



Council Meeting: January 29, 2008

SUBJECT: Award of Contracts for Operational Efficiency and Optimum Staffing Studies for the Department of Finance and the Department of Parks and Recreation Facility Services Division (F0708-25 and F0708-26) and Approval of Budget Modification No. 29

REPORT IN BRIEF

Approval is requested for the award of two contracts for operational efficiency and optimum staffing studies: one contract in the amount of \$80,000 to Matrix Consulting Group of Palo Alto for the Department of Finance study and the other in the amount of \$43,900 to Management Partners, Inc., of San Jose for a study of the Facility Services Division of the Department of Parks and Recreation. The studies will review the cost effectiveness and quality of service provided by both organizations through current staffing levels and assignments and make recommendations for improvements, as appropriate. The recommended consultants were selected through the City's competitive proposal process (Requests for Proposals No. F0708-25 and F0708-26).

Approval is also requested for Budget Modification No. 29, which reduces the funding for each project to the contract amount and establishes a new special project for future efficiency and staffing studies.

BACKGROUND

In FY 2004/2005, the City began a multi-year effort of reviewing all major organizational units to affirm that current operations and staffing practices were resulting in the highest possible level of service for the dollars invested. The Department of Public Safety was the first to undergo the process followed by the Department of Public Works in FY 2005/2006. Study of the Information Technology Department was completed last fiscal year, and the Department of Finance along with Facility Services have been scheduled for this current year.

DISCUSSION

Both Requests for Proposals (RFP) were issued in October 2007. The RFP process was selected to allow proposals to be evaluated upon criteria in addition to cost. As stated in each RFP document, proposal evaluation criteria included:

- Proposal adherence to RFP requirements.
- Depth of project team's experience and its relevance to the required services.
- Proposer's understanding of project requirements.
- Proposed methodology and management plan.
- Proposed timeline for completion of services.
- Total cost to the City.

Department of Finance Study – RFP No. F0708-25

Proposals were received from the following consulting firms:

- Management Advisory Group of Montclair, VA
- Matrix Consulting Group of Palo Alto, CA
- MGT America, Inc., of Sacramento, CA
- Moss Adams LLP of Seattle, WA

The evaluation committee was led by the Assistant City Manager and included representatives of the Departments of Finance, Human Resources and Employment Development and a representative of the Sunnyvale Employees Association. Following review of the written proposals, two consultants were selected to continue in the process and were interviewed by the committee. The committee has agreed that the proposal submitted by Matrix Consulting Group offers the best value to the City for the following reasons:

- The City has contracted with this firm in the past and has been well satisfied with their services. For example, Matrix performed an Optimum Staffing Study for the Department of Public Works and the Department of Public Safety.
- The sample deliverables Matrix provided as part of its proposal were far superior to the samples provided by the other three proposers.
- Matrix is headquartered locally and plans for project team members to spend considerable time on site.
- The Matrix cost of \$80,000 for the project is reasonable. (Costs from all proposers ranged from \$49,500 to \$134,400.)

Facility Services Division Study – RFP No. F0708-26

Proposals were received from the following consulting firms:

- Management Partners, Inc., of San Jose, CA
- Matrix Consulting Group of Palo Alto, CA
- MGT America, Inc., of Sacramento, CA
- Pros Consulting of Indianapolis, IN

The evaluation committee was led by the Assistant City Manager and included representatives of the Departments of Parks and Recreation, Library, Finance, and Human Resources and a representative of the Sunnyvale Employees Association. Following review of the written proposals, three consultants were selected to continue the process and were interviewed by the committee.

The committee recommends award of contract to Management Partners for the following reasons:

- The committee was impressed by the knowledge of the interview presenters and their related experience.
- The firm has local offices and plans for project team members to spend considerable time on site.
- Reference checks revealed satisfaction with the services provided by the firm.
- The project cost proposed by Management Partners was the lowest in a range of \$43,900 to \$97,560 from all four proposers.

FISCAL IMPACT

Total cost to the City will not exceed \$80,000 for the Matrix Consulting Group contract and \$43,900 for the Management Partners, Inc., contract. The amounts listed for both contracts include expenses.

Funds for these studies are included in two special projects:

- 826650 Parks and Recreation – Facilities Division Staffing Study - \$120,000
- 826660 Finance Department Staffing Study - \$120,000

The budgets for each of these projects were estimated based upon the cost of the most recent staffing and efficiency study for the Information Technology Department, which was \$120,760.

Because the proposed contracts in both cases are below the estimated costs, staff is recommending that Council approval Budget Modification No. 29. This budget modification returns \$116,100 not needed for the two studies to a new project for future operational efficiency and staffing studies.

**BUDGET MODIFICATION NO. 29
 FISCAL YEAR 2007/2008**

General Fund	Current	Increase (Decrease)	Revised
Expenditures			
826650 - Parks and Recreation - Facilities Division Staffing Study	\$120,000	(\$76,100)	\$43,900
826660 - Finance Department Staffing Study	\$120,000	(\$40,000)	\$80,000
New Project – Future Efficiency and Staffing Studies	\$0	\$116, 100	\$116,100

At this time, no studies beyond FY 2007/2008 have been programmed into the City’s twenty-year financial plans. However, now that several have been completed and the City has established the benefits of these type of studies, staff will be proposing a schedule of future projects as part of the FY 2008/2009 Budget process.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

RECOMMENDATION

It is recommended that Council:

1. Award a contract to Matrix Consulting Group, in substantially the same form as the attached draft and in an amount not to exceed \$80,000, to conduct an operational efficiency and optimum staffing study of the Department of Finance;
2. Award a contract to Management Partners, Inc., in substantially the same form as the attached draft and in an amount not to exceed \$43,900, to conduct an operational efficiency and optimum staffing study of the Department of Parks and Recreation Facility Services Division; and
3. Approve Budget Modification No. 29 which reduces \$76,100 from Project 826650 and \$40,000 from Project 826660 and appropriates \$116,100 into a new special project to be used for future efficiency and staffing studies.

Reviewed by:

Mary J. Bradley, Director of Finance
Prepared by: Elaine Wesely, Purchasing Officer

Reviewed by:

David A. Lewis
Director, Parks and Recreation

Approved by:

Amy Chan
City Manager

Attachments

1. Draft Consulting Services Agreement – Matrix Consulting Group
2. Draft Consulting Services Agreement – Management Partners, Inc.

DRAFT
CONSULTANT SERVICES AGREEMENT
BETWEEN THE CITY OF SUNNYVALE AND MATRIX CONSULTING GROUP, LTD.,
TO CONDUCT AN OPTIMUM STAFFING STUDY
FOR THE DEPARTMENT OF FINANCE

THIS AGREEMENT dated _____ is by and between the CITY OF SUNNYVALE, a municipal corporation ("CITY"), and MATRIX CONSULTING GROUP, a California corporation ("CONSULTANT").

WHEREAS, CITY is in need of specialized services in relation to conducting an operational efficiency and optimum staffing study for the Department of Finance; and

WHEREAS, CONSULTANT possesses the skill and expertise to provide the required services;

NOW, THEREFORE, THE PARTIES ENTER INTO THIS AGREEMENT.

1. Services by CONSULTANT

CONSULTANT shall provide services in accordance with Exhibit "A" attached and incorporated by reference. CONSULTANT shall determine the method, details and means of performing the services.

2. Time for Performance

The term of this Agreement shall be from date of Agreement execution to May 31, 2008, unless otherwise terminated. CONSULTANT shall deliver the agreed upon services to CITY as specified in Exhibit "A". Extensions of time may be granted by the City Manager upon a showing of good cause.

3. Duties of CITY

CITY shall supply any documents or information available to City required by CONSULTANT for performance of its duties. Any materials provided shall be returned to CITY upon completion of the work.

4. Compensation

CITY agrees to pay CONSULTANT the amount of Eighty Thousand and no/100 Dollars (\$80,000.00). CONSULTANT shall submit invoices to CITY's Accounts Payable Unit no more frequently than monthly. Payment shall be made within thirty (30) days of receipt of an accurate, itemized invoice.

