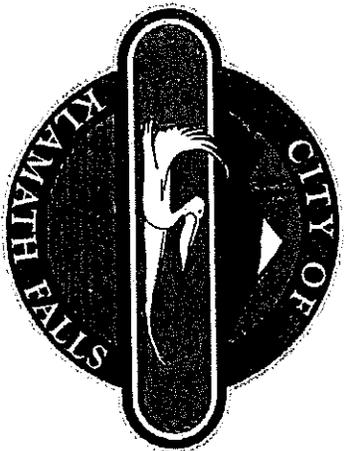
*For completion of:  
30 Years of Service*

*on*

**September 2, 2016**

  
Nathan Cherpecki, City Manager





# *Certificate of Service*

Awarded to:

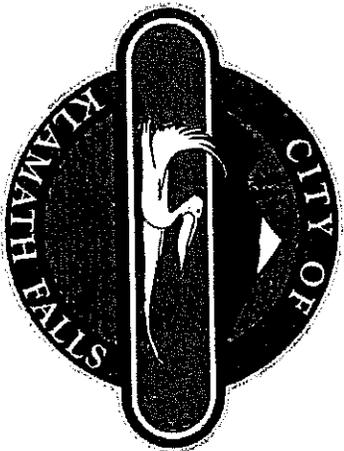
**Dale Kessler**

**Public Works/Development Services Division**

*For completion of:  
30 Years of Service  
on  
September 2, 2016*

  
\_\_\_\_\_  
Nathan Cherpinski, City Manager





# *Certificate of Service*

*Awarded to:*

*Bruce Sorlien*

*Public Works/Maintenance Division*

*For completion of:*

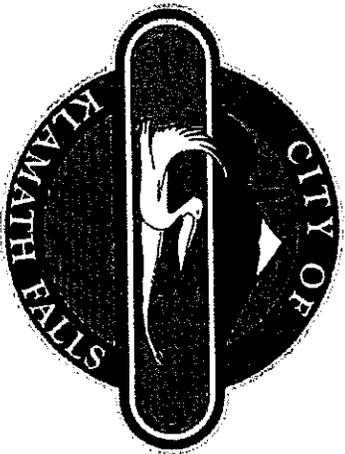
*15 Years of Service*

*on*

*September 4, 2016*

  
\_\_\_\_\_  
Nathan Cherpieski, City Manager





# *Certificate of Service*

*Awarded to:*

*Andrew Shadley*

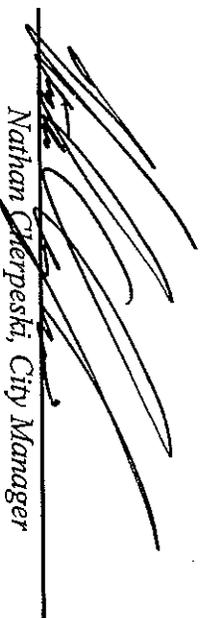
*Support Services/Technology Services Division*

*For completion of:*

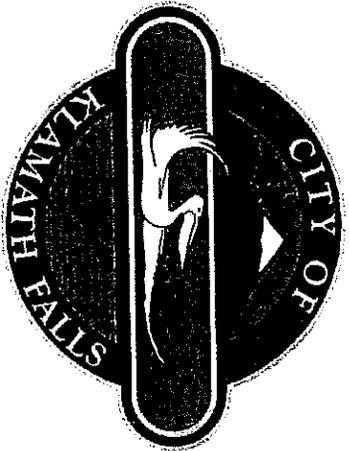
*10 Years of Service*

*on*

*September 11, 2016*

  
Nathan Cherpeski, City Manager





# *Certificate of Service*

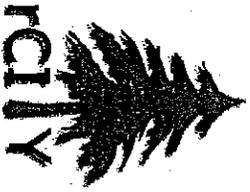
*Awarded to:*

*Robert West*

*Support Services/Utility Billing Division*

*For completion of:  
10 Years of Service  
on  
September 11, 2016*

  
\_\_\_\_\_  
*Nathan Charpesti, City Manager*





# *Certificate of Service*

*Awarded to:*

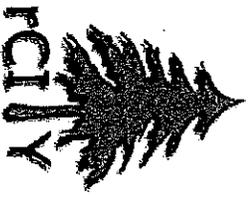
*Samuel Pagan  
Airport*

*For completion of:  
10 Years of Service*

*on*

*September 25, 2016*

  
\_\_\_\_\_  
*Nathan Cherpeski, City Manager*



MINUTES  
KLAMATH FALLS CITY COUNCIL  
September 6, 2016

A regular meeting of the Klamath Falls City Council was held in the Council Chambers on the above date at 7:08 p.m. Mayor Todd Kellstrom called the meeting to order.

Council members present:            Councilman Dan Tofell  
   Councilman Matt Dodson  
   Councilman Bud Hart  
   Councilman Bill Adams

City staff members present:        Nathan Cherpeski, City Manager  
   Joanna Lyons-Antley, City Attorney  
   Scott Souders, City Engineer  
   Joe Wall, Management Assistant to the  
   City Manager  
   John Barsalou, Airport Manager  
   Dave Henslee, Chief of Police  
   Rob Reynolds, Lieutenant  
   Erik Nobel, Planning Manager  
   Lori Garrard, Exec. Admin/Legal Asst.  
   Rod Denson, Water Infrastructure  
   Supervisor  
   Nickole Barrington, City Recorder

Councilman Matt Dodson **moved to excuse Councilwoman Trish Seiler.** Councilman Dan Tofell seconded. The motion carried with Councilman Hart, Councilman Tofell, and Councilman Dodson voting aye. Councilman Adams voted no.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited.

## PROCLAMATION

Mayor Kellstrom read the Proclamation Declaring the Month of September 2016 as National Alcohol and Drug Addiction Recovery Month. He presented a signed Proclamation to Mr. Ford.

Mr. Ford stated that on behalf of Above All Influence and the Recovery Community they appreciated the Proclamation from the City, and the City's willingness to proclaim September each year National Alcohol and Drug Addiction Recovery Month. This was a big event for them and it will happen next weekend. Mr. Ford explained he could see that they were making a difference in the community. The year before last there was a little over 400 years of sobriety on the books, and this last year it increased to over 600 years. Mr. Ford further stated the program worked because addiction can be treated. Mr. Ford noted he was born and raised in Klamath Falls and he just celebrated 21 years of sobriety, stating he was proof the program worked. Mr. Ford then invited Mayor and Council to join in the event, if they had the time.

## PUBLIC COMMENT

Mayor Kellstrom opened the public comment. Hearing or seeing no one who wished to speak, he closed the public comment.

1. CONSENT AGENDA. Councilman Dan Tofell **moved to approve the Consent Agenda as follows: Approved the Consent Agenda for September 6, 2016, and the August 15, 2016 regular meeting minutes; Authorized the Purchase of a Godwin Dri-Prime NC150 Pump in the Amount of \$56,957.20; and Authorized the Execution of a Design Services Contract with Adkins Consulting Engineering, LLP for Phase II of the Pelican City Booster Water Main Project in an Amount Not-to-Exceed \$44,200.** Councilman Matt Dodson seconded. The motion carried unanimously with all Council members present voting aye.

## LEGISLATIVE ACTION

2. REQUEST TO WAIVE SECTION 5.438 OF THE CITY CODE TO ALLOW THE CONSUMPTION OF ALCOHOL WITHIN THE RIGHT-OF-WAY AT THE CORNER OF 4<sup>TH</sup> STREET AND MAIN STREET AND RECOMMENDATION TO OLCC FOR A TEMPORARY SALES LICENSE. Planning Manager Erik Nobel stated the Beer Garden item is a small part of the overall event. The Arts on the Flyway Cultural Event was actually a 3 day event.

The Artisan Demonstration Event on Saturday is the one that includes the Beer Garden, along with exhibits, booths, and art displays from 8<sup>th</sup> Street to 3<sup>rd</sup> Street. Planning Manager Erik Nobel further reviewed his report. The Beer Garden that is being proposed is from 10:00 am to 5:00 pm, and is a 30x40 foot area that will have a 4 foot fence around it. Beer will be provided by licensed servers, Mia and Pia's and Klamath Basin Brewery, and both have provided the same services in the past, successfully without incident.

Councilman Adams asked staff the number of times they were asked to waive the City Code with reference to serving alcohol, and not enforce the City's Ordinance on alcohol. It seemed the appearance was that the only way we can have a profitable event is if alcohol is served. He also stated that the City already has bars in the downtown area, and he did not see the need. He further commented that if the event was somewhere there was no alcohol service already then that would be fine, but why do we bring in other vendors when the service was already there. Councilman Adams stated he had a problem with us waiving our City Code on a regular basis, and that is why he tended to vote no on those types of items.

Councilman Matt Dodson **moved to Allow Consumption of Alcohol in the Right-of-Way at the Corner of Main Street and 4<sup>th</sup> Street Within the 30x40 foot Fenced Beer Garden and Recommend to OLCC for a Temporary Sales License for the Arts on the Flyway Event.** Councilman Dan Tofell seconded. The motion carried with Councilman Tofell, Councilman Dodson, and Councilman Hart voting aye. Councilman Adams voted no.

3. AUTHORIZATION TO EXECUTE A CONTRACT WITH JESSE RODRIGUEZ CONSTRUCTION FOR THE OIT STORM DRAIN IMPROVEMENTS PROJECT IN AN AMOUNT NOT-TO-EXCEED \$254,255.  
City Engineer Scott Souders reviewed his written report. The most important point was to stabilize the roadway.

Councilman Tofell stated he found it interesting for a quarter of a million dollar project that there was only one bidder. Mr. Souders stated it was unfortunate, but the bidder pool was very thin. The contractor that bid this project was currently working on another City project, and it was going well.

Councilman Hart said he had contacted the Public Works Director because looking over the map that was provided he had recalled that over the past 20 years OIT and the Hospital had been dumping geothermal effluent water into the culvert pipes located in that area, which run from there on down the hill to the lake and maybe those entities should share in some of the cost of the repair because he believed those activities may have accelerated the deterioration of the culvert pipes. He

commented that the Public Works Director said there would be no way to show or quantify the damages that may have been caused by the geothermal effluent in that way. Councilman Hart stated because of that it appeared the City would solely be stuck with the cost of repair.

Councilman Dodson stated it appeared that further north there was another culvert. Mr. Souders said yes there was another culvert up there, but that the pipe could not be televised at this time. Mr. Souders also said that whether water had flowed in the pipe, could not be determined right now. As of this time it appeared to be an abandoned pipe and the City elected not to pursue repairing it now, but it would be monitored going forward. Councilman Dodson said he was glad staff was looking at what the future needs were in that area.

Councilman Bud Hart **moved to Authorize a Construction Services Contract with Jesse Rodriguez Construction for the OIT Area Storm Drain Improvements Project in an Amount Not-To-Exceed \$254,255.** Councilman Adams seconded. The motion carried unanimously with all Council members present voting aye.

4. PURCHASE AND UP-FIT THREE POLICE FORD INTERCEPTOR SUVs AND ONE CODE ENFORCEMENT FORD F-150 SPECIAL SERVICE VEHICLE IN THE AMOUNT OF \$187,960. Lt. Rob Reynolds reviewed his written report and the bids that were submitted. He also clarified the approved budgeted dollars for the capital purchases.

Councilman Dan Tofell **moved to Authorize the Purchase of Three Ford SUVs from Gresham Ford and One Ford F-150 Truck from Gresham Ford in the Amount of \$115,820 and to Upfit the Vehicles Through Auto Additions in the Amount of \$72,140.** Councilman Dodson seconded. The motion carried unanimously with all Council members present voting aye.

#### OTHER MATTERS

Councilman Dodson stated he had not processed the information yet, but thought he would share it. A commercial real estate agent recently told him that they had been very successful at recruiting bio-med companies in their community, and the employees who work for them wanted to start work at 6am and be off work at 3pm so they could go outdoors and be active with hiking or biking, etc. He further noted the same communities had also been fairly successful at recruiting software companies, and those employees also wanted to work a similar schedule, but then they want to swing by other retail stores for recreational MJ purchases. Councilman Dodson stated that was just interesting information to him and he

wanted to share it with the other Council. It would appear that quality of life seems to be different for individuals, yet more important than pay, and lifestyle opportunities were what tended to keep people in their communities.

### ADJOURNMENT

Councilman Dan Tofell **moved to adjourn the meeting.** Councilman Matt Dodson seconded. The motion carried unanimously with all Council members present voting aye. The meeting adjourned at 7:28 p.m.

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Nickole Barrington  
City Recorder

**KLAMATH FALLS CITY COUNCIL  
AGENDA REPORT**



Agenda Item No. 1b

Date: September 19, 2016

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Department: Airport

Staff Presenter: John Barsalou

City Manager Review: *JB*

Contact/Title: John Barsalou/Airport Director

Telephone No.: (541) 883-5373

Email: [jbarsalou@flykfalls.com](mailto:jbarsalou@flykfalls.com)

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**TOPIC:** Authorization for Airport to Execute Lease with General Services Administration (GSA) for Passenger Screening by Transportation Security Administration (TSA)

**SUMMARY AND BACKGROUND:**

On October 5, 2016, commercial air service will resume at the Crater Lake – Klamath Regional Airport when PenAir begins daily service to and from Portland. In conjunction, the TSA will also begin providing passenger screening services for all departing flights.

For the past several months, Airport staff has been negotiating a lease with GSA for office space for the TSA in the terminal building. The proposed lease would be for the southeast suite of offices, which is next to PenAir's leased area.

**Highlights of the Agreement:**

- Agreement is for 10 years
- Leased space is 686 square feet
- Years 1-5 will be at a rate of \$22.65/sf plus \$1.00/sf for janitorial (\$16,233.90 annually) and years 6-10 will be at a rate of \$25.44/sf plus \$1.00/sf for janitorial (\$18,137.84 annually).

**FINANCIAL IMPACT:**

The Airport will see an increase in terminal rental fees of \$16,233.90 annually for the first five years and \$18,137.84 for the second five years of the lease agreement.

**COUNCIL OPTIONS:**

- 1) Approve Lease
- 2) Direct staff to renegotiate the Lease
- 3) Decline to approve Lease

**DOCUMENTS ATTACHED:**

- Proposed Lease

**RECOMMENDED MOTION/ACTION:**

Approve Option 1, and Move to Authorize for the Airport to Execute a Lease with General Services Administration (GSA) for Passenger Screening by Transportation Security Administration (TSA).

**NOTICE SENT TO:**

- GSA
- TSA

**LEASE NO. GS-10P-LOR00088**  
**BLDG NO. OR6670**

On-Airport Lease  
GSA FORM L201D (SEP 2016)

This Lease is made and entered into between

**City of Klamath Falls**

(Lessor), whose principal place of business is 500 Klamath Avenue, Klamath Falls, OR 97601-6129, and whose interest in the Property described herein is that of Fee Owner, and

The United States of America

(Government), acting by and through the designated representative of the General Services Administration (GSA), upon the terms and conditions set forth herein.

Witnesseth: The parties hereto, for the consideration hereinafter mentioned, covenant and agree as follows:

Lessor hereby leases to the Government the Premises described herein, being all or a portion of the Property located at

**6775 Arnold Avenue, Klamath Falls, Oregon 97603-1967**

and more fully described in Section 1 and Exhibit A, together with rights to the use of parking and other areas as set forth herein, to be used for such purposes as determined by GSA.

**LEASE TERM**

To Have and To Hold the said Premises with its appurtenances for the term beginning upon acceptance of the Premises as required by this Lease and continuing for a period of

**October 1, 2016-September 30, 2026**

subject to termination and renewal rights as are hereinafter set forth.

In Witness Whereof, the parties to this Lease evidence their agreement to all terms and conditions set forth herein by their signatures below, to be effective as of the date of delivery of the fully executed Lease to the Lessor.

**FOR THE LESSOR:**

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Entity Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**FOR THE GOVERNMENT:**

\_\_\_\_\_  
Kacy D. Cameron  
Title: Lease Contracting Officer  
General Services Administration, Public Buildings Service  
Date: \_\_\_\_\_

**WITNESSED FOR THE LESSOR BY:**

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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**SECTION 1 THE PREMISES, RENT, AND OTHER TERMS**

**1.01 THE PREMISES (SEP 2015)**

The Premises are described as follows:

A. Office and Related Space: 686 rentable square feet (RSF), yielding 686 ANSI/BOMA Office Area (ABOA) square feet (SF) of office and related Space located on the 1st floor and known as Room(s) 135, 136, 137, and 138 of the Building, as depicted on the floor plan(s) attached hereto as Exhibit A.

