

MEMORANDUM

TO: Board of Directors of Crestline Village Water District

FROM: Ronald A. Van Blarcom, General Counsel

RE: Proposal to enter a new Legal Services Engagement Agreement

DATE: November 10, 2021

It has been my pleasure to serve as the General Counsel to Crestline Village Water District for approximately 30 years (I can't remember if I started in April 1991 or 1992). For the last 12 years or so, the month of November has been the time that the Board reviews our legal services engagement agreement and determines whether to proceed under the same arrangement for the coming year.

I have no intention to resign or retire (although I serve at the pleasure of the Board – so that is up to your Board). However, this year I am proposing changes to our engagement agreement as summarized below.

Proposal to enter a new Engagement Agreement, effective December 1, 2021

The current agreement is dated November 1, 2008, and it has been approved, with no changes, every year since that date. An explanation of my rationale for changes follows the summary of the proposed changes below.

- Change in billing arrangement from payment in advance (for the next month) to payment in arrears (after the end of the month)
- Increase in the “monthly amount” (for up to 10 hours of legal services) from \$2,000 to \$2,500 per month
- Increase in the “hourly rate” (for legal services in excess of 10 hours) from \$250 per hour to \$300 per hour

Rational

Billing arrangement: I do not recall why we chose to have the retainer amount paid in advance. It makes more sense for legal fees to be paid in arrears, particularly if there will be months in which the hourly rate is charged for time in excess of the “up to 10 hour” retainer. The District has paid for my November 2021 services. Under the proposed new engagement agreement, I will present a bill for December 2021 legal services in early January 2022, and bill the District for legal services in the same manner in subsequent months.

Monthly amount: When I first started with the District, I charged an hourly rate for services. In a matter months, when the Board asked if I would regularly attend the monthly Board meeting, we changed the arrangement. I charged a “flat fee” for attending

the monthly Board meeting, and I charged by the hour for all additional services provided during the month. After 15+ years, in November 2008, the District Board and I mutually agreed on a slightly different arrangement, and we *extended* the “flat fee” concept into a monthly payment concept. We agreed that 10 hours per month was the correct approximation, and I offered a reduced rate in exchange for a regular monthly payment (\$2,000 per month for “up to” 10 hours). We agreed to review the arrangement each year to determine whether the number of hours and/or the rate needed to be adjusted. In reviewing the arrangement this year, I am recommending that the number of monthly hours remain the same (up to 10 hours per month has proven accurate for the last 12 years). However, due to the lack of regular increases, the monthly amount has become much lower than currently charged in the legal community. The requested increase to \$2,500 per month for up to 10 hours is approximately equal to a 2% increase per year over the 12 years (2% per year is less than the cost of living in most of those 12 years).

Hourly rate: Also in November 2008 (based on the same legal services “history” of the prior 15+ years), we agreed that our arrangement should include a “safeguard” against an extensive amount of legal services needed in any one month. There were a handful of months in that prior 15+ year history when I provided 20, 30, or even more than 40 hours of legal services in a single month. We agreed that, in those rare instances, the District would pay an hourly rate for legal services in excess of 10 hours. Over the last 12 years, there have been several months when legal services exceeded 10 hours (by an hour or two), but there were also months when legal services were less than 10 hours (by an hour or two). Consequently, it has not been necessary to invoice the District for “additional time.” The last two months, however, (September - 35.7 total hours and October - 26.2 total hours) have constituted that “rare instance.” Therefore, my proposal includes the hourly rate “safeguard” with an increase in the rate to \$300 per hour (also equal to about 2% per year over the 12 years).