5. Ownership of Documents

CITY shall have full and complete access to CONSULTANT's working papers, drawings and other documents during progress of the work. All documents of any description prepared by CONSULTANT shall become the property of the CITY at the completion of the project and upon payment in full to the CONSULTANT. CONSULTANT may retain a copy of all materials produced pursuant to this Agreement.

6. Conflict of Interest

No officer or employee of CITY shall have any interest, direct or indirect, in this Agreement or in the proceeds thereof. During the term of this Agreement CONSULTANT shall not accept employment or an obligation which is inconsistent or incompatible with CONSULTANT's obligations under this Agreement.

7. Confidential Information

CONSULTANT shall maintain in confidence and at no time use, except to the extent required to perform its obligations hereunder, any and all proprietary or confidential information of CITY of which CONSULTANT may become aware in the performance of its services.

8. Compliance with Laws

- (a) CONSULTANT shall not discriminate against, or engage in the harassment of, any City employee or volunteer or any employee of CONSULTANT or applicant for employment because of an individual's race, religion, color, sex, gender identity, sexual orientation (including heterosexuality, homosexuality and bisexuality), ethnic or national origin, ancestry, citizenship status, uniformed service member status, marital status, family relationship, pregnancy, age, cancer or HIV/AIDS-related medical condition, genetic characteristics, and physical or mental disability (whether perceived or actual). This prohibition shall apply to all of CONSULTANT's employment practices and to all of CONSULTANT's activities as a provider of services to the City.
- (b) CONSULTANT shall comply with all federal, state and city laws, statutes, ordinances, rules and regulations and the orders and decrees of any courts or administrative bodies or tribunals in any manner affecting the performance of the Agreement.

9. Independent Contractor

CONSULTANT is acting as an independent contractor in furnishing the services or materials and performing the work required by this Agreement and is not an agent, servant or employee of CITY. Nothing in this Agreement shall be interpreted or construed as creating or establishing the relationship of employer and employee between CITY and CONSULTANT. CONSULTANT is responsible for paying all required state and federal taxes.

10. Indemnity

CONSULTANT shall indemnify, defend and hold harmless CITY and its officers, officials, employees and volunteers from and against all claims, damages, losses and expenses, including attorney fees, arising out of the performance of the work described herein, caused in whole or in part by any negligent act or omission of CONSULTANT, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence, or willful misconduct of CITY.

11. Insurance

CONSULTANT shall take out and maintain during the life of this Agreement policies of insurance as specified in Exhibit "B" attached and incorporated by reference, and shall provide all certificates or endorsements as specified in Exhibit "B."

12. CITY Representative

Robert Walker, Assistant City Manager, as the City Manager's authorized representative, shall represent CITY in all matters pertaining to the services to be rendered under this Agreement. All requirements of CITY pertaining to the services and materials to be rendered under this Agreement shall be coordinated through the CITY representative.

13. CONSULTANT Representative

RICHARD P. BRADY, PRESIDENT, shall represent CONSULTANT in all matters pertaining to the services and materials to be rendered under this Agreement; all requirements of CONSULTANT pertaining to the services or materials to be rendered under this Agreement shall be coordinated through the CONSULTANT representative.

14. Notices

All notices required by this Agreement shall be in writing, and shall be personally delivered, sent by first class with postage prepaid, or by sent by commercial courier, addressed as follows:

To CITY: Robert Walker, Assistant City Manager
 CITY OF SUNNYVALE
 P. O. Box 3707
 Sunnyvale, CA 94088-3707

To CONSULTANT: Richard P. Brady, President
 MATRIX CONSULTING GROUP, LTD.
 721 Colorado Avenue, Suite 101
 Palo Alto, CA 94303

Nothing in this provision shall be construed to prohibit communication by more expedient means, such as by telephone or facsimile transmission, to accomplish timely communication. However, to constitute effective notice, written confirmation of a telephone conversation or an original of a facsimile transmission must be sent by first class mail or commercial carrier, or hand delivered. Each party may change the address by written notice in accordance with this paragraph. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of two days after mailing, unless such date is a date on which there is no mail service. In that event communication is deemed to occur on the next mail service day.

15. Assignment

Neither party shall assign or sublet any portion of this Agreement without the prior written consent of the other party.

16. Termination

If CONSULTANT defaults in the performance of this Agreement, or materially breaches any of its provisions, CITY at its option may terminate this Agreement by giving written notice to CONSULTANT. If CITY fails to pay CONSULTANT, CONSULTANT at its option may terminate this Agreement if the failure is not remedied by CITY within thirty (30) days from the date payment is due.

Without limitation to such rights or remedies as CITY shall otherwise have by law, CITY also shall have the right to terminate this Agreement for any reason upon ten (10) days' written notice to CONSULTANT. In the event of such termination, CONSULTANT shall be compensated in proportion to the percentage of services performed or materials furnished (in relation to the total which would have been performed or furnished) through the date of receipt of notification from CITY to terminate. CONSULTANT shall present CITY with any work product completed at that point in time.

17. Entire Agreement; Amendment

This writing constitutes the entire agreement between the parties relating to the services to be performed or materials to be furnished hereunder. No modification of this Agreement shall be effective unless and until such modification is evidenced by writing signed by all parties.

18. Miscellaneous

Time shall be of the essence in this Agreement. Failure on the part of either party to enforce any provision of this Agreement shall not be construed as a waiver of the right to compel enforcement of such provision or any other provision. This Agreement shall be governed and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement.

ATTEST:

CITY OF SUNNYVALE ("CITY")

By _____
City Clerk

By _____
City Manager

APPROVED AS TO FORM:

MATRIX CONSULTING GROUP, LTD.
(CONSULTANT")

By _____
City Attorney

By _____

Name and Title

By _____

Name and Title

2. WORK APPROACH

This section of the proposal presents our proposed work approach for conducting the organizational study of the Finance Department, the proposed schedule, and the firm's quality control program.

1. OUR UNDERSTANDING OF PROJECT REQUIREMENTS

The Finance Department is authorized a total of forty-seven (47) staff. This represents 4.9% of the City's total number of personnel.

There are a number of positive aspects to the financial management of the City of Sunnyvale. Examples of these positive aspects are presented below.

- The City maintains a Standard and Poor's Issuer Credit Rating of AA+;
- The City's annual financial report was certified by an independent auditor and received an unqualified opinion;
- The accounting records are closed each accounting period and reports are issued within 10 business days or per pre-established deadlines;
- Required reconciliations are completed within 45 days after the accounting period closes;
- Staff verifies the calculations on the Transient Occupancy Tax returns and the Business License Tax returns and any errors are addressed with the remitter within 21 days; and
- Accounts payables are processed, audited, and disbursed within two days.

The analysis of the Department of Finance is to include current staffing levels and operational policies. This will specifically include reviewing operational effectiveness, efficiency, staffing levels, and the assignments utilized to provide services to the community and other departments in the City. The goal of the study is to evaluate the cost effectiveness of current operations, staffing levels, and configurations and explore alternatives and recommend changes. The analysis will focus on the following issues:

- Operational effectiveness and efficiency including an assessment of current operations to determine whether the right services are being provided in the most efficient manner, are reflective of best practices, and utilize technology to the best advantage;

- Organizational structure, including the division of labor and manager/supervisor span of control;
- Effectiveness of staffing levels in each division including, but not be limited to, staff assignments, workload, the use of overtime, skill levels, and training; and
- Benchmarks and other objective indicators of program effectiveness.

The Finance Department is organized into eight divisions. These eight divisions are presented below.