**1.02 EXPRESS APPURTENANT RIGHTS (SEP 2013)**

The Government shall have the non-exclusive right to the use of Appurtenant Areas, and shall have the right to post Rules and Regulations Governing Conduct on Federal Property, Title 41, CFR, Part 102-74, Subpart C within such areas. The Government will coordinate with Lessor to ensure signage is consistent with Lessor's standards. Appurtenant to the Premises and included in the Lease are rights to use the following:

A. Parking: The Lessor shall provide such parking spaces as required by the applicable code of the local government entity having jurisdiction over the Property at no charge to the Government.

B. INTENTIONALLY DELETED

**1.03 RENT AND OTHER CONSIDERATION (ON-AIRPORT) (SEP 2015)**

A. The Government shall pay the Lessor annual rent payable monthly in arrears at the following rates:

	October 1, 2016 – September 30, 2021	October 1, 2021 – September 30, 2026
	Annual Rent	Annual Rent
Rental Rate	\$15,537.90	\$17,451.84
Janitorial	\$686.00	\$686.00
<b>Full Service Rate</b>	<b>\$16,223.90</b>	<b>\$18,137.84</b>

B. INTENTIONALLY DELETED

C. INTENTIONALLY DELETED

D. If the Government occupies the Premises for less than a full calendar month, then rent shall be prorated based on the actual number of days of occupancy for that month.

E. Rent shall be paid to Lessor by electronic funds transfer in accordance with the provisions of the General Clauses. Rent shall be payable to the Payee designated by the Lessor in the System for Award Management (SAM). If the payee is different from the Lessor, both payee and Lessor must be registered in SAM. This registration service is free of charge.

F. The Lessor shall provide to the Government, in exchange for the payment of rental and other specified consideration, the following:

1. The leasehold interest in the Property described herein in the paragraph entitled "The Premises,"

2. INTENTIONALLY DELETED

3. Performance or satisfaction of all other obligations set forth in this Lease; and,

4. All services, utilities, and maintenance required for the proper operation of the Property, the Building, and the Premises in accordance with the terms of the Lease, including, but not limited to, all inspections, modifications, repairs, replacements, and improvements required to be made thereto to meet the requirements of this Lease.

G. INTENTIONALLY DELETED

H. INTENTIONALLY DELETED

**1.04 TERMINATION RIGHTS (ON-AIRPORT) (SEP 2013)**

A. The Government may terminate this Lease, in whole or in part, at any time during the term of this lease with 60 days' prior written notice to the Lessor if (i) regularly scheduled commercial air services cease, (ii) the airport opts to replace TSA screeners with private contractors, (iii) the checkpoint supported by the leased Space is closed, or (iv) the Government reduces its presence at the airport due to a reduction in enplanements. The effective date of the termination shall be the day following the expiration of the required notice period or the termination date set forth in the notice, whichever is later. No rental shall accrue after the effective date of termination.

B. The Government may terminate this Lease, in whole or in part, at any time effective after September 30, 2021, by providing not less than 90 days' prior written notice to the Lessor. The effective date of the termination shall be the day following the expiration of the required notice period or the termination date set forth in the notice, whichever is later. No rental shall accrue after the effective date of termination.

**1.05 RENEWAL RIGHTS (SEP 2016)**

This Lease may be renewed at the option of the Government for the term of October 1, 2026 – September 30, 2031 provided notice is given to the Lessor at least 60 days before the end of the lease term; all other terms and conditions of this Lease, as same may have been amended, shall remain in full force and effect during any renewal term.

Termination rights outlined "Termination Rights" paragraph apply to all renewal terms.

**1.06 DOCUMENTS INCORPORATED IN THE LEASE (ON-AIRPORT) (APR 2015)**

The following documents are attached to and made part of the Lease:

DOCUMENT NAME	NO. OF PAGES	EXHIBIT
Floor Plan(s)	1	A
GSA Form 3517B, General Clauses dated 6/16	15	B
GSA Form 3518-SAM, Addendum to System for Award Management (SAM) Representations and Certifications (Acquisitions of Leasehold Interests in Real Property)	2	C

**1.07 INTENTIONALLY DELETED**

1b

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## SECTION 2 GENERAL TERMS, CONDITIONS, AND STANDARDS

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### 2.01 DEFINITIONS AND GENERAL TERMS (SEP 2016)

Unless otherwise specifically noted, all terms and conditions set forth in this Lease shall be interpreted by reference to the following definitions, standards, and formulas:

- A. Appurtenant Areas. Appurtenant Areas are defined as those areas and facilities on the Property that are not located within the Premises, but for which rights are expressly granted under this Lease, or for which rights to use are reasonably necessary or reasonably anticipated with respect to the Government's enjoyment of the Premises and express appurtenant rights.
- B. Broker. If GSA awarded this Lease using a contract real estate broker, Broker shall refer to GSA's broker.
- C. Building. Building(s) situated on the Property in which the Premises are located .
- D. Commission Credit. If GSA awarded this Lease using a Broker, and the Broker agreed to forego a percentage of its commission to which it is entitled in connection with the award of this Lease, the amount of this credit is referred to as the "Commission Credit."
- E. Common Area Factor. The "Common Area Factor" (CAF) is a conversion factor determined by the Building owner and applied by the owner to the ABOA SF to determine the RSF for the leased Space. The CAF is expressed as a percentage of the difference between the amount of rentable SF and ABOA SF, divided by the ABOA SF. For example 11,500 RSF and 10,000 ABOA SF will have a CAF of 15% [(11,500 RSF-10,000 ABOA SF)/10,000 ABOA SF]. For the purposes of this Lease, the CAF shall be determined in accordance with the applicable ANSI/BOMA standard for the type of space to which the CAF shall apply.
- F. Contract. Contract shall mean this Lease.
- G. Contractor. Contractor shall mean Lessor.
- H. Days. All references to "day" or "days" in this Lease shall mean calendar days, unless specified otherwise.
- I. FAR. All references to the FAR shall be understood to mean the Federal Acquisition Regulation, codified at 48 CFR Chapter 1.
- J. Firm Term/Non-Firm Term. The Firm Term is that part of the Lease term that is not subject to termination rights. The Non-Firm Term is that part of the Lease term following the end of the Firm Term.
- K. GSAR. All references to the GSAR shall be understood to mean the GSA supplement to the FAR, codified at 48 CFR Chapter 5.
- L. Lease Term Commencement Date. The date on which the Lease term commences.
- M. Lease Award Date. The date the LCO executes the Lease and mails or otherwise furnishes written notification of the executed Lease to the successful Offeror (date on which the parties' obligations under the Lease begin).
- N. Premises. The Premises are defined as the total Office Area or other type of Space, together with all associated common areas, described in Section 1 of this Lease, and delineated by plan in the attached exhibit. Parking and other areas to which the Government has rights under this Lease are not included in the Premises.
- O. Property. The Property is defined as the land and Buildings in which the Premises are located, including all Appurtenant Areas (e.g., parking areas) to which the Government is granted rights.
- P. Rentable Space or Rentable Square Feet (RSF). Rentable Space is the area for which a tenant is charged rent. It is determined by the Building owner and may vary by city or by building within the same city. The Rentable Space may include a share of Building support/common areas such as elevator lobbies, Building corridors, and floor service areas. Floor service areas typically include restrooms, janitor rooms, telephone closets, electrical closets, and mechanical rooms. The Rentable Space does not include vertical building penetrations and their enclosing walls, such as stairs, elevator shafts, and vertical ducts. Rentable Square Feet is calculated using the following formula for each type of Space (e.g., office, warehouse, etc.) included in the Premises:  $ABOA\ SF\ of\ Space \times (1 + CAF) = RSF$ .
- Q. Space. The Space shall refer to that part of the Premises to which the Government has exclusive use, such as Office Area, or other type of Space. Parking areas to which the Government has rights under this Lease are not included in the Space.
- R. Office Area. For the purposes of this Lease, Space shall be measured in accordance with the standard (Z65.1-1996) provided by American National Standards Institute/Building Owners and Managers Association (ANSI/BOMA) for Office Area, which means "the area where a tenant normally houses personnel and/or furniture, for which a measurement is to be computed." References to ABOA mean ANSI/BOMA Office Area.
- S. Working Days. Working Days shall mean weekdays, excluding Saturdays and Sundays and Federal holidays.

**2.02 AUTHORIZED REPRESENTATIVES (SEP 2016)**

Signatories to this Lease have full authority to bind their respective principals with regard to all matters relating to this Lease. No other persons shall be understood to have any authority to bind their respective principals, except to the extent that such authority may be explicitly delegated by notice to the other party, or to the extent that such authority is transferred by succession of interest. The Government shall have the right to substitute its Lease Contracting Officer (LCO) by notice, without an express delegation by the prior LCO.

**2.03 WAIVER OF RESTORATION (SEP 2016)**

Lessor shall have no right to require the Government to restore the Premises upon termination of the Lease, and waives all claims against the Government for waste, damages, or restoration arising from or related to (a) the Government's normal and customary use of the Premises during the term of the Lease (including any extensions thereof), as well as (b) any initial or subsequent alteration to the Premises regardless of whether such alterations are performed by the Lessor or by the Government. At its sole option, the Government may abandon property in the Space following expiration of the Lease, in which case the property will become the property of the Lessor and the Government will be relieved of any liability in connection therewith.

**2.04 INTENTIONALLY DELETED**

**2.05 RELOCATION RIGHTS (JUN 2012)**

If it becomes necessary in the orderly development of the Airport, Lessor may require the relocation of Premises to other space at the Airport which, in the reasonable judgment of Lessor, is similar and suitable for the purposes for which this Lease is entered as such purposes are set forth herein. Should such relocation be necessary, the Lessor shall provide the Government a minimum of 120 days prior written notice. Lessor shall be responsible for all costs for such relocation, including all costs for moving furniture, office equipment, telephone and data lines, and any other costs associated with replicating necessary operational features provided in the space originally leased. The Airport shall provide such relocated Premises at the same rental rate as the original Premises, unless the new Premises are located in an area for which the Airport charges tenants a lower rate, in which event the parties shall negotiate a reduction in the rental rate.

**2.06 RECITALS FOR TRANSPORTATION SECURITY ADMINISTRATION (ON-AIRPORT) (JUN 2012)**

- A. The Transportation Security Administration (TSA) is required, pursuant to 49 U.S.C. 40101—The Aviation and Transportation Security Act (ATSA), to oversee security measures at the Crater Lake Klamath Regional Airport.
- B. TSA is responsible for airline passenger and baggage screening services at the Airport.
- C. The U.S. General Services Administration (GSA), on behalf of TSA, leases certain facilities on the Airport premises for administrative offices and/or break rooms in support of airport passenger and baggage screening services by the TSA.
- D. Space for TSA to screen passengers and baggage is expressly excluded from this Lease.

**2.07 ACCEPTANCE OF SPACE AND CERTIFICATE OF OCCUPANCY (ON-AIRPORT) (MAY 2015)**

- A. The Lessor shall provide floor plans for the Space and a valid Certificate of Occupancy (C of O), issued by the local jurisdiction, for the intended use of the Government. If the local jurisdiction does not issue C of O's or if the C of O is not available, the Lessor may satisfy this condition by providing a report prepared by a licensed fire protection engineer that verifies that the Space complies with all applicable local fire protection and life safety codes and ordinances and all fire protection and life safety-related requirements of this Lease.
- B. Neither the Government's acceptance of the Premises for occupancy or acceptance of related appurtenances, nor the Government's occupancy of the Premises, shall be construed as a waiver of any requirement or right of the Government under this lease, or as otherwise prejudicing the Government with respect to any such requirement or right, or as an acceptance of any latent defect or condition.

**2.08 ALTERATIONS PRIOR TO ACCEPTANCE (JUN 2012)**

The Government's rights stated under the General Clause "Alterations" also apply to initial build-out of the Premises.

**2.09 SYSTEM FOR AWARD MANAGEMENT (APR 2015)**

The Offeror must have an active registration in the System for Award Management (SAM), via the Internet at <https://www.acquisition.gov>, prior to the Lease award and throughout the life of the Lease. To remain active, the Offeror/Lessor is required to update or renew its registration annually. The Government will not process rent payments to Lessors without an active registration in SAM. No change of ownership of the leased Premises will be recognized by the Government until the new owner registers in SAM.

**2.10 INTENTIONALLY DELETED**

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## SECTION 3 CONSTRUCTION STANDARDS AND SHELL COMPONENTS

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### 3.01 BUILDING SHELL REQUIREMENTS (ON-AIRPORT) (SEP 2013)

A. The Building Shell shall be designed, constructed, and maintained in accordance with the standards set forth herein and completed prior to acceptance of Space. For pricing, fulfillment of all requirements not specifically designated as operating costs or other rent components as indicated shall be deemed included in the Shell Rent.

B. Base structure and Building enclosure components shall be complete. All common areas accessible by the Government, such as lobbies, fire egress corridors and stairwells, elevators, garages, and service areas, shall be complete. Restrooms shall be complete and operational. All newly installed Building shell components, including but not limited to, heating, ventilation, and air conditioning (HVAC), electrical, ceilings, sprinklers, etc., shall be furnished, installed, and coordinated with TIs. Circulation corridors are provided as part of the base Building only on multi-tenanted floors where the corridor is common to more than one tenant. On single tenant floors, only the fire egress corridor(s) necessary to meet code is provided as part of the shell.

### 3.02 MEANS OF EGRESS (MAY 2015)

A. Prior to occupancy, the Premises and any parking garage areas shall meet or will be upgraded to meet, either the applicable egress requirements in the National Fire Protection Association, Life Safety Code (NFPA 101), or the International Code Council, International Building Code (IBC), each current as of the Lease Award Date, or use an alternative approach or method that achieves an equivalent level of safety deemed acceptable by the Government.

B. The Space shall have unrestricted access to a minimum of two remote exits on each floor of Government occupancy.

C. Interlocking or scissor stairs located on the floor(s) where Space is located shall only count as one exit stair.

D. A fire escape located on the floor(s) where Space is located shall not be counted as an approved exit stair.

E. Doors shall not be locked in the direction of egress unless equipped with special locking hardware in accordance with requirements of NFPA 101 or the IBC.

### 3.03 AUTOMATIC FIRE SPRINKLER SYSTEM (SEP 2013)

A. Any portion of the Space located below-grade, including parking garage areas, and all areas in a Building referred to as "hazardous areas" (defined in National Fire Protection Association (NFPA) 101) that are located within the entire Building (including non-Government areas) shall be protected by an automatic fire sprinkler system or an equivalent level of safety.

B. For Buildings in which any portion of the Space is on or above the sixth floor, then, at a minimum, the Building up to and including the highest floor of Government occupancy shall be protected by an automatic fire sprinkler system or an equivalent level of safety.

C. For Buildings in which any portion of the Space is on or above the sixth floor, and lease of the Space will result, either individually or in combination with other Government Leases in the Building, in the Government leasing 35,000 or more ANSI/BOMA Office Area SF of Space in the Building, then the entire Building shall be protected throughout by an automatic fire sprinkler system or an equivalent level of safety.

D. Automatic fire sprinkler system(s) shall be installed in accordance with the requirements of NFPA 13, Standard for the Installation of Sprinkler Systems that was in effect on the actual date of installation.

E. Automatic fire sprinkler system(s) shall be maintained in accordance with the requirements of NFPA 25, Standard for the Inspection, Testing, and Maintenance of Water-based Fire Protection Systems (current as of the Lease Award Date).

F. "Equivalent level of safety" means an alternative design or system (which may include automatic fire sprinkler systems), based upon fire protection engineering analysis, which achieves a level of safety equal to or greater than that provided by automatic fire sprinkler systems.

### 3.04 FIRE ALARM SYSTEM (SEP 2013)

A. A Building-wide fire alarm system shall be installed in the entire Building in which any portion of the Space is located on the 3<sup>rd</sup> floor or higher.

B. The fire alarm system shall be installed in accordance with the requirements of NFPA 72, National Fire Alarm and Signaling Code that was in effect on the actual date of installation.

C. The fire alarm system shall be maintained in accordance with the requirements of NFPA 72, National Fire Alarm and Signaling Code (current as of the Lease Award Date).

D. The fire alarm system shall transmit all fire alarm signals to the local fire department via any of the following means: directly to the local fire department, to the (911) public communications center, to a central station, to a remote supervising station, or to a proprietary supervising station.

E. If the Building's fire alarm control unit is over 25 years old as of the Lease Award Date, Lessor shall install a new fire alarm system in accordance with the requirements of NFPA 72, National Fire Alarm and Signaling Code (current as of the Lease Award Date), prior to Government acceptance and occupancy of the Space.

### 3.05 ENERGY INDEPENDENCE AND SECURITY ACT (DEC 2011)

A. The Energy Independence and Security Act (EISA) establishes the following requirements for Government Leases in Buildings that have not earned the ENERGY STAR® Label conferred by the Environmental Protection Agency (EPA) within one year prior to the due date for final proposal revisions ("most recent year").

B. If this Lease was awarded under any of EISA's Section 435 statutory exceptions, the Lessor shall either:

1. Earn the ENERGY STAR® Label prior to acceptance of the Space (or not later than one year after the Lease Award Date of a succeeding or superseding Lease); or
2. Complete energy efficiency and conservation improvements if any, agreed to by Lessor in lieu of earning the ENERGY STAR® Label prior to acceptance of the Space (or not later than one year after the Lease Award Date of a succeeding or superseding Lease).

C. If this Lease was awarded to a Building to be built or to a Building predominantly vacant as of the due date for final proposal revisions and was unable to earn the ENERGY STAR® label for the most recent year (as defined above) due to insufficient occupancy, but was able to demonstrate sufficient evidence of capability to earn the ENERGY STAR® label, then Lessor must earn the ENERGY STAR® label within 18 months after occupancy by the Government.

### 3.06 ACCESSIBILITY (FEB 2007)

The Building, leased Space, and areas serving the leased Space shall be accessible to persons with disabilities in accordance with the Architectural Barriers Act Accessibility Standard (ABAAS), Appendices C and D to 36 CFR Part 1191 (ABA Chapters 1 and 2, and Chapters 3 through 10). To the extent the standard referenced in the preceding sentence conflicts with local accessibility requirements, the more stringent shall apply.

### 3.07 MECHANICAL, ELECTRICAL, PLUMBING: GENERAL (APR 2011)

The Lessor shall provide and operate all Building equipment and systems in accordance with applicable technical publications, manuals, and standard procedures. Mains, lines, and meters for utilities shall be provided by the Lessor. Exposed ducts, piping, and conduits are not permitted in office Space.

### 3.08 RESTROOMS (ON-AIRPORT) (JUN 2012)

Government employees shall have access to all public restroom facilities for men and women in the Airport terminal at all times without additional payment.

### 3.09 HEATING, VENTILATION, AND AIR CONDITIONING (ON-AIRPORT) (APR 2011)

A. Temperatures shall conform to local commercial equivalent temperature levels and operating practices to maximize tenant satisfaction. These temperatures shall be maintained throughout the leased Premises and service areas, regardless of outside temperatures, during the hours of operation specified in this Lease. The Lessor shall perform any necessary systems start-up required to meet the commercially equivalent temperature levels prior to the first hour of each day's operation. At all times, humidity shall be maintained below 60 percent relative humidity.

B. The Lessor shall conduct HVAC system balancing after all HVAC system alterations during the term of the Lease and shall make a reasonable attempt to schedule major construction outside of office hours.

C. Normal HVAC systems maintenance shall not disrupt tenant operations.

### 3.10 TELECOMMUNICATIONS: LOCAL EXCHANGE ACCESS (ON-AIRPORT) (SEP 2013)

A. The Government may elect to contract its own telecommunications (voice, data, video, Internet, or other emerging technologies) service in the Space. The Government may contract with one or more parties to have inside wiring (or other transmission medium) and telecommunications equipment installed.

B. The Lessor shall allow the Government's designated telecommunications providers access to utilize existing Building wiring to connect its services to the Government's Space. If the existing Building wiring is insufficient to handle the transmission requirements of the Government's designated telecommunications providers, the Lessor shall provide access from the point of entry into the Building to the Government's floor Space, subject to any inherent limitations in the pathway involved.

C. The Lessor shall allow the Government's designated telecommunications providers to affix telecommunications antennas (high frequency, mobile, microwave, satellite, or other emerging technologies), subject to weight and wind load conditions, to roof, parapet, or Building envelope as required.

**SECTION 4 UTILITIES, SERVICES, AND OBLIGATIONS DURING THE LEASE TERM**

**4.01 SERVICES, UTILITIES, AND MAINTENANCE (ON-AIRPORT) (SEP 2013)**

The Lessor is responsible for providing all utilities necessary for base building and tenant operations and all associated costs are included as a part of the established rental rates. The following services, utilities, and maintenance shall be provided by the Lessor as part of the rental consideration (check all that apply):

- |  |   |  |   |  |
|--|---|--|---|--|
| <input checked="" type="checkbox"/> HEAT               | <input checked="" type="checkbox"/> TRASH REMOVAL   | <input checked="" type="checkbox"/> ELEVATOR SERVICE | <input checked="" type="checkbox"/> INITIAL & REPLACEMENT LAMPS, TUBES & BALLASTS | <input type="checkbox"/> OTHER (Specify below) |
| <input checked="" type="checkbox"/> ELECTRICITY        | <input checked="" type="checkbox"/> CHILLED DRINKING WATER  | <input checked="" type="checkbox"/> WINDOW WASHING   | <input checked="" type="checkbox"/> PAINTING FREQUENCY                            |  |
| <input type="checkbox"/> POWER (Special Equip.)        | <input type="checkbox"/> AIR CONDITIONING   | Frequency: <u>2 X a year</u>                         | Space: <u>every 5 years</u>   |  |
| <input checked="" type="checkbox"/> WATER (Hot & Cold) | <input type="checkbox"/> RESTROOM SUPPLIES  | <input checked="" type="checkbox"/> CARPET CLEANING  |   |  |
| <input checked="" type="checkbox"/> SNOW REMOVAL       | <input checked="" type="checkbox"/> JANITORIAL SERV. & SUPP.<br>See Section 5.1 for specific requirements | Frequency: <u>Every 2 years</u>                      |   |  |
|  | Schedule of services required.  |  |   |  |

The Lessor shall have an onsite building superintendent or a locally designated representative available to promptly respond to deficiencies, and immediately address all emergency situations.

**4.02 PROVISION OF SERVICES, ACCESS, AND NORMAL HOURS FOR AIRPORT OCCUPANCIES (SEP 2013)**

The Government shall have access to the Premises and its Appurtenant Areas at all times without additional payment, including the use, during other than normal hours, of necessary services and utilities such as elevators, restrooms, lights, and electric power. Cleaning shall be performed after tenant working hours unless daytime cleaning is specified as a special requirement elsewhere in this Lease. Janitorial Services shall not be required on weekends or Federal holidays. Services, maintenance, and utilities shall be provided from **7:00 AM to 4:00 PM**, Monday through Friday. Hours of operation may be adjusted periodically throughout the year dependent on changes to flight schedules.

**4.03 MAINTENANCE AND TESTING OF SYSTEMS (SEP 2013)**

A. The Lessor is responsible for the total maintenance and repair of the leased Premises. Such maintenance and repairs include the site and private access roads. All equipment and systems shall be maintained to provide reliable, energy efficient service without unusual interruption, disturbing noises, exposure to fire or safety hazards, uncomfortable drafts, excessive air velocities, or unusual emissions of dirt. The Lessor's maintenance responsibility includes initial supply and replacement of all supplies, materials, and equipment necessary for such maintenance. Maintenance, testing, and inspection of appropriate equipment and systems shall be done in accordance with current applicable codes, and inspection certificates shall be displayed as appropriate. Copies of all records in this regard shall be forwarded to the Government's designated representative.

B. At the Lessor's expense, the Government reserves the right to require documentation of proper operations, inspection, testing, and maintenance of fire protection systems, such as, but not limited to, fire alarm, fire sprinkler, standpipes, fire pump, emergency lighting, illuminated exit signs, emergency generator, prior to occupancy to ensure proper operation. These tests shall be witnessed by the Government's designated representative.

**4.04 RECYCLING (ON-AIRPORT) (JUN 2012)**

Where state or local law, code, or ordinance requires recycling programs (including mercury-containing lamps) for the Space to be provided pursuant to this Lease, the Lessor shall comply with such state and local law, code, or ordinance in accordance with GSA Form 3517, General Clauses, 552.270-8, *Compliance with Applicable Law*. During the lease term, the Lessor agrees, upon request, to provide the Government with additional information concerning recycling programs maintained in the Building and in the Leased Space.

**4.05 RANDOLPH-SHEPPARD COMPLIANCE (SEP 2013)**

During the term of the Lease, the Lessor may not establish vending facilities within the leased Space that will compete with any Randolph-Sheppard vending facilities.

**4.06 INTENTIONALLY DELETED**

**4.07 INDOOR AIR QUALITY (SEP 2016)**

A. The Lessor shall control airborne contaminants at the source and/or operate the Space in such a manner that the GSA indicator levels for asbestos, mold, carbon monoxide (CO), carbon dioxide (CO2), and formaldehyde are not exceeded. The indicator levels for office areas shall be: Asbestos 70 s/mm2; mold (see paragraph entitled "Mold"); CO 9 ppm; CO2 700 ppm above outdoor air; formaldehyde 0.016 ppm.

B. The Lessor shall use available odor-free or low odor products when applying paints, glues, lubricants, and similar wet products. When such equivalent products are not available, lessor shall use the alternate products outside normal working hours. Except in an emergency, the Lessor shall provide at least 72 hours advance notice to the Government before applying chemicals or products with noticeable odors in occupied Spaces and shall adequately ventilate those Spaces during and after application.

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C. The Lessor shall serve as first responder to any occupant complaints about indoor air quality (IAQ). The Lessor shall promptly investigate such complaints and implement the necessary controls to address each complaint. Investigations shall include testing as needed, to ascertain the source and severity of the complaint.

D. The Government reserves the right to conduct independent IAQ assessments and detailed studies in Space that it occupies, as well as in space serving the Space (e.g., common use areas, mechanical rooms, HVAC systems, etc.). The Lessor shall assist the Government in its assessments and detailed studies by:

1. Making available information on Building operations and Lessor activities;
2. Providing access to Space for assessment and testing, if required; and
3. Implementing corrective measures required by the LCO.

E. The Lessor shall provide to the Government safety data sheets (SDS) upon request for the following products prior to their use during the term of the Lease: adhesives, caulking, sealants, insulating materials, fireproofing or firestopping materials, paints, carpets, floor and wall patching or leveling materials, lubricants, clear finish for wood surfaces, janitorial cleaning products, pesticides, rodenticides, and herbicides. The Government reserves the right to review such products used by the Lessor within:

1. The Space;
2. Common Building areas;
3. Ventilation systems and zones serving the Space; and
4. The area above suspended ceilings and engineering space in the same ventilation zone as the Space.

F. Where hazardous gases or chemicals (any products with data in the Health and Safety section of the SDS sheets) may be present or used, including large-scale copying and printing rooms, segregate areas with deck-to-deck partitions with separate outside exhausting at a rate of at least 0.5 cubic feet per minute per SF, no air recirculation. The mechanical system must operate at a negative pressure compared with the surrounding spaces of at least an average of 5 Pa (pascal) (0.02 inches of water gauge) and with a minimum of 1 Pa (0.004 inches of water gauge) when the doors to the rooms are closed.

#### 4.08 HAZARDOUS MATERIALS (ON-AIRPORT) (SEP 2016)

The leased Space shall be free of hazardous materials, hazardous substances, and hazardous wastes, as defined by and according to applicable Federal, state, and local environmental regulations including, but not limited to, the following:

A. The leased Space shall be free of all asbestos containing materials, except undamaged asbestos flooring in the Space or undamaged boiler or pipe insulation outside the Space, in which case an asbestos management program conforming to EPA guidance shall be implemented.

B. The Lessor shall provide Space to the Government that is free from ongoing water leaks or moisture infiltration. The Space and ventilation zones serving the Space shall also be free of visible mold or actionable airborne mold.

1. Actionable mold is airborne mold of types and concentrations in excess of that found in the local outdoor air or non-problematic control areas elsewhere in the same building.

2. The Lessor shall be responsible for conducting the remediation in accordance with the relevant provisions of the document entitled "Mold Remediation in Schools and Commercial Buildings" (EPA 402-K-01-001, March 2001), published by EPA, as same may be amended or revised from time to time, and any other applicable Federal, state, or local laws, regulatory standards, and guidelines.

3. The Lessor acknowledges and agrees that the Government shall have a reasonable opportunity to inspect the leased Space after conclusion of the remediation. If the results of the Government's inspection indicate that the remediation does not comply with the plan or any other applicable Federal, state, or local laws, regulatory standards, or guidelines, the Lessor, at its sole cost, expense, and risk, shall immediately take all further actions necessary to bring the remediation into compliance.

4. If the Lessor fails to exercise due diligence, or is otherwise unable to remediate the actionable mold, the Government may implement a corrective action program and deduct its costs from the rent.

#### 4.09 OCCUPANT EMERGENCY PLANS (SEP 2013)

The Lessor is required to cooperate, participate and comply with the development and implementation of the Government's Occupant Emergency Plan (OEP) and if necessary, a supplemental Shelter-in Place (SIP) Plan. Periodically, the Government may request that the Lessor assist in reviewing and revising its OEP and SIP. The Plan, among other things, must include an annual emergency evacuation drill, emergency notification procedures for the Lessor's Building engineer or manager, Building security, local emergency personnel, and Government agency personnel.

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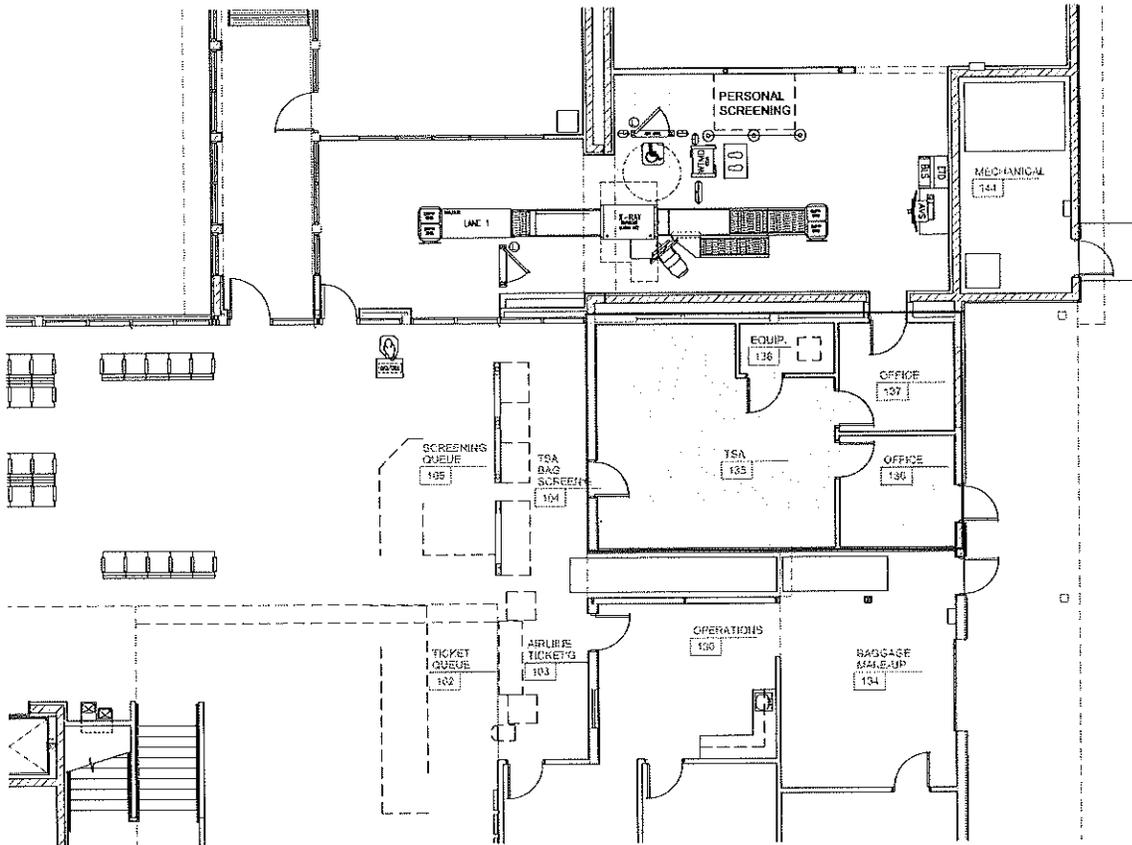
**SECTION 5    ADDITIONAL TERMS AND CONDITIONS**

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**5.01    JANITORIAL REQUIREMENTS**

1.    Daily:  
Empty trash receptacles. Receptacles must be placed in a mutually acceptable, accessible location for after hours pick-up.
  