- **Treasury Division.** This Division is responsible for cash management, accounts receivable, cashiering, debt management, the City's banking relationship, recording revenues, audits of accounts payable and purchasing card expenditures, and administration of the Business Tax and Transient Occupancy Tax ordinances. The Division is authorized 4.5 staff.
- **Utility Billing, Collection, and Revenue Management Division.** This Division is responsible for managing the billing and collection of revenue for utility services, accurately reading meters, providing customer service, and monitoring the health of the utility enterprise funds. The Division is authorized 11 staff.
- **Budget Division.** This Division prepares the City's budget, prepares revenue projections, cost allocation plans, and 20-year financial plans. The Division is authorized 4.22 staff.
- **Accounting Division.** This Division is responsible for providing accounting and financial reporting services, maintaining the City's financial system software, maintaining the financial records of the City in accordance with GAAP, and preparing the CAFR, RDA and Financial Authority financial statements, SmarT Station financial report, and Asset Forfeiture report of expenditures. The Division is authorized 5 staff.
- **Payroll Division.** This Division is responsible for administering the City's payroll on a bi-weekly basis including the distribution of 32,000 paychecks per year to 1,200 employees, preparing regulatory reports for Federal and State agencies, processing W-2's, and reconciling payroll deductions to the General Ledger. The Division is authorized 2.48 staff.
- **Purchasing Division.** This Division administers the City's centralized purchasing program including the purchase of goods, services, public works projects, maintenance of the purchasing card software and the purchasing module of the City's integrated financial system, and operation of the Central Stores. In addition, the Division is responsible for the Accounts payable Section that is

responsible for payment of all non-payroll obligations. The Division is authorized 10 staff.

- **Internal Audit Division.** This Division reviews the data integrity of documentation systems throughout the City to ensure performance results reported in the budget are calculated and reported accurately. The Division is authorized 1.8 staff.
- **Administration Division.** This Division is responsible for Department management and administrative support services, the provision of strategic financial advice and counsel to the City Council, and leadership for the City on a wide variety of local government financial issues. The Division is authorized 6.5 staff.

The Finance Department provides a broad array of financial management services. This, however, reflects a common approach in large cities. The Governmental Finance Officers Association reported that more than 80% of large cities have a "simple" organizational approach in which all major financial activities are carried out by one or two departments. The Association also found that finance organizations that are more integrated, such as Sunnyvale's, are more efficient than finance organizations that are more decentralized. On average, comparably-sized cities with a "simpler" structural type spend about \$1.1 million less annually than cities with a more complicated structure.

2. PROPOSED APPROACH FOR CONDUCTING THE REVIEW OF THE FINANCE DEPARTMENT

We believe that several aspects of our study approach should be mentioned and stressed. Our intent is not merely to describe what tasks we will perform in conducting the Study, but also how we will produce results that are accurate and concrete, substantive, defensible and can be implemented. These aspects are described in the paragraphs below.

(1) Project Management

One critical success factor in conducting a project of this complexity in an efficient, timely, and effective manner is project management. The Matrix Consulting Group utilizes project management approaches that assure that (a) efficiencies can be achieved in the gathering and analysis of information; (b) disruption to the day-to-day operations of the Finance Department can be minimized; and (c) later tasks can build upon the results of earlier ones so that backtracking and redundant work effort (and unnecessary costs to the Department) can be avoided. In addition, the Matrix Consulting Group utilizes FastTrack Schedule project management software for each consulting assignment.

(2) Information Gathering

Equally important to the success of the project is the methods that we will use to collect, analyze, and present information in order to formulate findings and develop and assure acceptance of recommendations. The Matrix Consulting Group has developed and fine-tuned over the years a number of information gathering tools and techniques. These tools enable us to gather information efficiently and quickly. The tools that we will employ in this project include

- **Documentation and Data Request Forms.** These are written checklists that specify the types of documentary material (e.g., organization charts, policy and procedure manuals, CAFR, etc.) and quantitative information (e.g., the age and current installed version of the finance and accounting information system, the number of accounts payable transactions, etc.) we are seeking in order to evaluate workload, staffing, internal controls, and management practices. They will serve as an initial blueprint for the Finance Department staff to follow in assembling pertinent information for our review before we commence site visits and interviews.
- **Interviews.** Employee interviews are a staple of our consulting approach. We will interview every employee in the Finance Department and key other managers in the City. We utilize interviews to gain a perspective regarding such issues as:
 - Staffing and responsibilities of the staff of the Finance Department;
 - Current workload, inventory, and workload trends;
 - The existing integrated information system utilized to provide financial services, and the extent that there are issues with this system in terms of its ability to enhance the productivity of the staff of the Department (such as procure-to-pay practices).
 - Basic service level goals and objectives established to guide Department activities and to establish accountability for service delivery.
 - The work hours utilized by the Department (e.g., 4/10, 5/8, other).
 - The level of satisfaction by customers with the services provided by the Department to other departments.
- **Flowcharting of Work Processes.** We utilize flowcharting and flowcharting software extensively to document the flow of work and information. In completing these flowcharts, we document the procedures, the records or information databases maintained, the documents utilized, the handovers from one staff to another, etc. To complete this flowcharting, we utilize templates that we have

prepared for key financial processes such as accounts payable. We complete this template to evaluate the opportunities to streamline these processes as well as evaluate the adequacy of internal controls. We complete the flowchart for all of the elements associated with these financial processes.

As the next section demonstrates, this attention to detail carries through to our analysis.

(3) Data Analysis

The Matrix Consulting Group uses a number of proven analytical methodologies that we have developed in areas such as the following:

- **Benchmarking.** Benchmarking of services, efficiency and effectiveness has been increasingly utilized in the public sector to compare organizations in terms of "best practices". This approach would be useful in this study to assess the Department's current approaches to delivery of services. As a result, we propose to accomplish the following:
 - Identify and conduct a comparison survey of other cities in California that are comparable to Sunnyvale in terms of size and scope of their program. The purpose of this survey is to develop quantitative and qualitative data (e.g., accounts payable transactions, the number of account clerks allocated to accounts payable transactions, etc.) identifying differences in the levels and costs of service provided by the Finance Department versus these other communities.
 - Concurrently, we will utilize a list of quantitative and qualitative best practices that have been developed by the Matrix Consulting Group or by professional associations (e.g., GFOA, Accounts Payable Network, IOMA, etc.) to benchmark the Finance Department. This list of "best management practices" that the Matrix Consulting Group has developed in other studies and from these other professional associations would be utilized to identify potential strengths and improvement opportunities in the operations and services of Accounts Payable.
- **Performance Measurement.** The Matrix Consulting Group employs performance measurement techniques in every review we conduct. Examples of the types of performance measures we will utilize for accounts payable may include, but are not limited, to the following:
 - Accounts payable transactions per full-time equivalent;
 - Cost per vendor payment;

- Days to process a vendor payment; and
- Percent of invoices paid in specified time periods and discounts taken.

In addition to serving as a valuable diagnostic tool, performance measurement adds an important tool. The cause of such a variance could turn out to be poor data or the age of the financial information system rather than poor management. Regardless, the performance statistic will have served its purpose in drawing attention to an area in need of review.

(4) An Inclusive, Stakeholder Oriented Approach

Employee involvement is a critical component of the review. If selected to conduct the performance audit of the Finance Department, we would propose the following approaches to ensure staff involvement is maximized over the course of the project.

- At the beginning of the project, we would hold a group meetings with employees to introduce the study, project team and their opportunities for input.
- We would conduct personal interviews with all Finance Department employees. During these interviews, we would explain the purpose of the study, solicit employee's input regarding improvement opportunities and solicit information regarding the employee's work assignment.
- We also recommend that the City consider establishing a Project Steering Committee to work with our team over the course of the project. This committee's role would include reviewing and critiquing our findings, conclusions, and recommendations as they are developed. The project approach portion of this proposal describes the progress reports to be produced and reviewed with the Project Steering Committee.

Of course, this proposed approach to employee involvement, steering committee structure and role, and use of staff level review committees is subject to your approval.

3. PROJECT WORK PLAN

In this section the project team provides a detailed description of the approaches it would utilize to conduct the study of the Finance Department.

Task 1 Develop an In-Depth Understanding of the Key Issues Impacting the Finance Department.