2.    Every 2 Years:  
Shampoo carpets within the leased space.

1b



**AREA:**  
686 SQ. FT.



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**GENERAL CLAUSES**  
(Acquisition of Leasehold Interests in Real Property)

CATEGORY	CLAUSE NO.	48 CFR REF.	CLAUSE TITLE
GENERAL	1		SUBLETTING AND ASSIGNMENT
	2	552.270-11	SUCCESSORS BOUND
	3	552.270-23	SUBORDINATION, NON-DISTURBANCE AND ATTORNMEN
	4	552.270-24	STATEMENT OF LEASE
	5	552.270-25	SUBSTITUTION OF TENANT AGENCY
	6	552.270-26	NO WAIVER
	7		INTEGRATED AGREEMENT
	8	552.270-28	MUTUALITY OF OBLIGATION
PERFORMANCE	9		DELIVERY AND CONDITION
	10		DEFAULT BY LESSOR
	11	552.270-19	PROGRESSIVE OCCUPANCY
	12		MAINTENANCE OF THE PROPERTY, RIGHT TO INSPECT
	13		FIRE AND CASUALTY DAMAGE
	14		COMPLIANCE WITH APPLICABLE LAW
	15	552.270-12	ALTERATIONS
	16		ACCEPTANCE OF SPACE AND CERTIFICATE OF OCCUPANCY
PAYMENT	17	52.204-7	SYSTEM FOR AWARD MANAGEMENT
	18	52.204-13	SYSTEM FOR AWARD MANAGEMENT MAINTENANCE
	19	552.270-31	PROMPT PAYMENT
	20	52.232-23	ASSIGNMENT OF CLAIMS
	21		PAYMENT
	22	52.232-33	PAYMENT BY ELECTRONIC FUNDS TRANSFER—SYSTEM FOR AWARD MANAGEMENT
	STANDARDS OF CONDUCT	23	52.203-13
24		552.270-32	COVENANT AGAINST CONTINGENT FEES
25		52-203-7	ANTI-KICKBACK PROCEDURES
26		52-223-6	DRUG-FREE WORKPLACE
27		52.203-14	DISPLAY OF HOTLINE POSTER(S)
ADJUSTMENTS		28	552.270-30
	29	52.215-10	PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA
	30	552.270-13	PROPOSALS FOR ADJUSTMENT
	31		CHANGES
AUDITS	32	552.215-70	EXAMINATION OF RECORDS BY GSA
	33	52.215-2	AUDIT AND RECORDS—NEGOTIATION

INITIALS: \_\_\_\_\_ & \_\_\_\_\_  
LESSOR GOVERNMENT

DISPUTES	34	52.233-1	DISPUTES
LABOR STANDARDS	35	52.222-26	EQUAL OPPORTUNITY
	36	52.222-21	PROHIBITION OF SEGREGATED FACILITIES
	37	52.219-28	POST-AWARD SMALL BUSINESS PROGRAM REREPRESENTATION
	38	52.222-35	EQUAL OPPORTUNITY FOR VETERANS
	39	52.222-36	EQUAL OPPORTUNITY FOR WORKERS WITH DISABILITIES
	40	52.222-37	EMPLOYMENT REPORTS ON VETERANS
	SUBCONTRACTING	41	52.209-6
42		52.215-12	SUBCONTRACTOR CERTIFIED COST OR PRICING DATA
43		52.219-8	UTILIZATION OF SMALL BUSINESS CONCERNS
44		52.219-9	SMALL BUSINESS SUBCONTRACTING PLAN
45		52.219-16	LIQUIDATED DAMAGES—SUBCONTRACTING PLAN
46		52.204-10	REPORTING EXECUTIVE COMPENSATION AND FIRST-TIER SUBCONTRACT AWARDS
47		552.219-73	GOALS FOR SUBCONTRACTING PLAN

The information collection requirements contained in this solicitation/contract that are not required by regulation have been approved by the Office of Management and Budget (OMB) pursuant to the Paperwork Reduction Act and assigned the OMB Control No. 3090-0163.

INITIALS: \_\_\_\_\_ & \_\_\_\_\_  
LESSOR GOVERNMENT

1b

GENERAL CLAUSES  
(Acquisition of Leasehold Interests in Real Property)

**1. SUBLETTING AND ASSIGNMENT (JAN 2011)**

The Government may sublet any part of the premises but shall not be relieved from any obligations under this lease by reason of any such subletting. The Government may at any time assign this lease, and be relieved from all obligations to Lessor under this lease excepting only unpaid rent and other liabilities, if any, that have accrued to the date of said assignment. Any subletting or assignment shall be subject to prior written consent of Lessor, which shall not be unreasonably withheld.

**2. 552.270-11 SUCCESSORS BOUND (SEP 1999)**

This lease shall bind, and inure to the benefit of, the parties and their respective heirs, executors, administrators, successors, and assigns.

**3. 552.270-23 SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT (SEP 1999)**

(a) Lessor warrants that it holds such title to or other interest in the premises and other property as is necessary to the Government's access to the premises and full use and enjoyment thereof in accordance with the provisions of this lease. Government agrees, in consideration of the warranties and conditions set forth in this clause, that this lease is subject and subordinate to any and all recorded mortgages, deeds of trust and other liens now or hereafter existing or imposed upon the premises, and to any renewal, modification or extension thereof. It is the intention of the parties that this provision shall be self-operative and that no further instrument shall be required to effect the present or subsequent subordination of this lease. Government agrees, however, within twenty (20) business days next following the Contracting Officer's receipt of a written demand, to execute such instruments as Lessor may reasonably request to evidence further the subordination of this lease to any existing or future mortgage, deed of trust or other security interest pertaining to the premises, and to any water, sewer or access easement necessary or desirable to serve the premises or adjoining property owned in whole or in part by Lessor if such easement does not interfere with the full enjoyment of any right granted the Government under this lease.

(b) No such subordination, to either existing or future mortgages, deeds of trust or other lien or security instrument shall operate to affect adversely any right of the Government under this lease so long as the Government is not in default under this lease. Lessor will include in any future mortgage, deed of trust or other security instrument to which this lease becomes subordinate, or in a separate non-disturbance agreement, a provision to the foregoing effect. Lessor warrants that the holders of all notes or other obligations secured by existing mortgages, deeds of trust or other security instruments have consented to the provisions of this clause, and agrees to provide true copies of all such consents to the Contracting Officer promptly upon demand.

(c) In the event of any sale of the premises or any portion thereof by foreclosure of the lien of any such mortgage, deed of trust or other security instrument, or the giving of a deed in lieu of foreclosure, the Government will be deemed to have attorned to any purchaser, purchasers, transferee or transferees of the premises or any portion thereof and its or their successors and assigns, and any such purchasers and transferees will be deemed to have assumed all obligations of the Lessor under this lease, so as to establish direct privity of estate and contract between Government and such purchasers or transferees, with the same force, effect and relative priority in time and right as if the lease had initially been entered into between such purchasers or transferees and the Government; provided, further, that the Contracting Officer and such purchasers or transferees shall, with reasonable promptness following any such sale or deed delivery in lieu of foreclosure, execute all such revisions to this lease, or other writings, as shall be necessary to document the foregoing relationship.

(d) None of the foregoing provisions may be deemed or construed to imply a waiver of the Government's rights as a sovereign.

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**4. 552.270-24 STATEMENT OF LEASE (SEP 1999)**

(a) The Contracting Officer will, within thirty (30) days next following the Contracting Officer's receipt of a joint written request from Lessor and a prospective lender or purchaser of the building, execute and deliver to Lessor a letter stating that the same is issued subject to the conditions stated in this clause and, if such is the case, that (1) the lease is in full force and effect; (2) the date to which the rent and other charges have been paid in advance, if any; and (3) whether any notice of default has been issued.

(b) Letters issued pursuant to this clause are subject to the following conditions:

(1) That they are based solely upon a reasonably diligent review of the Contracting Officer's lease file as of the date of issuance;

(2) That the Government shall not be held liable because of any defect in or condition of the premises or building;

(3) That the Contracting Officer does not warrant or represent that the premises or building comply with applicable Federal, State and local law; and

(4) That the Lessor, and each prospective lender and purchaser are deemed to have constructive notice of such facts as would be ascertainable by reasonable pre-purchase and pre-commitment inspection of the Premises and Building and by inquiry to appropriate Federal, State and local Government officials.

**5. 552.270-25 SUBSTITUTION OF TENANT AGENCY (SEP 1999)**

The Government may, at any time and from time to time, substitute any Government agency or agencies for the Government agency or agencies, if any, named in the lease.

**6. 552.270-26 NO WAIVER (SEP 1999)**

No failure by either party to insist upon the strict performance of any provision of this lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial rent or other performance by either party during the continuance of any such breach shall constitute a waiver of any such breach of such provision.

**7. INTEGRATED AGREEMENT (JUN 2012)**

This Lease, upon execution, contains the entire agreement of the parties and no prior written or oral agreement, express or implied, shall be admissible to contradict the provisions of the Lease. Except as expressly attached to and made a part of the Lease, neither the Request for Lease Proposals nor any pre-award communications by either party shall be incorporated in the Lease.

**8. 552.270-28 MUTUALITY OF OBLIGATION (SEP 1999)**

The obligations and covenants of the Lessor, and the Government's obligation to pay rent and other Government obligations and covenants, arising under or related to this Lease, are interdependent. The Government may, upon issuance of and delivery to Lessor of a final decision asserting a claim against Lessor, set off such claim, in whole or in part, as against any payment or payments then or thereafter due the Lessor under this lease. No setoff pursuant to this clause shall constitute a breach by the Government of this lease.

**9. DELIVERY AND CONDITION (JAN 2011)**

(a) Unless the Government elects to have the space occupied in increments, the space must be delivered ready for occupancy as a complete unit.

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**11. 552.270-19 PROGRESSIVE OCCUPANCY (SEP 1999)**

The Government shall have the right to elect to occupy the space in partial increments prior to the substantial completion of the entire leased premises, and the Lessor agrees to schedule its work so as to deliver the space incrementally as elected by the Government. The Government shall pay rent commencing with the first business day following substantial completion of the entire leased premise unless the Government has elected to occupy the leased premises incrementally. In case of incremental occupancy, the Government shall pay rent pro rata upon the first business day following substantial completion of each incremental unit. Rental payments shall become due on the first workday of the month following the month in which an increment of space is substantially complete, except that should an increment of space be substantially completed after the fifteenth day of the month, the payment due date will be the first workday of the second month following the month in which it was substantially complete. The commencement date of the firm lease term will be a composite determined from all rent commencement dates.

**12. MAINTENANCE OF THE PROPERTY, RIGHT TO INSPECT (APR 2015)**

The Lessor shall maintain the Property, including the building, building systems, and all equipment, fixtures, and appurtenances furnished by the Lessor under this Lease, in good repair and tenantable condition so that they are suitable in appearance and capable of supplying such heat, air conditioning, light, ventilation, safety systems, access and other things to the premises, without reasonably preventable or recurring disruption, as is required for the Government's access to, occupancy, possession, use and enjoyment of the premises as provided in this lease. For the purpose of so maintaining the premises, the Lessor may at reasonable times enter the premises with the approval of the authorized Government representative in charge. Upon request of the Lease Contracting Officer (LCO), the Lessor shall provide written documentation that building systems have been properly maintained, tested, and are operational within manufacturer's warranted operating standards. The Lessor shall maintain the Premises in a safe and healthful condition according to applicable OSHA standards and all other requirements of this Lease, including standards governing indoor air quality, existence of mold and other biological hazards, presence of hazardous materials, etc. The Government shall have the right, at any time after the Lease Award Date and during the term of the Lease, to inspect all areas of the Property to which access is necessary for the purpose of determining the Lessor's compliance with this clause.

**13. FIRE AND CASUALTY DAMAGE (JUN 20126)**

If the building in which the Premises are located is totally destroyed or damaged by fire or other casualty, this Lease shall immediately terminate. If the building in which the Premises are located are only partially destroyed or damaged, so as to render the Premises untenable, or not usable for their intended purpose, the Lessor shall have the option to elect to repair and restore the Premises or terminate the Lease. The Lessor shall be permitted a reasonable amount of time, not to exceed **270 days** from the event of destruction or damage, to repair or restore the Premises, provided that the Lessor submits to the Government a reasonable schedule for repair of the Premises within **60 days** of the event of destruction or damage. If the Lessor fails to timely submit a reasonable schedule for completing the work, the Government may elect to terminate the Lease effective as of the date of the event of destruction or damage. If the Lessor elects to repair or restore the Premises, but fails to repair or restore the Premises within **270 days** from the event of destruction or damage, or fails to diligently pursue such repairs or restoration so as to render timely completion commercially impracticable, the Government may terminate the Lease effective as of the date of the destruction or damage. During the time that the Premises are unoccupied, rent shall be abated. Termination of the Lease by either party under this clause shall not give rise to liability for either party.

Nothing in this lease shall be construed as relieving Lessor from liability for damage to, or destruction of, property of the United States of America caused by the wilful or negligent act or omission of Lessor.

**14. COMPLIANCE WITH APPLICABLE LAW (JAN 2011)**

Lessor shall comply with all Federal, state and local laws applicable to its ownership and leasing of the Property, including, without limitation, laws applicable to the construction, ownership, alteration or operation of all buildings, structures, and facilities located thereon, and obtain all necessary permits, licenses and similar items at its own expense. The Government will comply with all Federal, State and local laws applicable to and enforceable against

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it as a tenant under this lease, provided that nothing in this Lease shall be construed as a waiver of the sovereign immunity of the Government. This Lease shall be governed by Federal law.

**15. 552.270-12 ALTERATIONS (SEP 1999)**

The Government shall have the right during the existence of this lease to make alterations, attach fixtures, and erect structures or signs in or upon the premises hereby leased, which fixtures, additions or structures so placed in, on, upon, or attached to the said premises shall be and remain the property of the Government and may be removed or otherwise disposed of by the Government. If the lease contemplates that the Government is the sole occupant of the building, for purposes of this clause, the leased premises include the land on which the building is sited and the building itself. Otherwise, the Government shall have the right to tie into or make any physical connection with any structure located on the property as is reasonably necessary for appropriate utilization of the leased space.

**16. ACCEPTANCE OF SPACE AND CERTIFICATE OF OCCUPANCY (APR 2015)**

(a) Ten (10) working days prior to the completion of the Space, the Lessor shall issue written notice to the Government to schedule the inspection of the Space for acceptance. The Government shall accept the Space only if the construction of building shell and TIs conforming to this Lease and the approved DIDs is substantially complete, and a Certificate of Occupancy has been issued as set forth below.

(b) The Space shall be considered substantially complete only if the Space may be used for its intended purpose and completion of remaining work will not unreasonably interfere with the Government's enjoyment of the Space. Acceptance shall be final and binding upon the Government with respect to conformance of the completed TIs to the approved DIDs, with the exception of items identified on a punchlist generated as a result of the inspection, concealed conditions, latent defects, or fraud, but shall not relieve the Lessor of any other Lease requirements.

(c) The Lessor shall provide a valid Certificate of Occupancy, issued by the local jurisdiction, for the intended use of the Government. If the local jurisdiction does not issue Certificates of Occupancy or if the Certificate of Occupancy is not available, the Lessor may satisfy this condition by providing a report prepared by a licensed fire protection engineer that indicates that the Space and Building are compliant with all applicable local codes and ordinances and all fire protection and life safety-related requirements of this Lease to ensure an acceptable level of safety is provided. Under such circumstances, the Government shall only accept the Space without a Certificate of Occupancy if a licensed fire protection engineer determines that the offered space is compliant with all applicable local codes and ordinances and fire protection and life safety-related requirements of this Lease.

**17. 52.204-7 SYSTEM FOR AWARD MANAGEMENT (JUL 2013)**

*This clause is incorporated by reference.*

**18. 52.204-13 SYSTEM FOR AWARD MANAGEMENT MAINTENANCE (JUL 2013)**

*This clause is incorporated by reference.*

**19. 552.270-31 PROMPT PAYMENT (JUN 2011)**

The Government will make payments under the terms and conditions specified in this clause. Payment shall be considered as being made on the day a check is dated or an electronic funds transfer is made. All days referred to in this clause are calendar days, unless otherwise specified.

(a) *Payment due date—*

(1) *Rental payments.* Rent shall be paid monthly in arrears and will be due on the first workday of each month, and only as provided for by the lease.

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(i) When the date for commencement of rent falls on the 15th day of the month or earlier, the initial monthly rental payment under this contract shall become due on the first workday of the month following the month in which the commencement of the rent is effective.

(ii) When the date for commencement of rent falls after the 15th day of the month, the initial monthly rental payment under this contract shall become due on the first workday of the second month following the month in which the commencement of the rent is effective.

(2) *Other payments.* The due date for making payments other than rent shall be the later of the following two events:

(i) The 30th day after the designated billing office has received a proper invoice from the Contractor.

(ii) The 30th day after Government acceptance of the work or service. However, if the designated billing office fails to annotate the invoice with the actual date of receipt, the invoice payment due date shall be deemed to be the 30th day after the Contractor's invoice is dated, provided a proper invoice is received and there is no disagreement over quantity, quality, or Contractor compliance with contract requirements.

(b) *Invoice and inspection requirements for payments other than rent.*

(1) The Contractor shall prepare and submit an invoice to the designated billing office after completion of the work. A proper invoice shall include the following items:

(i) Name and address of the Contractor.

(ii) Invoice date.

(iii) Lease number.

(iv) Government's order number or other authorization.

(v) Description, price, and quantity of work or services delivered.

(vi) Name and address of Contractor official to whom payment is to be sent (must be the same as that in the remittance address in the lease or the order).

(vii) Name (where practicable), title, phone number, and mailing address of person to be notified in the event of a defective invoice.

(2) The Government will inspect and determine the acceptability of the work performed or services delivered within seven days after the receipt of a proper invoice or notification of completion of the work or services unless a different period is specified at the time the order is placed. If actual acceptance occurs later, for the purpose of determining the payment due date and calculation of interest, acceptance will be deemed to occur on the last day of the seven day inspection period. If the work or service is rejected for failure to conform to the technical requirements of the contract, the seven days will be counted beginning with receipt of a new invoice or notification. In either case, the Contractor is not entitled to any payment or interest unless actual acceptance by the Government occurs.

(c) *Interest Penalty.*

(1) An interest penalty shall be paid automatically by the Government, without request from the Contractor, if payment is not made by the due date.

(2) The interest penalty shall be at the rate established by the Secretary of the Treasury under Section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) that is in effect on the day after the due date. This rate is referred to as the "Renegotiation Board Interest Rate," and it is published in the **Federal Register**

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semiannually on or about January 1 and July 1. The interest penalty shall accrue daily on the payment amount approved by the Government and be compounded in 30-day increments inclusive from the first day after the due date through the payment date.

(3) Interest penalties will not continue to accrue after the filing of a claim for such penalties under the clause at 52.233-1, Disputes, or for more than one year. Interest penalties of less than \$1.00 need not be paid.

(4) Interest penalties are not required on payment delays due to disagreement between the Government and Contractor over the payment amount or other issues involving contract compliance or on amounts temporarily withheld or retained in accordance with the terms of the contract. Claims involving disputes, and any interest that may be payable, will be resolved in accordance with the clause at 52.233-1, Disputes.

(d) *Overpayments.* If the Lessor becomes aware of a duplicate payment or that the Government has otherwise overpaid on a payment, the Contractor shall—

(1) Return the overpayment amount to the payment office cited in the contract along with a description of the overpayment including the—

(i) Circumstances of the overpayment (*e.g.*, duplicate payment, erroneous payment, liquidation errors, date(s) of overpayment);

(ii) Affected lease number; (iii) Affected lease line item or sub-line item, if applicable; and

(iii) Lessor point of contact.

(2) Provide a copy of the remittance and supporting documentation to the Contracting Officer.

## 20. 52.232-23 ASSIGNMENT OF CLAIMS (MAY 2014)

(Applicable to leases over the micro-purchase threshold.)

(a) The Contractor, under the Assignment of Claims Act, as amended, 31 U.S.C. 3727, 41 U.S.C. 6305 (hereafter referred to as "the Act"), may assign its rights to be paid amounts due or to become due as a result of the performance of this contract to a bank, trust company, or other financing institution, including any Federal lending agency. The assignee under such an assignment may thereafter further assign or reassign its right under the original assignment to any type of financing institution described in the preceding sentence.

(b) Any assignment or reassignment authorized under the Act and this clause shall cover all unpaid amounts payable under this contract, and shall not be made to more than one party, except that an assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in the financing of this contract.

(c) The Contractor shall not furnish or disclose to any assignee under this contract any classified document (including this contract) or information related to work under this contract until the Contracting Officer authorizes such action in writing.

## 21. PAYMENT (MAY 2011)

(a) When space is offered and accepted, the amount of American National Standards Institute/Building Owners and Managers Association Office Area (ABOA) square footage delivered will be confirmed by:

(1) The Government's measurement of plans submitted by the successful Offeror as approved by the Government, and an inspection of the space to verify that the delivered space is in conformance with such

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plans or

(2) A mutual on-site measurement of the space, if the Contracting Officer determines that it is necessary.

(b) Payment will not be made for space which is in excess of the amount of ABOA square footage stated in the lease.

(c) If it is determined that the amount of ABOA square footage actually delivered is less than the amount agreed to in the lease, the lease will be modified to reflect the amount of ABOA space delivered and the annual rental will be adjusted as follows:

ABOA square feet not delivered multiplied by one plus the common area factor (CAF), multiplied by the rate per rentable square foot (RSF). That is:  $(1+CAF) \times \text{Rate per RSF} = \text{Reduction in Annual Rent}$

**22. 52.232-33 PAYMENT BY ELECTRONIC FUNDS TRANSFER—SYSTEM FOR AWARD MANAGEMENT (JUL 2013)**

*This clause is incorporated by reference.*

**23. 52.203-13 CONTRACTOR CODE OF BUSINESS ETHICS AND CONDUCT (OCT 2015)**

(Applicable to leases over \$5.5 million total contract value and performance period is 120 days or more.)

*This clause is incorporated by reference.*

**24. 552.270-32 COVENANT AGAINST CONTINGENT FEES (JUN 2011)**

(Applicable to leases over the Simplified Lease Acquisition Threshold.)

(a) The Contractor warrants that no person or agency has been employed or retained to solicit or obtain this contract upon an agreement or understanding for a contingent fee, except a bona fide employee or agency. For breach or violation of this warranty, the Government shall have the right to annul this contract without liability or, in its discretion, to deduct from the contract price or consideration, or otherwise recover the full amount of the contingent fee.

(b) *Bona fide agency*, as used in this clause, means an established commercial or selling agency (including licensed real estate agents or brokers), maintained by a Contractor for the purpose of securing business, that neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts nor holds itself out as being able to obtain any Government contract or contracts through improper influence.

(1) *Bona fide employee*, as used in this clause, means a person, employed by a Contractor and subject to the Contractor's supervision and control as to time, place, and manner of performance, who neither exerts nor proposes to exert improper influence to solicit or obtain Government contracts nor holds out as being able to obtain any Government contract or contracts through improper influence.

(2) *Contingent fee*, as used in this clause, means any commission, percentage, brokerage, or other fee that is contingent upon the success that a person or concern has in securing a Government contract.

(3) *Improper influence*, as used in this clause, means any influence that induces or tends to induce a Government employee or officer to give consideration or to act regarding a Government contract on any basis other than the merits of the matter.

**25. 52.203-7 ANTI-KICKBACK PROCEDURES (MAY 2014)**

(Applicable to leases over the Simplified Lease Acquisition Threshold.)

*This clause is incorporated by reference.*

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**26. 52.223-6 DRUG-FREE WORKPLACE (MAY 2001)**

(Applicable to leases over the Simplified Lease Acquisition Threshold, as well as to leases of any value awarded to an individual.)

*This clause is incorporated by reference.*

**27. 52.203-14 DISPLAY OF HOTLINE POSTER(S) (OCT 2015)**

(Applicable to leases over \$5.5 Million total contract value and performance period is 120 days or more.)

(a) Definition.

"United States," as used in this clause, means the 50 States, the District of Columbia, and outlying areas.

(b) Display of fraud hotline poster(s). Except as provided in paragraph (c)—

(1) During contract performance in the United States, the Contractor shall prominently display in common work areas within business segments performing work under this contract and at contract work sites—

- (i) Any agency fraud hotline poster or Department of Homeland Security (DHS) fraud hotline poster identified in paragraph (b)(3) of this clause; and
- (ii) Any DHS fraud hotline poster subsequently identified by the Contracting Officer.

(2) Additionally, if the Contractor maintains a company website as a method of providing information to employees, the Contractor shall display an electronic version of the poster(s) at the website.

(3) Any required posters may be obtained as follows:

Poster(s)	Obtain from
GSA Office of Inspector General "FRAUDNET HOTLINE	Contracting Officer

(Contracting Officer shall insert—

- (i) Appropriate agency name(s) and/or title of applicable Department of Homeland Security fraud hotline poster); and
- (ii) The website(s) or other contact information for obtaining the poster(s).)

(c) If the Contractor has implemented a business ethics and conduct awareness program, including a reporting mechanism, such as a hotline poster, then the Contractor need not display any agency fraud hotline posters as required in paragraph (b) of this clause, other than any required DHS posters.

(d) Subcontracts. The Contractor shall include the substance of this clause, including this paragraph (d), in all subcontracts that exceed \$5.5 million, except when the subcontract—

- (1) Is for the acquisition of a commercial item; or
- (2) Is performed entirely outside the United States.

**28. 552.270-30 PRICE ADJUSTMENT FOR ILLEGAL OR IMPROPER ACTIVITY (JUN 2011)**

(Applicable to leases over the Simplified Lease Acquisition Threshold.)

(a) If the head of the contracting activity (HCA) or his or her designee determines that there was a violation of subsection 27(a) of the Office of Federal Procurement Policy Act, as amended (41 U.S.C. 423), as implemented in the Federal Acquisition Regulation, the Government, at its election, may—

(1) Reduce the monthly rental under this lease by five percent of the amount of the rental for each month of the remaining term of the lease, including any option periods, and recover five percent of the rental already paid;

(2) Reduce payments for alterations not included in monthly rental payments by five percent of the amount of the alterations agreement; or

(3) Reduce the payments for violations by a Lessor's subcontractor by an amount not to exceed the amount of profit or fee reflected in the subcontract at the time the subcontract was placed.

(b) Prior to making a determination as set forth above, the HCA or designee shall provide to the Lessor a written notice of the action being considered and the basis thereof. The Lessor shall have a period determined by the agency head or designee, but not less than 30 calendar days after receipt of such notice, to submit in person, in writing, or through a representative, information and argument in opposition to the proposed reduction. The agency head or designee may, upon good cause shown, determine to deduct less than the above amounts from payments.

(c) The rights and remedies of the Government specified herein are not exclusive, and are in addition to any other rights and remedies provided by law or under this lease.

**29. 52.215-10 PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA (AUG 2011)**

(Applicable when cost or pricing data are required for work or services over \$750,000.)  
*This clause is incorporated by reference.*

**30. 552.270-13 PROPOSALS FOR ADJUSTMENT (SEP 1999)**

(a) The Contracting Officer may, from time to time during the term of this lease, require changes to be made in the work or services to be performed and in the terms or conditions of this lease. Such changes will be required under the Changes clause.

(b) If the Contracting Officer makes a change within the general scope of the lease, the Lessor shall submit, in a timely manner, an itemized cost proposal for the work to be accomplished or services to be performed when the cost exceeds \$100,000. The proposal, including all subcontractor work, will contain at least the following detail—

(1) Material quantities and unit costs;

(2) Labor costs (identified with specific item or material to be placed or operation to be performed);

(3) Equipment costs;

(4) Worker's compensation and public liability insurance;

(5) Overhead;

(6) Profit; and

(7) Employment taxes under FICA and FUTA.

(c) The following Federal Acquisition Regulation (FAR) provisions also apply to all proposals exceeding \$500,000 in cost—

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(1) The Lessor shall provide cost or pricing data including subcontractor cost or pricing data (48 CFR 15.403-4) and

(2) The Lessor's representative, all Contractors, and subcontractors whose portion of the work exceeds \$500,000 must sign and return the "Certificate of Current Cost or Pricing Data" (48 CFR 15.406-2).

(d) Lessors shall also refer to 48 CFR Part 31, Contract Cost Principles, for information on which costs are allowable, reasonable, and allocable in Government work.

### 31. CHANGES (MAR 2013)

(a) The LCO may at any time, by written order, direct changes to the Tenant Improvements within the Space, Building Security Requirements, or the services required under the Lease.

(b) If any such change causes an increase or decrease in Lessor's costs or time required for performance of its obligations under this Lease, whether or not changed by the order, the Lessor shall be entitled to an amendment to the Lease providing for one or more of the following:

- (1) An adjustment of the delivery date;
- (2) An equitable adjustment in the rental rate;
- (3) A lump sum equitable adjustment; or
- (4) A change to the operating cost base, if applicable.

(c) The Lessor shall assert its right to an amendment under this clause within 30 days from the date of receipt of the change order and shall submit a proposal for adjustment. Failure to agree to any adjustment shall be a dispute under the Disputes clause. However, the pendency of an adjustment or existence of a dispute shall not excuse the Lessor from proceeding with the change as directed.

(d) Absent a written change order from the LCO, or from a Government official to whom the LCO has explicitly and in writing delegated the authority to direct changes, the Government shall not be liable to Lessor under this clause.

### 32. 552.215-70 EXAMINATION OF RECORDS BY GSA (FEB 1996)

The Contractor agrees that the Administrator of General Services or any duly authorized representative shall, until the expiration of 3 years after final payment under this contract, or of the time periods for the particular records specified in Subpart 4.7 of the Federal Acquisition Regulation (48 CFR 4.7), whichever expires earlier, have access to and the right to examine any books, documents, papers, and records of the Contractor involving transactions related to this contract or compliance with any clauses thereunder. The Contractor further agrees to include in all its subcontracts hereunder a provision to the effect that the subcontractor agrees that the Administrator of General Services or any duly authorized representatives shall, until the expiration of 3 years after final payment under the subcontract, or of the time periods for the particular records specified in Subpart 4.7 of the Federal Acquisition Regulation (48 CFR 4.7), whichever expires earlier, have access to and the right to examine any books, documents, papers, and records of such subcontractor involving transactions related to the subcontract or compliance with any clauses thereunder. The term "subcontract" as used in this clause excludes (a) purchase orders not exceeding \$100,000 and (b) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

### 33. 52.215-2 AUDIT AND RECORDS—NEGOTIATION (OCT 2010)

(Applicable to leases over the Simplified Lease Acquisition Threshold.)  
*This clause is incorporated by reference.*

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**34. 52.233-1 DISPUTES (MAY 2014)**

*This clause is incorporated by reference.*

**35. 52.222-26 EQUAL OPPORTUNITY (APR 2015)**

*This clause is incorporated by reference.*

**36. 52.222-21 PROHIBITION OF SEGREGATED FACILITIES (APR 2015)**

*This clause is incorporated by reference.*

**37. 52.219-28 POST-AWARD SMALL BUSINESS PROGRAM REREPRESENTATION (JUL 2013)**

(Applicable to leases exceeding the micro-purchase threshold.)

*This clause is incorporated by reference.*

**38. 52.222-35 EQUAL OPPORTUNITY FOR VETERANS (OCT 2015)**

(Applicable to leases \$150,000 or more, total contract value.)

(a) Definitions. As used in this clause—

"Active duty wartime or campaign badge veteran," "Armed Forces service medal veteran," "disabled veteran," "protected veteran," "qualified disabled veteran," and "recently separated veteran" have the meanings given at FAR 22.1301.

(b) Equal opportunity clause. The Contractor shall abide by the requirements of the equal opportunity clause at 41 CFR 60-300.5(a), as of March 24, 2014. This clause prohibits discrimination against qualified protected veterans, and requires affirmative action by the Contractor to employ and advance in employment qualified protected veterans.

(c) Subcontracts. The Contractor shall insert the terms of this clause in subcontracts of \$150,000 or more unless exempted by rules, regulations, or orders of the Secretary of Labor. The Contractor shall act as specified by the Director, Office of Federal Contract Compliance Programs, to enforce the terms, including action for noncompliance. Such necessary changes in language may be made as shall be appropriate to identify properly the parties and their undertakings.

**39. 52.222-36 EQUAL OPPORTUNITY FOR WORKERS WITH DISABILITIES (JUL 2014)**

(Applicable to leases over \$15,000 total contract value.)

(a) *Equal opportunity clause.* The Contractor shall abide by the requirements of the equal opportunity clause at 41 CFR 60-741.5(a), as of March 24, 2014. This clause prohibits discrimination against qualified individuals on the basis of disability, and requires affirmative action by the Contractor to employ and advance in employment qualified individuals with disabilities.

(b) *Subcontracts.* The Contractor shall include the terms of this clause in every subcontract or purchase order in excess of \$15,000 unless exempted by rules, regulations, or orders of the Secretary, so that such provisions will be binding upon each subcontractor or vendor. The Contractor shall act as specified by the Director, Office of Federal Contract Compliance Programs of the U.S. Department of Labor, to enforce the terms, including action for noncompliance. Such necessary changes in language may be made as shall be appropriate to identify properly the parties and their undertakings.

**40. 52.222-37 EMPLOYMENT REPORTS ON VETERANS (FEB 2016)**

(Applicable to leases \$150,000 or more, total contract value.)