To realistically evaluate operations, we need to develop an understanding of the key issues impacting and shaping service requirements for Finance Department. To develop this perspective, we will conduct interviews with the Finance Director, and each of the division heads within the Department. These interviews would focus on exploring issues and attitudes in the following areas:

- Review and confirm the scope of work, the project objectives, tasks and time lines;
- Confirm the products to be delivered and expectations regarding the form and scope of the products;
- The adequacy of Finance Department service levels, and perceived gaps in existing levels of service; and
- Key internal issues that need to be addressed such as the effective use of the integrated financial system.

Based on the results of these initial interviews, we will prepare a detailed project work plan for the weeks that follow.

Deliverable: The deliverable for this task would be a detailed work plan for approval of the City including specific tasks, timelines, data requirements, staff assignments and other important details.

Task 2 Develop an Understanding of Finance Department Operations and Services.

In the second task, the project team would develop an understanding of the organization, staffing, budgets and operations relating to the Finance Department. The project team would base this understanding on the information presented below.

- The goals, objectives, and performance measures of Finance Department.
- The current organization of services, including:
 - An organizational chart for the Finance Department;
 - The structure and functions of the Finance Department;
 - Staffing levels of the Finance Department;

- The education, certification, and credentials of the staff in the Finance Department;
 - The basic job responsibilities for supervisory and operational staff in the Finance Department, including position descriptions;
 - The budgets for the current and three prior fiscal years at a level of detail showing the authorized budget for the Finance Department; and
 - Previous independent financial audits of the City focusing on the management letter.
- Develop a detailed understanding of each of the Finance Department responsibilities for such tasks as the following:
 - Budgeting and financial planning;
 - Accounting and financial status reporting;
 - Accounts payable, receivable, treasury and cash management;
 - Procurement;
 - Payroll;
 - Internal audit;
 - Utility billing;
 - Management reports used by management of the Finance Department to monitor the performance of the department; and
 - Information and automated systems support.
 - Document how the integrated financial system is utilized in the Finance Department and citywide.
 - Flowchart the Department's major work processes. For example, for accounts payable, this would involve flowcharting the processing of invoices and other essential elements of work performed using the template for mapping accounts payable processes developed by the Matrix Consulting Group. This would include documents, processes, decisions, manual input, electronic files, stored data, etc. This would include the extent of problems faced by Accounts Payable in receipt of original invoices (e.g., invoices mailed directly to the originating

department and copies forwarded to Accounts Payable, proper coding of invoices in terms of the proper general ledger code by the originating department, etc.).

- Obtain copies of the Finance Department policies and procedures.
- Identify the workload and service levels for Finance Department.
- Document the internal controls utilized by the Finance Department. The Matrix Consulting Group has developed a number of internal control checklists. During these initial interviews, we would complete the checklist. The checklist, for example, for payroll, includes such control procedures as the following:
 - Written approval is required for changes to employee information (e.g., additions and deletions, changes to salary and wage rates, and authorized payroll deductions);
 - Properly authorized input forms / screens are used to document changes to employee information;
 - Appropriate records for employee record changes are maintained;
 - Electronic employee records are periodically compared with selected information in personnel files;
 - The integrated financial system has access controls in place to preclude unauthorized access to employee records;
 - All time records are approved prior to input;
 - Control totals are prepared for time record input and verified to ensure all records have been accurately entered;
 - Computer validation routines verify the accuracy of time record data (e.g., employee number, number of hours and department number);
 - Computer validation routines will match time records for the payroll period with employee records;
 - Processing controls are in place to ensure that all payroll source data is valid and authorized and duplicate source data is not processed;
 - A supervisor reconciles payroll earnings records with payroll check / direct deposit registers;
 - A payroll supervisor reviews payroll withholdings to ensure the propriety of

amounts, compliance with applicable governmental requirements, timely remittance to the appropriate entity and timely reconciliation to the general ledger accounts; and

- Individuals who can update the payroll master file information are not allowed to also authorize payroll, prepare payroll or print checks.

Once these initial data collection activities have been completed, the project team will prepare a summary descriptive profile that presents our understanding of the current organization, staffing, operations and costs of the Finance Department. This profile will be circulated among staff for comment to ensure the accuracy of our understanding. The profile would then be presented to the project steering committee.

Once completed and reviewed, the profile information will provide the basis for analysis conducted and completed in subsequent study tasks.

Deliverable: The deliverable for this task would be a descriptive profile, summarizing the organization, staffing and operations of the Finance Department.

Task 3 Conduct Focus Group Meetings.

The Matrix Consulting Group would conduct two focus groups, each consisting of a gathering of eight to eleven employees, in City departments other than the Finance Department, that routinely work with the Finance Department. The participants would be selected based on their knowledge and experience with the Finance Department and the use and application of the integrated financial system. These people would then be led through a one hour discussion by the Matrix Consulting Group to really understand why customers feel the way they do about a particular issue regarding service delivery by the Finance Department.

In conducting the focus group, the Matrix Consulting Group would use the following steps:

- First, develop the focus group questions that will be asked. The Matrix Consulting Group will develop a list of questions and review these questions with Sunnyvale.
- Second, select the participants from a group of staff with regular Finance Department interactions.
- Third, hold the focus group. This should be conducted in a comfortable setting. The Matrix Consulting Group would discuss confidentiality at the beginning of the focus group and clearly explain how the results would be utilized.
- Finally, summarize the results. The Matrix Consulting Group will put together a brief summary of the results.

Once the focus groups are completed, the Matrix Consulting Group would complete an analysis of the results and prepare an interim report regarding the resulting issues. This interim report would be reviewed with the City.

Deliverable: The deliverable for this task would be a summary of the focus group meetings.

Task 4 Compare Finance Department Programs and Practices to “Best Management Practices” and Other Cities.

The purpose of this task would be to evaluate the Finance Department in the context of performance and management practices in local government financial practices (such as those identified by GFOA, IOMA, Accounts Payable Network, etc.). This benchmarking would focus both on quantitative and qualitative measures such as the following representative samples for Purchasing.

Possible Best Management Practices
An e-procurement system is utilized including a fully integrated workflow capability that executes the logical routing of procurement documents, including the approval and encumbrance processes, requisitions, and purchase orders, and web-based catalogs for self-service
The Purchasing Division annually conducts a spend analysis of City expenditures for services and supplies or an analysis of expenditures along dimensions such as type of commodity or service and suppliers to develop supply strategies for specific commodities, select the best suppliers, manage suppliers to maximize rewards and minimize risks, etc.
The Purchasing Division uses NIGP commodity codes that are integrated into the e-procurement system.
The Purchasing Division has taken steps to reduce the costs for small purchasing transactions such as the use of procurement cards are utilized, where appropriate, for small purchases of supplies and materials (e.g., <\$5,000), designating a group of approved vendors and allowing departments to make purchases directly, delegating small purchasing transactions to departments (e.g., <\$5,000), etc.
Master service agreements are utilized for consultants for small capital projects.
Effective internal controls have been integrated into the procurement process including the e-procurement system.
Standardized terms and conditions have been developed for purchase orders.
Standardized solicitation and contract documents have been developed.
Electronic procurement records are maintained within the e-procurement system.
The procurement code is based upon the ABA model procurement code.
An electronic sourcing system is utilized to enable suppliers to provide a one-stop location for bid opportunities, enable suppliers to provide on-line quotes, provide templates for preparing solicitations, and enable “pushing” of bid opportunities to registered suppliers.

The best practices utilized for comparison in this task would be based upon our accumulated knowledge and experience with efficient and effective organizations across the country, as well as through accepted industry benchmarks.

The Matrix Consulting Group would then employ a comparative survey to evaluate the processes employed by the Finance Department in comparison to the

performance and management practices in the other organizations delivering comparable services in California. A comparison survey is useful not as an end-product analysis, but as a way to identify issues for pursuit in later phases of this study. The methodology to be utilized in this process will include the following:

- Development of a list of cities to which adequate comparisons may be made. We would utilize the following criteria for comparison:
 - Population similarity and/or proximity.
 - Similarity to the types of services provided by Sunnyvale.
 - Cities that are recognized as high quality, "best in class", services providers, and effectively utilize technology in financial management.
- Select and refine a set of comparison measures for use in evaluating Finance Department functions to other jurisdictions
- We would then conduct the survey. Once practices and measures in these other cities have been documented, we would identify major differences
- Once the survey results have been completely analyzed, they will be utilized to further develop issues which will highlight potential improvement opportunities related to organization and operations.

The results of the initial study tasks will be evaluated in detail by the project team and major strengths and potential improvement opportunities will be identified for follow-up analysis.

Deliverable: The deliverable of this task would be an evaluation of the actual practices of the Finance Department in comparison to 'best management practices and to other cities.

Task 5 Evaluate Work Processes, Management Systems and Staffing Levels of the Finance Department.

We will evaluate the major work processes, management systems, and staffing levels of the Finance Department in this task to identify opportunities to streamline and more proactively manage these processes, and enhance the efficient use of staff. Examples of the aspects of the Finance Department's work processes, methods, and staffing that we would evaluate include the following:

- Evaluate the policies and procedures of the Finance Department. This evaluation would include such aspects as the following:

- Are the policies and procedures published and disseminated to appropriate City staff?
- Do the policies and procedures identify key roles and responsibilities of Finance Department staff?
- Do the policies and procedures identify accounting and payroll reporting requirements?
- Do the policies and procedures provide for various levels of reporting for management review and evaluation?
- Do the policies and procedures provide for segregation of duties of payroll staff?
- Has the Department organized the procedures and adequately defined responsibility to ensure proper segregation of duties to promote internal accounting control? For example, are payroll staff responsible for payroll calculation and preparation of payroll records and checks, while human resources staff are responsible for documenting employee status, compensation and benefit records and approving employee status changes?
- Does the Department have formal written cash management policies, procedures and practices?
- Does the Department have standard procedures for closing its books at fiscal year-end?
- Evaluate the effectiveness with which the integrated financial systems is utilized by the Finance Department and the City's operating departments. This evaluation would include such aspects as the following:
 - Are accounting systems automated, when appropriate for the City's size, and integrated to supply consistent information?
 - Are payroll systems automated to provide accurate and timely information on salaries and benefits? Efficient adjustment to changing requirements? Efficient maintenance of historical payroll records?
 - Are the payroll and human resources systems integrated to provide necessary financial data and reporting? Do the payroll and human resources systems share a common database with appropriate security measures employed? Are management reports routinely generated showing leaves, balances, overtime, special stipends, etc.? Are payroll

data automated and integrated with human resources, accounting and budget systems?

- Is revenue and expenditure information compiled for analysis, evaluation, and planning purposes:
 - Using financial data for program evaluation?
 - Tracking expenditures in a timely manner?

Providing the following documents:

- General ledger (monthly and year-to-date)?
 - Subsidiary ledgers (cash disbursements, cash receipts, capital assets, payroll, etc., as appropriate)?
 - Budget-to-actual expenditure reports (monthly and year-to-date)?
 - Various special reports (list of expenditures for period, outstanding encumbrances, etc.)?
- Does the financial reporting provide the necessary information to the City's departmental managers for efficient program management with program and departmental accounting information? Budget detail reports including expenditures, encumbrances and budget balances disseminated monthly to division and departmental managers?
 - Does the integrated financial system provide a budget module with:
 - Budget data automated and accessible to appropriate City staff and management?
 - Automated features that facilitate the budget preparation process?
 - Accurate budget reports which are provided to departmental managers and supervisors?
 - Integration of the budget system with financial, cash management, and payroll systems?
 - The capacity to accommodate changing budget requirements?
 - How effectively is the capacity for on-line purchase requisitions and purchase orders including on-line approval utilized?

- Is routine, ongoing training in financial procedures provided to Finance Department staff to:
 - Provide the Department staff with opportunities to attend staff development seminars sponsored by the City or outside agencies?
 - Develop staff through educational programs on finance procedures, where appropriate?
 - Update staff whenever major changes occur?
- Has the Finance Department developed and deployed a professional development plan? Does this include each individual staff and management employee with a plan designed to meet their individual professional development needs?
- Are new City employees oriented on payroll and accounting procedures?
- Are regularly scheduled reviews, analysis, and evaluation of the City's accounting activities provided including:
 - Periodic random internal audits of petty cash and cash drawers?
 - Review of compliance with changing accounting requirements?
 - Monthly reconciliation of all bank accounts?
 - The payroll register reconciled to the payroll general ledger?
- Evaluate the budgeting procedures and work methods to include such aspects as the following:
 - Does the City have budgeting policies and procedures that are published and disseminated to appropriate managers and supervisors?
 - Do the budget policies and procedures identify roles and responsibilities in the budget process?
 - Provide a methodology for controlling full-time equivalent (FTE) positions?
 - Provide for an adopted budget development time line or calendar that is published and disseminated?
 - Provide annual in-service training in budget development procedures for

the appropriate City staff?

- Provide for a budget manual containing all relevant forms, instructions, and other data?
- Does the City have an expenditure monitoring and control plan that allows for:
 - Monthly and quarterly reviews to determine status of the annual expenditures and revenues with provision for necessary adjustments?
 - Budget monitoring controls such as periodic reports to alert department managers of the potential for over expenditure of budgeted amounts?
 - Revenue and expenditures forecasted and verified monthly?
 - All departmental managers to submit variations from the spending plan for approval?
 - Controlling expenditures and allocations as necessary?
 - Proper encumbrance of purchase orders against the budget until payment?
- Does the budget system provide a procedure for budget amendments (increases or decreases), including budget adjustments signed and approved by appropriate managers? Procedures for budget amendments to be distributed to City Council, staff and other interested parties?
- Does the Finance Department provide expenditure and revenue projections, trends, comparative analysis and multi-year planning by:
 - Developing and verifying expenditure and revenue projections?
 - Projecting inflationary costs for fixed expenditures?
 - Utilizing formalized forecasting methods in the budget development process?
 - Utilizing multi-year comparisons for analysis?
- Does the budget process provide for long-term (three to five years) financial planning?
- Has the Finance Department developed an effective investment program by maximizing the return on invested funds while ensuring the safety and liquidity of

investments? Does the Department utilize sound investment techniques while adhering to the investment policy and providing adequate controls such as:

- Excess cash is always invested?
 - Investments are placed from available funds only?
 - Competitive quotes are obtained for investment purchases?
 - Yield curves are analyzed as part of the investment decision-making process to improve earnings?
 - Departmental staff responsible for the investment function fully understands investment instruments?
 - Departmental staff making investment decisions stays in contact with the money market to keep up-to-date on market conditions?
 - Investment portfolio holdings are distributed among various issuers and vehicles to diversify risks?
 - Monthly reporting of investment activity is distributed to appropriate City management?
 - Proper segregation of duties regarding placing, holding, accounting, and reviewing of investment transactions?
- Is investment performance monitored and reported to the City Manager and City Council on a regular basis?
 - How effectively are relationships with banks, dealers, brokers and others financial institutions documented?
 - Does the City's investment policy maximize investment income while minimizing risks, including defining:
 - Acceptable risk?
 - Allowable issuers and instruments?
 - The portfolio that can be invested in each allowable investment type and issuer?
 - Diversification of risk?

- Measurement of performance?
- Authority and limitations for investments?
- Selection of maturities?
- Safekeeping?
- Reporting and documentation?
- Formal adoption and periodic revision of the policy?
- Provide internal control procedures to ensure adequate adherence to formalized investment policies and procedures?
- Are the Finance Department's cash collection procedures designed to provide optimum availability of funds including:
 - Receiving the best availability schedule offered by its depository bank?
 - Proactive acceleration of the collection of revenue from all major funding sources?
 - Use of wire transfers or direct deposit to district bank accounts?
 - Performing daily cash positioning and monitoring to reconcile bank activity and optimally determine excess or deficit cash positions?
 - Depositing all cash receipts daily?
 - Meeting all current day bank deposit deadlines?
 - Concentration of individual school accounts into one master account?
 - Utilization of lockboxes when benefits of increased availability of funds exceed additional cost?
 - Limiting payment of bills to once or twice a month with consideration given to available discounts?
- Has the Department developed a formal cash flow forecasting process which is tied to an overall financing / investment plan? Is the cash flow forecasting system automated? Are variances between actual cash flow and forecasted cash flow utilized to revise subsequent forecasts? Does the Department prepare formal cash flow forecasts?