*This clause is incorporated by reference.*

INITIALS: \_\_\_\_\_ & \_\_\_\_\_  
LESSOR GOVERNMENT

41. **52.209-6 PROTECTING THE GOVERNMENT'S INTEREST WHEN SUBCONTRACTING WITH CONTRACTORS DEBARRED, SUSPENDED, OR PROPOSED FOR DEBARMENT (OCT 2015)**  
(Applicable to leases over \$35,000 total contract value.)  
*This clause is incorporated by reference.*
42. **52.215-12 SUBCONTRACTOR CERTIFIED COST OR PRICING DATA (OCT 2010)**  
(Applicable if over \$750,000 total contract value.)  
*This clause is incorporated by reference.*
43. **52.219-8 UTILIZATION OF SMALL BUSINESS CONCERNS (OCT 2014)**  
(Applicable to leases over the Simplified Lease Acquisition Threshold.)  
*This clause is incorporated by reference.*
44. **52.219-9 SMALL BUSINESS SUBCONTRACTING PLAN (OCT 2015) ALTERNATE III (OCT 2015)**  
(Applicable to leases over \$700,000 total contract value.)  
*This clause is incorporated by reference.*
45. **52.219-16 LIQUIDATED DAMAGES—SUBCONTRACTING PLAN (JAN 1999)**  
(Applicable to leases over \$700,000 total contract value.)  
*This clause is incorporated by reference.*
46. **52.204-10 REPORTING EXECUTIVE COMPENSATION AND FIRST-TIER SUBCONTRACT AWARDS (OCT 2015)**  
(Applicable if over \$30,000 total contract value.)  
*This clause is incorporated by reference.*
47. **52.219-73 GOALS FOR SUBCONTRACTING PLAN (JUN 2005), ALTERNATE I (SEP 1999)**  
(Applicable if over \$700,000 total contract value.)  
*This clause is incorporated by reference.*

INITIALS: \_\_\_\_\_ & \_\_\_\_\_  
LESSOR GOVERNMENT

<b>ADDENDUM to the System for Award Management (SAM) REPRESENTATIONS AND CERTIFICATIONS (Acquisitions of Leasehold Interests in Real Property)</b>	Request for Lease Proposals Number	Dated
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Complete appropriate boxes, sign the form, and attach to offer.

The Offeror makes the following additional Representations. NOTE: The "Offeror," as used on this form, is the owner of the property offered, not an individual or agent representing the owner.

**1. ANNUAL REPRESENTATIONS AND CERTIFICATIONS FOR LEASEHOLD ACQUISITIONS (APR 2015)**

- (a) (1) The North American Industry Classification System (NAICS) code for this acquisition is 531120, unless the real property is self-storage (#531130), land (#531190), or residential (#531110).
- (2) The small business size standard is 38.5 Million in annual average gross revenue of the concern for the last 3 fiscal years.
- (3) The small business size standard for a concern which submits an offer in its own name, other than on a construction or service contract, but which proposes to furnish a product which it did not itself manufacture, is 500 employees.
- (b) The System for Award Management (SAM) is a centrally located, searchable database which assists in the development, maintenance, and provision of sources for future procurements. The Offeror, by signing this addendum, hereby certifies he is registered in SAM.
- Registration Active and Copy Attached

**2. 552.203-72 REPRESENTATION BY CORPORATIONS REGARDING AN UNPAID DELINQUENT FEDERAL TAX LIABILITY OR A FELONY CONVICTION UNDER ANY FEDERAL LAW (DEVIATION) (OCT 2013)**

- (a) In accordance with Sections 630 and 631 of Division of the Consolidated Appropriations Act, 2012 (Pub. L. 112-74), and Section 101 of the Continuing Appropriations Act, 2014 (Pub. L. 113-16) none of the funds made available by the Continuing Appropriations Act 2014 may be used to enter into a contract action with any corporation that---
- (1) Has any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability, where the awarding agency is aware of the unpaid tax liability, unless the agency has considered suspension or debarment of the corporation and made a determination that this further action is not necessary to protect the interests of the Government, or
- (2) Was convicted, or had an officer or agent of such corporation acting on behalf of the corporation convicted of a felony criminal violation under any Federal law within the preceding 24 months, where the awarding agency is aware of the conviction, unless the agency has considered suspension or debarment of the corporation or such officer or agent and made a determination that this action is not necessary to protect the interests of the Government.
- (b) The Contractor represents that---
- (1) It is  is not  a corporation that has any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or

- have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability.
- (2) It is  is not  a corporation that was convicted, or had an officer or agent of the corporation acting on behalf of the corporation, convicted of a felony criminal violation under any Federal law within the preceding 24 months.

**3. OFFEROR'S DUNS NUMBER**

(a) Enter number: \_\_\_\_\_

(b) An offeror may obtain a DUNS number (i) via the Internet at <http://fedgov.dnb.com/webform> or if the offeror does not have internet access, it may call Dun and Bradstreet at 1-866-705-5711 if located within the United States; or (ii) If located outside the United States, by contacting the local Dun and Bradstreet office. The offeror should indicate that it is an offeror for a U.S. Government contract when contacting the local Dun and Bradstreet office.

OFFEROR OR LEGALLY AUTHORIZED REPRESENTATIVE	NAME, ADDRESS (INCLUDING ZIP CODE)          _____ Signature	TELEPHONE NUMBER          _____ Date
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**KLAMATH FALLS CITY COUNCIL  
AGENDA REPORT**



Agenda Item No. 1c

Date: September 19, 2016

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Department: Administration	Contact/Title: Nathan Cherpeski/City Manager
Staff Presenter: Nathan Cherpeski	Telephone No.: 541-883-5316
City Manager Review:	Email: ncherpeski@klamathfalls.city

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**TOPIC:** Supervision of City Attorney and Municipal Judge

**SUMMARY AND BACKGROUND:**

By Charter, the City Attorney and Municipal Judge are appointed by City Council. The positions are also evaluated on a yearly basis by City Council and the Mayor. As part of the evaluation process, each year, the Council determines any changes to the contract or pay and benefits. The employee proposes goals for the next year and the Council and Mayor amend the employee's goals based on their priorities in the upcoming year. Because City Council has limited day to day observations with these employees, Council expressed a desire to delegate supervision of the City Attorney and Municipal Court Judge to the City Manager.

City Charter Section 22(d)(4) states that the City Manager has the power:

To appoint, supervise and remove with or without cause all appointive officers of the City of Klamath Falls and all department heads and employees except, however, the Municipal Judge and City Attorney who shall be appointed and removed by the Council at its pleasure. \* \* \* The salaries of all appointed officers, department heads and employees shall be fixed by the manager, but the Council shall set salary ranges within the individual classifications.

With Council's approval, The Charter appears to allow for the City Manager to supervise the appointed officers (Municipal Judge and City Attorney). The City Council has the sole power to appoint and remove employees in those two positions.

The attached policy outlines the role of the City Manager and the City Council.

**FINANCIAL IMPACT:**

This action has no financial impact

**COUNCIL OPTIONS:**

1. Approve the Policy on Council Appointed Employee Supervision for the City Attorney as presented.
2. Approve the Policy on Council Appointed Employee Supervision including the City Attorney and Municipal Judge.
3. Amend the proposed policy and pass as amended.
4. Decline to act at this time and give staff further direction.

**DOCUMENTS ATTACHED:**

- Policy on Council Appointed Employee Supervision – City Attorney
- Policy on Council Appointed Employee Supervision (includes the City Attorney and Municipal Judge)

**RECOMMENDED MOTION/ACTION:**

- Staff recommends Option 1 approving the Policy on Council Appointed Employee Supervision for the City Attorney as presented.

**NOTICE SENT TO:**

- N/A

## COUNCIL-APPOINTED EMPLOYEE SUPERVISION- CITY ATTORNEY

### **Current Process**

By Charter, the City Attorney and Municipal Judge are appointed by City Council. The positions are also evaluated on a yearly basis by City Council and the Mayor. As part of the evaluation process, each year, the Council determines any changes to the contract or pay and benefits. The employee proposes goals for the next year and the Council and Mayor amend the employee's goals based on their priorities in the upcoming year. Council has expressed a desire to delegate day to day supervision of the City Attorney to the City Manager.

### **City Charter**

City Charter Section 22(d)(4) states that the City Manager has the power:

To appoint, supervise and remove with or without cause all appointive officers of the City of Klamath Falls and all department heads and employees except, however, the Municipal Judge and City Attorney who shall be appointed and removed by the Council at its pleasure. \* \* \* The salaries of all appointed officers, department heads and employees shall be fixed by the manager, but the Council shall set salary ranges within the individual classifications.

The Charter allows for the City Manager to supervise the appointed officers (Municipal Judge and City Attorney) but the City Council has the sole power to appoint and remove those two positions. This policy applies to the City Attorney

### **Purpose of the Supervision and Evaluation Process**

The purpose of day to day supervision and performance evaluation process is to:

1. Facilitate communication between City Council, the Mayor, the City Manager and the appointed employee.
2. Provide a mechanism for regular evaluation.
3. Consider performance or project objectives and establish priorities for work.
4. Provide feedback to the appointed employee and identify areas where improvements may be needed.

### **Changes to Supervision**

As exempt professionals, the City Attorney only requires general supervision. In order to facilitate better communication and improved use of the resources to the community, the following changes are made to the supervision:

Activity	Authority
General Supervision	City Manager
Discipline Issues	Council with input from City Manager
Work Plans/Improvement Issues	City Manager and input from Council when necessary
Assignments – Other Work	City Manager

The City Manager provides general supervision and when performance issues arise, the City Manager has the ability to address the issues with work and improvement plans. The City Manager will solicit input from Council when establishing any work improvement plan. City Council may have other concerns, and the City Manager will consider the Council's concerns and address with the appointed employees.

The City Manager may assign other work that is not currently in the appointed employee's job description. The City Manager will discuss any major on-going assignment with Council prior to making the assignment permanent.

Regardless, it is important for the City Attorney to retain autonomy for his/her legal advice. These changes to supervision are intended to retain the appointed employee's autonomy.

### **Changes to Goal Setting**

Similar to the current process, the appointed employee will propose priorities for the next year. With input from the City Manager, the City Council and the Mayor may amend the employee's priorities.

After the priorities are set, the appointed employee and City Manager may set annual specific goals, consistent with City Council priorities for the employee. The appointed employee may meet as often as needed to discuss City Council priorities and more specific goals. These meetings are intended to facilitate communication with the City Manager and to discuss feedback and performance.

Activity	Authority
Setting Priorities	Council and input from City Manager
Setting Goals	City Manager (consistent with Council priorities)

### **Changes to Evaluation Procedure**

To accomplish the purposes listed in the supervision and evaluation processes, the following procedure will be used. In July, the appointed employee will perform a self-evaluation and set priorities and goals for the next year. The City Manager will obtain input from City Council and others, as needed, about the employee's past performance.

Based on the appointed employee's performance and consistent with the non-represented employee's pay for performance policies, the City Manager will recommend salary increases for the appointed employee to the City Council.

The City Manager will provide the annual evaluation to the appointed employee. The appointed employee may meet with the City Manager and City Council to discuss the evaluation or the priorities for the next year.

Activity	Authority
Annual Evaluation	City Manager and input from Councilors
Salary	Council and recommendation from City Manager
Hiring/Termination	City Council

## COUNCIL-APPOINTED EMPLOYEE SUPERVISION

### **Current Process**

By Charter, the City Attorney and Municipal Judge are appointed by City Council. The positions are also evaluated on a yearly basis by City Council and the Mayor. As part of the evaluation process, each year, the Council determines any changes to the contract or pay and benefits. The employee proposes goals for the next year and the Council and Mayor amend the employee's goals based on their priorities in the upcoming year. Council has expressed a desire to delegate day to day supervision of the City Attorney to the City Manager.

### **City Charter**

City Charter Section 22(d)(4) states that the City Manager has the power:

To appoint, supervise and remove with or without cause all appointive officers of the City of Klamath Falls and all department heads and employees except, however, the Municipal Judge and City Attorney who shall be appointed and removed by the Council at its pleasure. \* \* \* The salaries of all appointed officers, department heads and employees shall be fixed by the manager, but the Council shall set salary ranges within the individual classifications.

The Charter allows for the City Manager to supervise the appointed officers (Municipal Judge and City Attorney) but the City Council has the sole power to appoint and remove those two positions.

### **Purpose of the Supervision and Evaluation Process**

The purpose of day to day supervision and performance evaluation process is to:

1. Facilitate communication between City Council, the Mayor, the City Manager and the appointed employee.
2. Provide a mechanism for regular evaluation.
3. Consider performance or project objectives and establish priorities for work.
4. Provide feedback to the appointed employee and identify areas where improvements may be needed.

### **Changes to Supervision**

As exempt professionals, the City Attorney and Municipal Judge only require general supervision. In order to facilitate better communication and improved use of the resources to the community, the following changes are made to the supervision:

Activity	Authority
General Supervision	City Manager
Discipline Issues	Council with input from City Manager
Work Plans/Improvement Issues	City Manager and input from Council when necessary
Assignments – Other Work	City Manager

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The City Manager provides general supervision and when performance issues arise, the City Manager has the ability to address the issues with work and improvement plans. The City Manager will solicit input from Council when establishing any work improvement plan. City Council may have other concerns, and the City Manager will consider the Council's concerns and address with the appointed employees.

The City Manager may assign other work that is not currently in the appointed employee's job description. The City Manager will discuss any major on-going assignment with Council prior to making the assignment permanent.

Regardless, it is important for the City Attorney to retain autonomy for his/her legal advice. It is also important for the Municipal Judge to retain autonomy for his/her judicial decisions. These changes to supervision are intended to retain the appointed employee's autonomy.

**Changes to Goal Setting**

Similar to the current process, the appointed employee will propose priorities for the next year. With input from the City Manager, the City Council and the Mayor may amend the employee's priorities.

After the priorities are set, the appointed employee and City Manager may set annual specific goals, consistent with City Council priorities for the employee. The appointed employee may meet as often as needed to discuss City Council priorities and more specific goals. These meetings are intended to facilitate communication with the City Manager and to discuss feedback and performance.

Activity	Authority
Setting Priorities	Council and input from City Manager
Setting Goals	City Manager (consistent with Council priorities)

**Changes to Evaluation Procedure**

To accomplish the purposes listed in the supervision and evaluation processes, the following procedure will be used. In July, the appointed employee will perform a self-evaluation and set priorities and goals for the next year. The City Manager will obtain input from City Council and others, as needed, about the employee's past performance.

Based on the appointed employee's performance and consistent with the non-represented employee's pay for performance policies, the City Manager will recommend salary increases for the appointed employee to the City Council.

The City Manager will provide the annual evaluation to the appointed employee. The appointed employee may meet with the City Manager and City Council to discuss the evaluation or the priorities for the next year.

Activity	Authority
Annual Evaluation	City Manager and input from Councilors
Salary	Council and recommendation from City Manager
Hiring/Termination	City Council

# KLAMATH FALLS CITY COUNCIL AGENDA REPORT



Agenda Item No. 2

Date: September 19, 2016

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Department: Airport

Staff Presenter: John Barsalou

City Manager Review: 

Contact/Title: John Barsalou/Airport Director

Telephone No.: (541) 883-5373

Email: jbarsalou@flykfalls.com

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**TOPIC:** Authorization for Airport to Submit Critical Oregon Airport Relief (COAR) Grant Application to the Oregon Department of Aviation (ODA)

## SUMMARY AND BACKGROUND:

In 2015, the Oregon State Legislature passed House Bill 2075 to increase the fuel tax on Aviation Gas (AV Gas) and Jet Fuel by .02 cents per gallon to invest in aviation for specific purposes resulting in the Aviation System Action Program (ASAP) Fund.

Fifty percent of the amounts from the fuel tax increase were allocated to the Critical Oregon Airport Relief (COAR) Program and distributed for the following purposes:

- To assist airports in Oregon with match requirements for Federal Aviation Administration (FAA) Airport Improvement Program grants.
- To make grants for emergency preparedness and infrastructure projects, in accordance with the Oregon Resilience Plan, including seismic studies, emergency generators, etc.
- To make grants for:
  1. Services critical or essential to aviation including, but not limited to, fuel, sewer, water and weather equipment.
  2. Aviation-related business development including, but not limited to, hangars, parking for business aircraft and related facilities.
  3. Airport development for local economic benefit including, but not limited to, signs and marketing.

The COAR grant has a maximum of \$150,000 request per Airport per year. Therefore, the Airport proposes to submit a grant application with a total project cost not to exceed \$150,000 which would be for the following projects:

- Refurbish/Update wayfinding roadway signage near the Airport Terminal Building and road signs directing the public to and around the Airport. The wayfinding signage is 15-18 years old and out of date, hard to read and are in need of repair. Approximately 10-15 truck drivers per week stop in the office to ask for directions to the Guard, the Terminal Building, the Fixed Base Operator (FBO) or other tenants. This wastes staff time, resources, fuel, creates potential for lost or undelivered packages, and creates a frustrated and dissatisfied public.

- Refurbish/Update the moniker (water fall) sign to reflect the new Airport name from “Klamath Falls Airport” to the “Crater Lake – Klamath Regional Airport.”
- The addition/modification of Airport related directional signage city-wide.

Grant applications became available on September 8<sup>th</sup> and the deadline for submittal is October 14<sup>th</sup>. Ordinarily Airport Staff would present a completed grant application for Council’s approval at the October 3<sup>rd</sup> Council meeting. However, the start of air service on October 5<sup>th</sup> is currently the number one priority for staff and a completed COAR grant application is not expected until the week of October 10<sup>th</sup>. Staff is asking for approval to submit the grant application based on the general framework outlined above (not to exceed \$150,000) and will provide Council with the completed grant application and explanation memo on or shortly after October 17<sup>th</sup>.

**FINANCIAL IMPACT:**

The COAR Grant has a match requirement of 35% for Other Commercial Non-Primary airports (less than 10,000 enplanements). This would equate to a maximum match of \$54,000 for the airport’s application.

**COUNCIL OPTIONS:**

- 1) Authorize staff to Apply for Grant, and accept if offered
- 2) Direct staff to revise Grant Application
- 3) Decline to approve Grant Application

**DOCUMENTS ATTACHED:**

N/A

**RECOMMENDED MOTION/ACTION:**

Staff Recommends Option 1, Move to Authorize Airport Staff to Submit Critical Oregon Airport Relief (COAR) Grant Application to the Oregon Department of Aviation (ODA), and to Accept the Grant, if offered.

**NOTICE SENT TO:**

N/A

**KLAMATH FALLS CITY COUNCIL  
AGENDA REPORT**



Agenda Item No. 3

Date: September 19, 2016

Division: Finance

Staff Presenter: Geoff LeGault

City Manager Review: *GL*

Contact/Title: Geoff LeGault / Senior Accountant

Telephone No.: 541-883-5327

Email: [glegault@klamathfalls.city](mailto:glegault@klamathfalls.city)

**TOPIC:** Resolution to Amend Resolution No. 16-12 to Limit the City's Investment in the Oregon Local Government Intermediate Fund (OLGIF) and to Delegate Authority to the City Manager

**SUMMARY AND BACKGROUND:**

On August 1, 2016, the Council adopted Resolution 16-12 that amended the City's investment policy and approved the City's participation in the Oregon Local Government Intermediate Fund (OLGIF).

As part of the qualification process, the City submitted the amended investment policy to the OLGIF for review by the Oregon Short Term Fund Board. OLGIF requested that we add the following to section 10.1.4 (Exposure Constraints & Minimum Credit Ratings, Diversification and Credit Exposure Constraints) of our policy:

<b>Issue Type</b>	<b>Maximum % Holdings</b>	<b>Minimum Ratings Moody's / S&amp;P / Fitch</b>
<i>Oregon Local Government Intermediate Fund (OLGIF)</i>	<i>20% of OLGIF's holdings</i>	<i>Investment grade</i>

We also request that for future minor investment policy amendments that are mandated by the state, such as this one, that the City Manager have authority to approve those amendments and a summary update of those amendments will then be presented to Council with the quarterly Investment Report and Disclosure.

**FINANCIAL IMPACT:**

N/A

**COUNCIL OPTIONS:**

- Approve the proposed resolution
- Reject the proposed resolution and not participate in OLGIF

**DOCUMENTS ATTACHED:**

- Proposed Resolution

**RECOMMENDED MOTION/ACTION:**

- Move to introduce the Resolution by title
- Move to approve the Resolution

**NOTICE SENT TO:**

N/A

**RESOLUTION TO AMEND RESOLUTION NO. 16-12 TO LIMIT THE CITY'S INVESTMENT IN THE OREGON LOCAL GOVERNMENT INTERMEDIATE FUND (OLGIF) AND TO DELEGATE AUTHORITY TO THE CITY MANAGER**

**WHEREAS**, on August 1, 2016 and February 3, 2014, the City Council amended the City's Investment Policies that it adopted on July 16, 2012 and rescinded Resolution 12-23 and Resolution 05-36 and Resolution 99-21;

**WHEREAS**, the Resolution requires staff to submit the Investment Policies annually to Council for review;

**WHEREAS**, Oregon Local Government Intermediate Fund (OLGIF) requested that we amend Section 10.1.4 of our Investment Policies to limit our investment to a 20% maximum of OLGIF's holdings; and

**WHEREAS**, Council believes that for future minor investment policy amendments that are mandated by the state, the City Manager can approve those amendments and a summary update of those amendments will be presented to Council with the quarterly Investment Report and Disclosure; NOW, THEREFORE,

**THE CITY OF KLAMATH FALLS RESOLVES AS FOLLOWS:**

**Section 1.**

The Klamath Falls City Council hereby amends the Investment Policy attached to this Resolution as Exhibit A.

**Section 2.**

This Resolution shall become effective immediately upon enactment.

Passed by the Council of the City of Klamath Falls, Oregon, the 19th day of September, 2016.

Presented to the Mayor, approved and signed this 20<sup>th</sup> day of September, 2016.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Recorder

STATE OF OREGON                    )  
COUNTY OF KLAMATH            )ss.  
CITY OF KLAMATH FALLS        )

I, \_\_\_\_\_, Recorder for the City of Klamath Falls, Oregon, do hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the Council of the City of Klamath Falls, Oregon, at the meeting held on the 19<sup>th</sup> day of September 2016, and thereafter approved and signed by the Mayor and attested by the City Recorder.

\_\_\_\_\_  
City Recorder

Exhibit "A"

Investment Policies

Adopted by Council: 7/16/2012  
Amended: February 3, 2014 and August 1, 2016

**INVESTMENTS**

Resolution No. 16-\_\_

(Rescinds Resolution Nos. 16-12, 14-06, 12-23, 05-36, 99-21, 94-34 and 2485)

Dated: September 19, 2016

**1. Purpose**

This Investment Policy defines the parameters within which funds are to be invested by the City of Klamath Falls, a municipal corporation ("City"). This policy also formalizes the framework, pursuant to ORS 294.135, for the City's investment activities to ensure effective and judicious management of funds within the scope of this policy.

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

**2. Governing Authority**

The City's investment program shall be operated in conformance with Oregon Revised Statutes and applicable Federal Law. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of this policy are subject to regulations established by the state of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

**3. Scope**

This policy applies to activities of the City with regard to investing the financial assets of operating funds, capital funds, bond proceeds and bond reserve funds. Investments of employees' retirement funds, deferred compensation plans, and other funds are not covered by this policy. The amount of funds falling within the scope of this policy over the next three years is expected to range between \$10 million and \$35 million.

**4. General Objectives.**

The primary objectives, in priority order, of investment activities shall be:

**4.1. Preservation of Invested Capital**

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

#### **4.2. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in the Oregon Short Term Fund which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so that investments mature concurrent with anticipated demands.

#### **4.3. Return**

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity

### **5. Standards of Care**

#### **5.1. Prudence.**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

The "prudent person" standard states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

#### **5.2. Ethics and Conflicts of Interest.**

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

### **6. Delegation of Authority and Responsibilities**

#### **6.1. Governing Body**

The Klamath Falls City Council ("City Council") will retain ultimate fiduciary responsibility

for invested funds. The governing body will receive reports, pursuant to, and with sufficient detail to comply with ORS 294.085 and 294.155.

## **6.2. Delegation of Authority**

Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to the City Manager or his/her designee, hereinafter referred to as Investment Officer, and derived from the following: ORS 294.035 to 294.053, 294.125 to 294.145, and 294.810.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

## **6.3. Investment Committee**

The Investment Officer may seek to establish an investment committee to provide guidance to the Investment Officer and monitor investment policy compliance.

## **6.4. Investment Adviser**

The Investment Officer may engage the services of one or more external investment managers to assist in the management of the entity's investment portfolio in a manner consistent with this investment policy. Investment advisers may be hired on a non-discretionary basis. All investment transactions by approved investment advisers must be pre-approved in writing by the Investment Officer and compliant with this Investment Policy. If the City hires an investment adviser to provide investment management services, the adviser is authorized to transact with its direct dealer relationships on behalf of the City.

## **7. Transaction Counterparties, Investment Advisers and Depositories**

### **7.1. Broker/Dealers**

The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives.

The following minimum criteria must be met prior to authorizing investment transactions. The Investment Officer may impose more stringent criteria.

#### **7.1.1. Broker/Dealer firms must meet the following minimum criteria:**

- Be registered with the Securities and Exchange Commission (SEC);
- Be registered with the Financial Industry Regulatory Authority (FINRA);
- Provide most recent audited financials; and
- Provide FINRA Focus Report filings.

7.1.2. Approved broker/dealer employees who execute transactions with the City must meet the following minimum criteria:

- Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
- Be licensed by the state of Oregon;
- Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this investment policy.

7.1.3. The Investment Officer may want to establish policy for engaging broker/dealer firms and registered representatives that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:

- Positive references from at least three other local government clients.
- As part of the periodic due diligence review, inquiries with other local government clients with regard to their recent experiences with broker/dealer firms or registered representatives and any change in relationship status.
- Requirement that approved registered representatives provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.
- Requirement that prospective registered representatives have an established history of advising local governments with similar amounts of assets under management.

7.1.4. Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Factors to consider would be:

- Pending investigations by securities regulators.
- Significant changes in net capital.
- Pending customer arbitration cases.
- Regulatory enforcement actions.

## 7.2. Direct Issuers

Obligations that are permitted for purchase by this policy may be purchased directly from the issuer.

## 7.3. Investment Advisers

A list will be maintained of approved advisers selected by conducting a process of due diligence.

7.3.1. The following items are required for all approved Investment Advisers:

- The investment adviser firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon; (Note: Investment adviser firms with assets under management > \$100 million must be registered with the SEC; otherwise the firm must be licensed by the state of Oregon)
- All investment adviser firm representatives conducting investment transactions on

behalf of the City of Klamath Falls must be registered representatives with FINRA;

- All investment adviser firm representatives conducting investment transactions on behalf of the City must be licensed by the state of Oregon;
- Certification, by all of the adviser representatives conducting investment transactions on behalf of this entity, of having read, understood and agreed to comply with this investment policy.

7.3.2. A periodic (at least annual) review of all authorized investment advisers will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. Factors to consider would be:

- Pending investigations by securities regulators.
- Significant changes in net capital.
- Pending customer arbitration cases.
- Regulatory enforcement actions.

7.3.3. The Investment Officer may want to establish guidelines or policy for engaging investment advisers' services that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:

- Positive references from at least three other local government clients of a prospective investment adviser firm.
- As part of the periodic due diligence review, inquiries with other local government clients of approved investment advisers with regard to their recent experiences with the adviser and any change in the relationship status.
- Requirement that approved investment advisers provide notification within 30 days of a relationship termination by an Oregon based local government.
- Requirement that approved investment adviser provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators.
- Requirement that prospective investment advisers have an established history of advising local governments with similar amounts of assets under management.

#### **7.4. Depositories**

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295. The City Council encourages investing funds locally, whenever reasonable, prudent and in accordance with this policy.

#### **7.5. Competitive Transactions**

7.5.1. The Investment Officer shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

7.5.2. In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, then the Investment Officer shall document

quotations for comparable or alternative securities.

7.5.3. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities as the same original issue price. However, the Investment Officer is encouraged to document quotations on comparable securities.

7.5.4. If an investment adviser provides investment management services, the adviser must retain documentation of competitive pricing execution on each transaction and provide upon request.

## **8. Administration and Operations**

### **8.1. Delivery vs. Payment**

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure that securities are deposited in the City's safekeeping institution prior to the release of funds.

### **8.2. Third-Party Safekeeping**

Securities will be held by an independent third-party safekeeping institution selected by the City. All securities will be evidenced by safekeeping receipts in the City name. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

### **8.3. Internal Controls.**

The Investment Officer and City Council are responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure that invested funds are invested within the parameters of this investment policy and, protected from loss, theft or misuse. Specifics for the internal controls shall be documented in writing. The established control structure shall be reviewed and updated periodically by the Investment Officer. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points at a minimum:

- Compliance with Investment Policy
- Control of collusion.
- Separation of transaction authority from accounting and record keeping.
- Custodial safekeeping.
- Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary.
- Clear delegation of authority to subordinate staff members.
- Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form.
- Dual authorizations of wire and automated clearing house (ACH) transfers
- Staff training

- Review, maintenance and monitoring of security procedures both manual and automated.

An external auditor shall provide an annual independent review to assure compliance with Oregon state law and the City policies and procedures.

## 9. Suitable and Authorized Investments

### 9.1. Permitted Investments

The following investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810.

- US Treasury Obligations: U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the timely payment of principal and interest.
- US Agency Obligations: Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE).
- Oregon Short Term Fund.
- Oregon Local Government Intermediate Fund (OLGIF)(8/1/16 addition)
- Corporate Indebtedness
- Commercial Paper issued under the authority of section 3(a)2 or 3(a)3 of the Securities Act of 1933.
- Corporate Bonds
- Repurchase Agreements
- Municipal Debt
- Bankers Acceptances
- Certificates of Deposit. Qualified Institution Time Deposits/Savings Accounts/Certificates of Deposit.

### 9.2. Approval of Permitted Investments

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this Policy has been amended and the amended version adopted by the City.

### 9.3. Prohibited Investments

#### 9.3.1. Private Placement or "144A" Securities

Private placement or "144A" securities are not allowed. "144A" securities include commercial paper issued under section 4(2)144A (also known as "4(2)A") of the Securities Act of 1933.

#### 9.3.2. US Agency Mortgage-backed Securities

US agency mortgage-backed securities such as those securities by FNMA and FHLMC are not allowed.

#### 9.3.3. Securities Lending and Reverse Repurchase Agreements

The City shall not lend securities nor directly participate in a securities lending or reverse

repurchase program.

#### 9.4. Bank Demand Deposits and Time Deposits

- 9.4.1. All bank demand deposits and time deposits (Examples of time deposits are: certificates of deposit and savings accounts) shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.
- 9.4.2. Bank demand deposits in qualified depository institutions are considered cash vehicles and not investments and are therefore outside the scope and restrictions of this policy. Pursuant to ORS 294.035(3)(d), time deposits, certificates of deposit and savings accounts are considered investments and within the scope of this policy.

#### 9.5. Repurchase Agreements

- 9.5.1. ORS 294.035 (3)(j) requires repurchase agreement collateral to be limited in maturity to three years and priced according to percentages prescribed by written policy of the Oregon Investment Council or the Oregon Short Term Fund Board.
- 9.5.2. ORS 294.135 (2) limits the maximum term of any repurchase agreement to 90 days.
- 9.5.3. On March 12, 1996, the OSTF Board adopted the following margins:
- US Treasury Securities: 102%
  - US Agency Discount and Coupon Securities: 102%
  - Mortgage Backed and Other\*: 103%
- \*Limited to those securities described in ORS 294.035(1)

### 10. Investment Parameters

#### 10.1. Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

##### 10.1.1. Diversification

It is the policy of the City to diversify its investments by instrument/investment and by depository. Where appropriate, exposures will be limited by security type; maturity; issuance, issuer, and security type, Allowed security types and investment exposure limitations are detailed in the table below.

##### 10.1.2. Investment Recognized Credit Ratings

Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations (NRSRO): Moody's Investors Service; Standard & Poor's; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.

**10.1.3. Portfolio Average Credit Rating**

The minimum weighted average credit rating of the portfolio's rated investments shall be Aa/AA/AA by Moody's Investors Service; Standard & Poor's; and Fitch Ratings Service respectively.

**10.1.4. Exposure Constraints and Minimum Credit Ratings, Diversification and Credit Exposure Constraints.**

The following table limits exposures among investments permitted by this policy.

Issue Type	Maximum % Holdings	Minimum Ratings Moody's / S&P / Fitch
US Treasury Obligations	100%	None
US Agency Securities	100%	-
Per Agency (Senior Obligations Only)	33%	-
Oregon Short Term Fund	Maximum allowed per ORS 294.810	-
<i>Oregon Local Government Intermediate Fund (OLGIF)</i>	<i>20% of OLGIF's holdings</i>	<i>Investment grade</i>
Bankers' Acceptances	25% <sup>(1)</sup>	A1+/P1/F1+
Bank Time Deposits/Savings Accounts/Certificates of Deposit <sup>(2)</sup>	50%	-
Per Institution	25%	
Repurchase Agreements	5%	-
Corporate Debt (Total)	15% <sup>(3)</sup>	-
Corporate Commercial Paper	15% <sup>(3)</sup>	
Per Issuer	2.5% <sup>(4)</sup>	A1/P1/F1
Corporate Bonds	10% <sup>(3)</sup>	
Per Issuer	2.5% <sup>(4)</sup>	Aa/AA/AA

<sup>(1)</sup>25% Maximum per ORS 294.035(D)

<sup>(2)</sup>As authorized by ORS 294.035(3)(d)

<sup>(3)</sup>35% Maximum per ORS 294.035(D)

<sup>(4)</sup>5% Maximum per ORS 294.035(D)

**10.1.5. Restriction on Issuers With Prior Default History**

Per ORS 294.040, the bonds of issuers listed in ORS 294.035 (3)(a) to (c) may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, school district or city, for a period of five years next preceding the date of the investment.