- Does the Finance Department have controls in place to prevent unauthorized, improper or early cash disbursements including:
 - Assuring accounts payable disbursements are made according to the due date of the obligation?
 - Use of zero-balance accounts to fund disbursements for accounting reconciliation?
 - Safeguarding unused check stock with access available only to designated personnel?
 - Providing control procedures over outgoing wire transfers which include:
 - Use of passwords?
 - Limited number of authorized personnel?
 - Dual authorization required?
 - Bank call back procedures?
 - Dollar amount limitations on transfers?
 - Confirmation of transfers performed by someone other than the initiator?
 - Requiring authorization by top administrative personnel for all significant cash transfers?
- Are banking relationships managed centrally and reviewed regularly, including:
 - Limiting the number of bank accounts to minimize idle balances and facilitate monitoring and control?
 - Reconciling bank accounts on a monthly basis?
 - Central control over the opening and closing of bank accounts?
 - Written depository contract(s) exist with the City's bank(s)?
 - Periodic analysis of bank relationships for performance and cost?
 - Objective determination of which payment method for bank services is

most cost-effective. (i.e., compensating balances, direct fee payments, or a combination)?.

- Review of bank account analyses on a regular basis?
- Regular meetings with bank personnel to:
 - Actively pursue portfolio management techniques, cash management strategy?
 - Continually gather summary data of municipal and government securities?
- Regular monitoring of the quality of pledged securities?
- Regular monitoring to ensure that the amount of pledged securities is adequate?
- Are the levels of staffing that exist now in the Finance Department appropriate? We would analyze the level of staffing required versus Department workloads, considering benchmarks that the Matrix Consulting Group has developed. This analysis would include staffing requirements given potential revisions in existing and future programs, operations, and maintenance responsibilities, the use of consultants, etc.
- Is workload appropriately allocated among the staff of the Finance Department? We would evaluate the distribution of responsibilities / workload among staff of the department, and recommend changes in the distribution that would better group compatible assignments and facilitate operations.
- What opportunities exist to reengineer Department work processes? This step would involve the analysis of the processes used in the Finance Department to identify opportunities to streamline these processes. This reengineering analysis involves three phases.
 - The first phase, the baseline, would be completed during the development of the profile and involves flowcharting, documentation of workload and workload trends, identification of how the financial information system is utilized (i.e., the extent of integration between purchasing and accounts payable processes), the invoices processed per accounts payable staff and the average cost to process each invoice, etc.
 - The second phase would involve the development of goals and objectives for a streamlined Departmental processes. This step is designed to provide a framework with enough specificity to enable the design of a new

process. These goals and objectives could include, using Accounts Payable as an example:

- Extensive use of ACH procedures;
- Greater linkage with purchasing using the financial information system;
- The effective use of imaging and automated workflow;
- The use of EDI for the top 25 vendors (in terms of payments); and
- The use of automated travel reimbursement.

- The design phase in which the Matrix Consulting Group would synthesize the goals and objectives into a redesigned, cohesive and focused process for Departmental work processes that would include opportunities available at present for streamlining the processes (i.e., expanded use of P-cards) and opportunities that would be available in the longer-term (enhanced use of technology).

- Assess other opportunities including such items as streamlining and simplifying the budget process, the most appropriate integrated financial system software for the City's current and future needs, etc.

The completion of this task will allow the project team, in conjunction with previous tasks, to make recommendations regarding the optimum staffing levels, processes, and work practices in the Finance Department, opportunities to improve work practices, and opportunities to improve the efficient utilization of this staff.

Deliverable: The deliverable of this task would be improvement opportunities and proposed adjustments in processes, staffing, work practices, technology, service levels, customer service, and operations.

Task 6 Evaluate the Plan of Organization of the Finance Department.

The purpose of this task is to evaluate the efficiency and responsiveness of the Finance Department's organizational structure. We make these evaluations based on the following types of issues:

- Is the organization structure too tiered or too flat from the management staffing perspective?
- Are there any overlapping or duplicated functions?

- Are functions placed too high or too low in the department in regard to their importance in meeting operating and service objectives?
- Is there a team approach both within the Finance Department and among City departments to achieve the most effective approaches to finance functions?
- Are staff appropriately cross-trained to ensure continuity of services to the Finance Department?
- Is the relationship between the various levels of staff within the Department and their reporting structure and authority appropriate? What changes would enhance the efficiency of the Department?

Based on the above, the project team would develop recommendations to improve the organization of the Finance Department. The recommendations would include identification of specific management modifications required and the impact of those modifications.

Deliverable: The product of this task would be the preliminary alternative plans of organization and management staffing.

Task 7 Document Recommendations in a Final Report and Provide a Detailed Implementation Plan.

Once the evaluation of the Finance Department has been completed, we will document our findings and recommendations in a final report. This report will include:

- A detailed evaluation of the Department, including organizational structure, work practices, and levels of staffing.
- Improvement opportunities in major management systems.
- Identification and evaluation of key service levels including the gaps between benchmarks and actual service levels. The analysis will include definition of the relationship between staff utilization and these service levels and explanation of enhancement opportunities.
- Detailed staffing recommendations for each function within the Finance Department.
- A specific implementation plan covering all recommended improvements consisting of:
 - Specific implementation work steps.

- Suggested responsibility for implementation.
- Timing for accomplishing each work step.
- Cost and/or savings impact of each recommended improvement.

Findings, conclusions and recommendations would be reviewed with Finance Department staff and with City management. Once finalized, it would be presented to the City, as appropriate.

EXHIBIT "B" INSURANCE REQUIREMENTS

CONSULTANT shall obtain, at its own expense and from an admitted insurer authorized to operate in California, the insurance coverage detailed below and shall submit Certificate(s) of Insurance to the City of Sunnyvale, Purchasing Division, 650 West Olive Ave, PO Box 3707, Sunnyvale, CA 94088-3707; fax (408) 730-7710.

CONSULTANT shall take out and maintain during the life of the contract **Workers' Compensation and Employer's Liability Insurance** for its employees. The amount of insurance shall not be less than \$1,000,000 per accident for bodily injury or disease.

CONSULTANT shall take out and maintain during the life of the contract such **Commercial General Liability Insurance** as shall protect CONSULTANT, CITY, its officials, officers, directors, employees and agents from claims which may arise from services performed under the contract, whether such services are performed by CONSULTANT, by CITY, its officials, officers, directors, employees or agents or by anyone directly or indirectly employed by either. The amount of insurance shall not be less than the following: Single Limit Coverage Applying to Bodily and Personal Injury Liability and Property Damage: \$1,000,000.

The liability insurance shall include, but shall not be limited to:

- Protection against claims arising from bodily and personal injury and damage to property, resulting from CONSULTANT's or CITY's operations and use of owned or non-owned vehicles.
- Coverage on an "occurrence" basis.
- Broad form property damage liability. Deductible shall not exceed \$5000 without prior written approval of CITY.
- Notice of cancellation to CITY's Purchasing Division at least thirty (30) days prior to the cancellation effective date.

The following endorsements shall be attached to the liability insurance policy, and copies shall be submitted with the Certificate(s) of Insurance:

- The policy must cover complete contractual liability. Exclusions of contractual liability as to bodily injuries, personal injuries and property damage must be eliminated.
- CITY must be named as additional named insured with respect to the services being performed under the contract. *Simply indicating on the certificate that the certificate holder is named as additional insured is not acceptable; an endorsement must be provided.*
- The coverage shall be primary insurance so that no other insurance effected by CITY will be called upon to contribute to a loss under this coverage.