**10.2. Liquidity Risk**

Liquidity risk is the risk that an investment may not be easily marketable or redeemable. The following strategies will be employed to mitigate liquidity risks:

10.2.1. The value of at least 25% of funds available for investing or three months of

budgeted operating expenditures will be invested in the Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than 90 days to provide sufficient liquidity for expected disbursements.

10.2.2. Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. However, longer-term investments tend to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

**Total Portfolio Maturity Constraints:**

<b>Maturity Constraints</b>	<b>Minimum % of Total Portfolio</b>
Under 90 days	25% or three months Estimated Operating Expenditures
Under 1 year	50%
Under 3 year	100%

10.2.3. Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

10.2.4. Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporate or municipal debt bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity.

10.2.5. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance.

<b>Issue Type</b>	<b>Maximum % of Issuance* (Par)</b>
US Agency Securities	50%
Corporate Debt (Total)	-
Corporate Commercial Paper	100%
Corporate Bonds	25%
Municipal Bonds	25%

\*The par amount issued under a single CUSIP.

**10.3. Interest Rate Risk**

Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. Certain types of securities, including variable rate securities, securities with principal pay-downs prior to maturity, and securities

with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

- 10.3.1. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.
- 10.3.2. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate re-investment risk.
- 10.3.3. No commitments to buy or sell securities may be made more than 14 days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.
- 10.3.4. The maximum percent of callable securities in the portfolio shall be 10%;
- 10.3.5. The maximum stated final maturity of individual securities in the portfolio shall be three years, except as otherwise stated in this policy.
- 10.3.6. The maximum portfolio average maturity (measured with stated final maturity) shall be 1.5 years.

## **11. Investment of Proceeds from Debt Issuance**

- 11.1. Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.
- 11.2. Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 are not subject to this policy's liquidity risk constraints within section IX (2).

## **12. Investment of Reserve or Capital Improvement Funds**

Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the City Council, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

## **13. Guideline Measurement and Adherence**

### **13.1. Guideline Measurement**

Guideline measurements will use market value of investments.

## 13.2. **Guideline Compliance:**

13.2.1. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.

13.2.2. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the City Council.

13.2.3. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

## 14. **Reporting and Disclosure**

### 14.1. **Compliance**

The Investment Officer shall prepare a report at least quarterly that allows the City Council to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Council. The report will include, at a minimum, the following:

- A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable).
- Average maturity of the portfolio at period-end.
- Maturity distribution of the portfolio at period-end.
- Average portfolio credit quality of the portfolio at period-end.
- Average weighted yield to maturity (yield to worst if callable investments are allowed) of the portfolio.
- Distribution by type of investment.
- Transactions since last report.
- Distribution of transactions among financial counterparties such as broker/dealers.
- Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

### 14.2. **Performance Standards/ Evaluation**

At least annually, the Investment Officer shall report comparisons of investment returns to relevant alternative investments and comparative Bond Indexes. The performance of the portfolio should be compared to the performance of alternative investments such as available certificates of deposit; the Oregon Short Term Fund; US Treasury rates; or against one or bond indices with a similar risk profile (e.g., Bond indexes comprised high grade investments

and maximum maturities of three years). The City will use the 3-Month Treasury Bill as a performance measure for investments. The 3-month Treasury Bill reflects the yield of a basically risk-free and liquid investment; therefore, the return on any investment made by the City should exceed the 3-month Treasury Bill.

When comparing performance, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.

**14.3. Marking to Market.**

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

**14.4. Audits**

Management shall establish an annual process of independent review by the external auditor to assure compliance with internal controls. Such audit will include tests deemed appropriate by the auditor.

**15. Policy Maintenance and Considerations**

**15.1. Review**

The investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends. The annual report should also serve as a venue to suggest policies and improvements to the investment program, and shall include an investment plan for the coming year.

**15.2. Exemptions**

Any investment held prior to the adoption of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested as provided by this policy.

**15.3. Policy Adoption and Amendments**

This investment policy and any substantial modifications to this policy must be formally approved in writing by the City Council. This policy must be submitted to the Oregon Short Term Fund (OSTF) Board for review if:

15.3.1. This policy allows maturities beyond 18 months unless the funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the City Council, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3)); and

15.3.2. This policy has never been submitted to the OSTF Board for comment or material changes have been made since the last review by the OSTF Board.

**KLAMATH FALLS CITY COUNCIL  
AGENDA REPORT**



Agenda Item No. 4

Date: September 19, 2016

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Department: Administration	Contact/Title: Joe Wall / Management Assistant
Staff Presenter: Joe Wall	Telephone No.: 541-883-5272
City Manager Review: 	Email: jwall@klamathfalls.city

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**TOPIC:** Resolution to Authorize Exemption from Solicitation for Pool Resurfacing Contracts

**SUMMARY AND BACKGROUND:**

Since taking operational control of the Ella Redkey Pool in April, 2013 the City has undertaken numerous small improvements and maintenance projects to ensure the pool's continuing viability. To supplement needed and larger improvement costs, the City applied for, and received \$115,611 in Oregon Parks and Recreation Department (OPRD) Local Government Grant funding in October 2014.

To date, \$16,289 in grant funding has been used to order heat-saving pool blankets which are installed, and in use.

Remaining grant funding is targeted to remove and replace the pool's plaster surfacing which is approximately 25 years old and, although well maintained, is nearing the end of its useful life. The City has been seeking a qualified contractor to complete this work and to install new ceramic tiling and reset and replace the pool's surrounding concrete coping. Pictures of the pool's plaster surface, waterline tiling, and concrete coping tiles are attached.

To solicit interested contractors, bid document availability was published in the May 23, 2016 Oregon Daily Journal of Commerce, posted on the City's Website, and shared with regional pool contractors. One individual attended the mandatory on-site, pre-bid meeting while zero submittals were received by the June 16, 2016 bid deadline.

As the City received no bid submittals through its initial solicitation, project work cannot be completed, and an alternate contractor selection approach is recommended. Due to past difficulty reaching out to, coordinating with, and receiving interest and responses from pool contractors, staff recommends exempting pool resurfacing contracts from solicitation and appointing a contractor directly.

Per the City's Public Contracting Rules, after a hearing, City Council can exempt a specific class of contracts from solicitation when Council adopts findings to support "substantial cost savings, enhancement in quality or performance or other public benefit anticipated" and that it would be

“unlikely to encourage favoritism or diminish competition ... or substantially promote the public interest in a manner that could not practically be realized by complying with the solicitation requirements.”

Dependent on Council approval, staff intends to work with the selected contractor through fall and winter months with actual project work commencing in spring 2017. This time, instead of advertising for and requiring project work completion during busier summer months, staff desires to work with a selected contractor during slower work months and have the contractor ready to begin work at the start of the 2017 construction season and prior to them booking out their project schedules. As soon as and if Council approves the exemption from solicitation, staff will begin working with a contractor to establish price and scheduling details.

As required by the City's Public Contracting Rules, this hearing was advertised in the Daily Journal of Commerce on September 2, 2016.

If approved, this Contract would still be a prevailing wage project and all bonds and state requirements would still apply.

**FINANCIAL IMPACT:**

The 2016-2021 Annual Facilities Plan/Capital Improvement Program allocates \$160,000 in the Parks Division's 2017 Budget for Ella Redkey Pool resurfacing.

Approximately \$99,000 in remaining grant funding is available for project work, with any overage funded by the City and through the allocated \$160,000 resurfacing budget.

In order to better estimate project costs, staff reached out to numerous pool contractors when writing the OPRD grant and received a preliminary \$130,000 work estimate from Northwest Pools of Redding, CA. As it's been difficult to receive more current and detailed cost estimates from pool contractors, and incorporative of prevailing wage rates, current cost estimates are unavailable. Any construction contract will however come back to City Council for approval and Council will be updated with cost estimates as negotiations with the selected contractor move forward.

**COUNCIL OPTIONS:**

1. Authorize exemption from solicitation for pool resurfacing contracts, and approve the proposed resolution.
2. Deny exemption from solicitation for pool resurfacing contracts and direct staff.

**DOCUMENTS ATTACHED:**

- Pool Photos and Diagrams
- Proposed Resolution

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**RECOMMENDED MOTION/ACTION:**

- Hold a public hearing
- Move to introduce the Resolution by title
- Move to approve the Resolution

**NOTICE SENT TO:**

- N/A

# Ella Redkey Pool Resurfacing - Exhibit Figures



Figure 1 Pool Visual

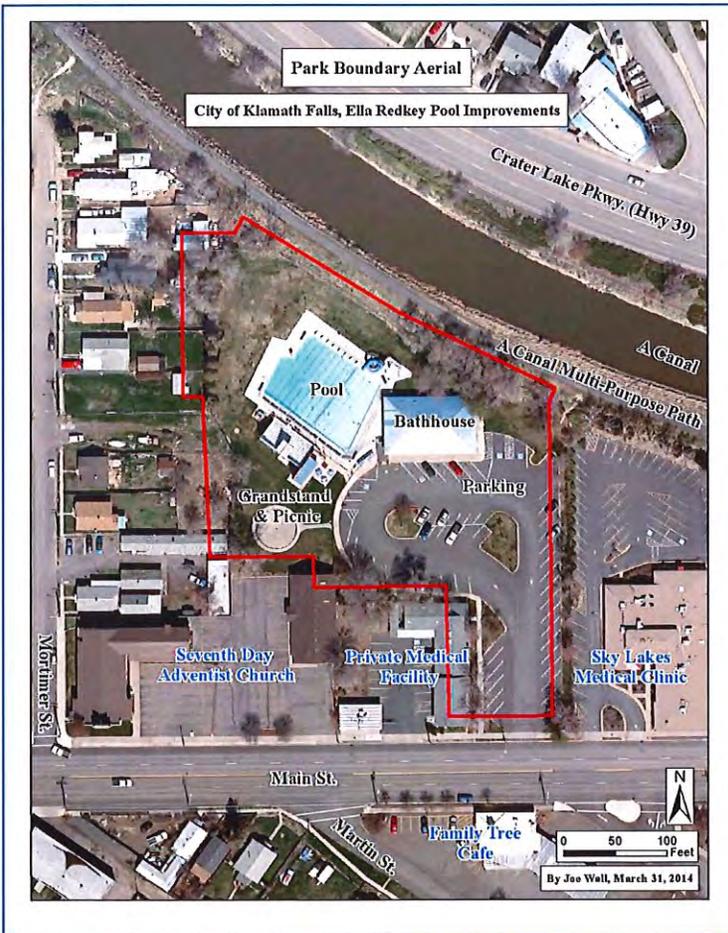


Figure 2 Site Plan



Figure 3 Existing Lane Markers (paint instead of tile)



Figure 4 Waterline Tiling



Figure 5 Existing Concrete Coping Tile

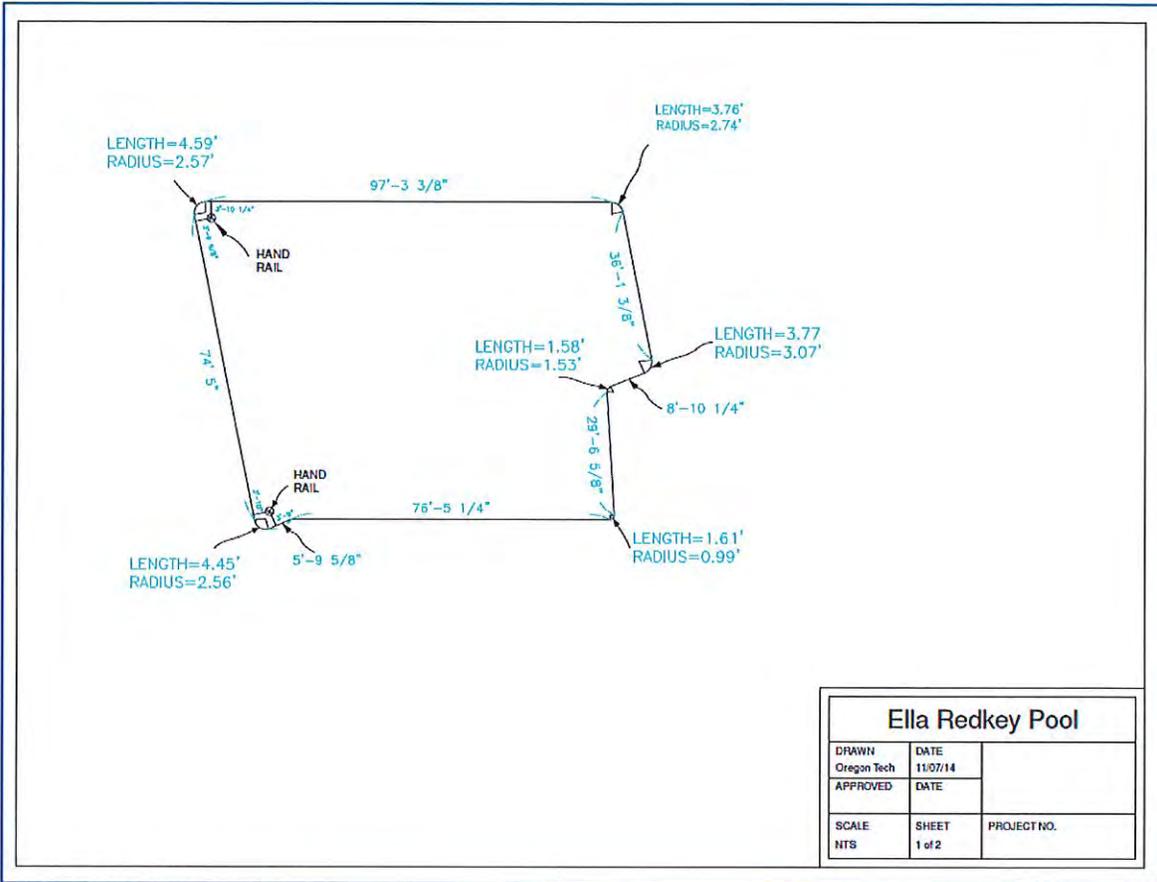


Figure 6 Pool Dimensions

**RESOLUTION NO. 16- \_\_\_\_**

**RESOLUTION AUTHORIZING AN EXEMPTION FROM SOLICITATION  
FOR POOL RESURFACING CONTRACTS**

**WHEREAS**, the City has continually maintained and improved the Ella Redkey Pool since assuming operational control in April 2013;

**WHEREAS**, the Pool's plaster surfacing has aged and is nearing the end of its useful life;

**WHEREAS**, the City is seeking a qualified contractor to complete pool resurfacing work;

**WHEREAS**, the City published bid documents to solicit contractor interest in May, 2016 and received no submittals by the bid deadline;

**WHEREAS**, City staff believes appointing a contractor directly and not reissuing bid documents will facilitate pool resurfacing work;

**WHEREAS**, the City published a Notice of Exemption from Competitive Bidding in the Daily Journal of Commerce on September 2, 2016 to meet City Code requirements; and

**WHEREAS**, per City Public Contracting Rules, after a hearing, City Council can exempt a specific class of contracts from solicitation when Council adopts findings to support "substantial cost savings, enhancement in quality or performance or other public benefit anticipated" and that it would be "unlikely to encourage favoritism or diminish competition ... or substantially promote the public interest in a manner that could not practically be realized by complying with the solicitation requirements.;" **NOW, THEREFORE,**

**THE CITY OF KLAMATH FALLS RESOLVES AS FOLLOWS:**

**Section 1.**

The Klamath Falls City Council hereby authorizes an exemption from solicitation for pool resurfacing contracts.

**Section 2.**

This Resolution shall become effective immediately upon enactment.

Passed by the Council of the City of Klamath Falls, Oregon the 19<sup>th</sup> day of September, 2016.

Presented to the Mayor, approved and signed this \_\_\_\_ day of \_\_\_\_, 2016.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Recorder

STATE OF OREGON                    )  
COUNTY OF KLAMATH               ) ss.  
CITY OF KLAMATH FALLS            )

I, \_\_\_\_\_ City Recorder for the City of Klamath Falls, Oregon, hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the Council of the City of Klamath Falls, Oregon, at the regular meeting held on the 19<sup>th</sup> day of September, 2016, and thereafter approved and signed by the Mayor and attested to by the City Recorder.

\_\_\_\_\_  
City Recorder

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