DRAFT
CONSULTANT SERVICES AGREEMENT
BETWEEN THE CITY OF SUNNYVALE AND MANAGEMENT PARTNERS, INC.,
TO CONDUCT AN OPERATIONAL EFFICIENCY AND OPTIMUM STAFFING STUDY
FOR THE DEPARTMENT OF PARKS AND RECREATION
FACILITY SERVICES DIVISION

THIS AGREEMENT dated _____ is by and between the CITY OF SUNNYVALE, a municipal corporation ("CITY"), and MANAGEMENT PARTNERS, INC., a California corporation ("CONSULTANT").

WHEREAS, CITY is in need of specialized services in relation to conducting an operational efficiency and optimum staffing study for the Department of Parks and Recreation Facility Services Division; and

WHEREAS, CONSULTANT possesses the skill and expertise to provide the required services;

NOW, THEREFORE, THE PARTIES ENTER INTO THIS AGREEMENT.

1. Services by CONSULTANT

CONSULTANT shall provide services in accordance with Exhibit "A" attached and incorporated by reference. CONSULTANT shall determine the method, details and means of performing the services.

2. Time for Performance

The term of this Agreement shall be from date of Agreement execution to May 31, 2008, unless otherwise terminated. CONSULTANT shall deliver the agreed upon services to CITY as specified in Exhibit "A". Extensions of time may be granted by the City Manager upon a showing of good cause.

3. Duties of CITY

CITY shall supply any documents or information available to City required by CONSULTANT for performance of its duties. Any materials provided shall be returned to CITY upon completion of the work.

4. Compensation

CITY agrees to pay CONSULTANT the amount of Forty Three Thousand Nine Hundred and no/100 Dollars (\$43,900.00). CONSULTANT shall submit invoices to CITY's Accounts Payable Unit no more frequently than monthly. Payment shall be made within thirty (30) days of receipt of an accurate, itemized invoice.

5. Ownership of Documents

CITY shall have full and complete access to CONSULTANT's working papers, drawings and other documents during progress of the work. All documents of any description prepared by CONSULTANT shall become the property of the CITY at the completion of the project and upon payment in full to the CONSULTANT. CONSULTANT may retain a copy of all materials produced pursuant to this Agreement.

6. Conflict of Interest

No officer or employee of CITY shall have any interest, direct or indirect, in this Agreement or in the proceeds thereof. During the term of this Agreement CONSULTANT shall not accept employment or an obligation which is inconsistent or incompatible with CONSULTANT's obligations under this Agreement.

7. Confidential Information

CONSULTANT shall maintain in confidence and at no time use, except to the extent required to perform its obligations hereunder, any and all proprietary or confidential information of CITY of which CONSULTANT may become aware in the performance of its services.

8. Compliance with Laws

- (a) CONSULTANT shall not discriminate against, or engage in the harassment of, any City employee or volunteer or any employee of CONSULTANT or applicant for employment because of an individual's race, religion, color, sex, gender identity, sexual orientation (including heterosexuality, homosexuality and bisexuality), ethnic or national origin, ancestry, citizenship status, uniformed service member status, marital status, family relationship, pregnancy, age, cancer or HIV/AIDS-related medical condition, genetic characteristics, and physical or mental disability (whether perceived or actual). This prohibition shall apply to all of CONSULTANT's employment practices and to all of CONSULTANT's activities as a provider of services to the City.
- (b) CONSULTANT shall comply with all federal, state and city laws, statutes, ordinances, rules and regulations and the orders and decrees of any courts or administrative bodies or tribunals in any manner affecting the performance of the Agreement.

9. Independent Contractor

CONSULTANT is acting as an independent contractor in furnishing the services or materials and performing the work required by this Agreement and is not an agent, servant or employee of CITY. Nothing in this Agreement shall be interpreted or construed as creating or establishing the relationship of employer and employee between CITY and CONSULTANT. CONSULTANT is responsible for paying all required state and federal taxes.

10. Indemnity

CONSULTANT shall indemnify, defend and hold harmless CITY and its officers, officials, employees and volunteers from and against all claims, damages, losses and expenses, including attorney fees, arising out of the performance of the work described herein, caused in whole or in part by any negligent act or omission of CONSULTANT, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence, or willful misconduct of CITY.

11. Insurance

CONSULTANT shall take out and maintain during the life of this Agreement policies of insurance as specified in Exhibit "B" attached and incorporated by reference, and shall provide all certificates or endorsements as specified in Exhibit "B."

12. CITY Representative

Robert Walker, Assistant City Manager, as the City Manager's authorized representative, shall represent CITY in all matters pertaining to the services to be rendered under this Agreement. All requirements of CITY pertaining to the services and materials to be rendered under this Agreement shall be coordinated through the CITY representative.

13. CONSULTANT Representative

Jerry E. Newfarmer, President and CEO, shall represent CONSULTANT in all matters pertaining to the services and materials to be rendered under this Agreement; all requirements of CONSULTANT pertaining to the services or materials to be rendered under this Agreement shall be coordinated through the CONSULTANT representative.

14. Notices

All notices required by this Agreement shall be in writing, and shall be personally delivered, sent by first class with postage prepaid, or by sent by commercial courier, addressed as follows:

To CITY: Robert Walker, Assistant City Manager
 CITY OF SUNNYVALE
 P. O. Box 3707
 Sunnyvale, CA 94088-3707

To CONSULTANT: Jerry E. Newfarmer
 MANAGEMENT PARTNERS, INC.
 2107 North First Street, Suite 470
 San Jose, CA 95131

Nothing in this provision shall be construed to prohibit communication by more expedient means, such as by telephone or facsimile transmission, to accomplish timely communication. However, to constitute effective notice, written confirmation of a telephone conversation or an original of a facsimile transmission must be sent by first class mail or commercial carrier, or hand delivered. Each party may change the address by written notice in accordance with this paragraph. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of two days after mailing, unless such date is a date on which there is no mail service. In that event communication is deemed to occur on the next mail service day.

15. Assignment

Neither party shall assign or sublet any portion of this Agreement without the prior written consent of the other party.

16. Termination

If CONSULTANT defaults in the performance of this Agreement, or materially breaches any of its provisions, CITY at its option may terminate this Agreement by giving written notice to CONSULTANT. If CITY fails to pay CONSULTANT, CONSULTANT at its option may terminate this Agreement if the failure is not remedied by CITY within thirty (30) days from the date payment is due.

Without limitation to such rights or remedies as CITY shall otherwise have by law, CITY also shall have the right to terminate this Agreement for any reason upon ten (10) days' written notice to CONSULTANT. In the event of such termination, CONSULTANT shall be compensated in proportion to the percentage of services performed or materials furnished (in relation to the total which would have

been performed or furnished) through the date of receipt of notification from CITY to terminate. CONSULTANT shall present CITY with any work product completed at that point in time.

17. Entire Agreement; Amendment

This writing constitutes the entire agreement between the parties relating to the services to be performed or materials to be furnished hereunder. No modification of this Agreement shall be effective unless and until such modification is evidenced by writing signed by all parties.

18. Miscellaneous

Time shall be of the essence in this Agreement. Failure on the part of either party to enforce any provision of this Agreement shall not be construed as a waiver of the right to compel enforcement of such provision or any other provision. This Agreement shall be governed and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement.

ATTEST:

CITY OF SUNNYVALE ("CITY")

By _____
City Clerk

By _____
City Manager

APPROVED AS TO FORM:

MANAGEMENT PARTNERS, INC.
("CONSULTANT")

By _____
City Attorney

By _____

Name and Title

By _____

Name and Title

II. PROJECT UNDERSTANDING, STUDY METHODOLOGY AND APPROACH

Management Partners has completed successful organizational review projects for many local governments, both large and small. We have analyzed many organizations and pride ourselves on developing improvement plans that are actually implemented. Our particular competence is high quality staff work based upon actual operating knowledge born of years of experience in public service.

In Sunnyvale, the Facilities Services Division is responsible for management, maintenance and repair of approximately 90 City-owned facilities. With an operating budget of approximately \$3.7 million the division must handle all the maintenance and repair needs associated with the facility inventory, and manage a variety of projects so the facilities are functional for City staff. In addition, the division manages or coordinates a variety of facility related capital projects and manages the City's internal service fund for facility utilization, furniture and equipment.

The objective of this study is to assess current operations against industry best practices, and other related benchmarks, and to offer recommendations to optimize the delivery of this critical support function for the City of Sunnyvale. Management Partners' project team approaches an assignment such as this with a great respect for existing organizational arrangements and systems. We understand that employees have typically been expected to "do more with less" for a long time. A study such as this can be extremely helpful both in affirming the effectiveness of existing operations and by pointing out how services can be delivered even more effectively, even if this means a greater investment in the core service being studied. We offer practical solutions that can actually get implemented, and therefore always discuss actionable mechanisms for securing the resources necessary to actually make system improvements.

Management Partners will prepare a written report documenting existing conditions and making specific recommendations for improvement. The recommendations will then be converted into an Implementation Action Plan with milestones, timelines and recommended assignment for implementation responsibility to ensure timely execution. If desired by the City, Management Partners will be available to support City staff to ensure that implementation is as smooth and effective as possible.

Regular meetings will be scheduled with the Assistant City Manager and the City Study Team as work progresses to make sure that staff is consulted and comfortable with the project along the way. We have included a schedule that is consistent with the requirements outlined in the City's RFP.

III. PLAN OF WORK

This section sets forth in detail the Plan of Work proposed by Management Partners to complete the Facilities Services Division study.

Activity 1 – Start Project

Several key tasks are involved at the outset of the project: holding a planning session with the Assistant City Manager and members of the City Study Team; briefing all department employees about the study, the process that we will undertake and expected outcomes; and collecting and reviewing all available written information and data about the City's facilities services organization and related expenditures.

Management Partners will begin the project with a startup meeting to develop a more thorough understanding of perspectives and expectations for the work. Prior to this meeting, Management Partners will prepare and distribute a draft project plan and information request, which will include a project calendar, proposed interview schedule, and suggestions for benchmarking. The purpose of this meeting is to complete introductions, finalize the scope of the project, discuss and structure communications, and obtain baseline data. After the meeting, the project plan will be finalized.

We believe that it is important to brief all affected employees about the process and expected outcomes of the study. This serves to communicate the importance of the work, to secure cooperation throughout the organization, and to allay any concerns.

The project start-up activity will lay the basis of the partnership between our project team and City staff. It will afford the opportunity to share information and to refine the project schedule so that it is comfortably integrated with other work demands that the staff must continue to handle, even as this project proceeds.

Activity 2 - Define Service Demands and Benchmark Program Effectiveness

Management Partners will develop a thorough understanding of the existing facilities and expenditures. The focus will be on quantitatively defining the facility maintenance service demands the City faces and putting these in context using comparisons and industry best practices. Working with staff and using industry best practices, we will define the parameters of expenditures related to facility maintenance. We will compile a facility inventory that will include appropriate descriptive variables such as square footage, nature of use, and others that may be appropriate for more specialized uses.

In addition, we will compile an inventory of all information on facility deficiencies, such as deferred maintenance and similar issues. Working with staff we will define appropriate performance metrics and best practices using standards from public and private organizations. Using these standards we will review Sunnyvale's performance relative to comparable organizations.

The information gathered during this activity will be aggregated and presented to the City Study Team at a project status report meeting.

Activity 3 - Assess Performance, Organizational Structure and Staffing

Management Partners will conduct interviews and hold structured workshops with City employees involved in providing facility maintenance services and with "user" department employees. The purpose of these individual meetings and group workshops is to assess strengths and weaknesses of existing organizational structure and procedures and to identify possible improvements.

To secure information about the quality of customer service, we will also design and deploy an electronic survey to those City staff members who initiate work orders to the Facilities Services Division. This information will help identify and prioritize areas for improvement.

Using the interview, focus group and survey information, Management Partners' project team will assess the strengths and potential areas of improvement for the current organizational structure including an assessment of the management/supervisor span of control. During this activity we will also examine current management systems and performance measurements. This analytical phase of the project will include an examination of the following issues:

- Use of technology
- The mix between services delivered by internal staff and those accomplished under contract
- The existing division of labor and the skill sets necessary to what is specified in current job classifications
- Staffing metrics such as leave utilization, overtime use, training and related matters
- Skill development and succession planning, within the division
- Process evaluation to document any no or low value activities

Using the results of the work discussed above, we will develop a SWOT analysis (strengths, weaknesses, opportunities and threats) for facilities services in the City of Sunnyvale. This analysis will be used as the basis for a status report to the City Study Team. The presentation will preview findings and preliminary recommendations and set the stage for development of a draft report.

Activity 4 – Prepare a Report with Recommendations

The results of the previous activities will be documented in a written report that sets forth specific findings and recommendations. The report will include recommendations about appropriate organizational structure, performance measurement and management, cost containment strategies, appropriate staffing levels and funding and financing.

The draft report will lay out the analysis and facts considered relevant to effecting improvement, as well as the ideas important to understanding the reason for recommendations and ways in which they should be implemented in the Sunnyvale organization. The draft report will be reviewed with the City Study Team to ensure factual accuracy and as a vehicle for discussing the ideas it presents prior to moving to a final project report and action plan for implementation.

After the draft report has been reviewed with the City, these recommendations will then be placed into a draft Implementation Action Plan. The action plan is designed to be an executable plan of work that managers can use to execute the ideas set forth in the project report. Including preparation of an action plan along with the preparation of the project report itself has the salutary effect of keeping all participants focused on the reality that unless the ideas and recommendations in the report are executable and executed, they are a waste. That is a result that no one intends.

The draft action plan will list each separate recommendation, including component milestones. The amount of time required to complete each will be estimated, and the manager to be responsible for completion will be identified. Next, the draft action plan and its relationship to other priorities and work assignments can be considered by the members of the City's management team. A realistic actual schedule of implementation can then be prepared and adopted. Management Partners will assist in this process to ensure that the success of this shared effort is realized. The action plan is presented to the client along with the final report.

As indicated in the RFP, Management Partners will also be available to make at least two oral presentations to City management and/or to Council, at appropriate junctures in the project.

EXHIBIT "B"
INSURANCE REQUIREMENTS

CONSULTANT shall obtain, at its own expense and from an admitted insurer authorized to operate in California, the insurance coverage detailed below and shall submit Certificate(s) of Insurance to the City of Sunnyvale, Purchasing Division, 650 West Olive Ave, PO Box 3707, Sunnyvale, CA 94088-3707; fax (408) 730-7710.

CONSULTANT shall take out and maintain during the life of the contract **Workers' Compensation and Employer's Liability Insurance** for its employees. The amount of insurance shall not be less than \$1,000,000 per accident for bodily injury or disease.

CONSULTANT shall take out and maintain during the life of the contract such **Commercial General Liability Insurance** as shall protect CONSULTANT, CITY, its officials, officers, directors, employees and agents from claims which may arise from services performed under the contract, whether such services are performed by CONSULTANT, by CITY, its officials, officers, directors, employees or agents or by anyone directly or indirectly employed by either. The amount of insurance shall not be less than the following: Single Limit Coverage Applying to Bodily and Personal Injury Liability and Property Damage: \$1,000,000.

The liability insurance shall include, but shall not be limited to:

- Protection against claims arising from bodily and personal injury and damage to property, resulting from CONSULTANT's or CITY's operations and use of owned or non-owned vehicles.
- Coverage on an "occurrence" basis.
- Broad form property damage liability. Deductible shall not exceed \$5000 without prior written approval of CITY.
- Notice of cancellation to CITY's Purchasing Division at least thirty (30) days prior to the cancellation effective date.

The following endorsements shall be attached to the liability insurance policy, and copies shall be submitted with the Certificate(s) of Insurance:

- The policy must cover complete contractual liability. Exclusions of contractual liability as to bodily injuries, personal injuries and property damage must be eliminated.
- CITY must be named as additional named insured with respect to the services being performed under the contract. *Simply indicating on the certificate that the certificate holder is named as additional insured is not acceptable; an endorsement must be provided.*
- The coverage shall be primary insurance so that no other insurance effected by CITY will be called upon to contribute to a loss under this coverage.