

PROFESSIONAL SERVICES AGREEMENT
(Not Construction Related)
WITH PAT WALKER CONSULTING, LLC

This Professional Services Agreement ("Agreement") is entered into and effective between CITY OF GLENDALE, an Arizona municipal corporation ("City") and Pat Walker Consulting, LLC, an Arizona limited liability company, authorized to do business in the State of Arizona, ("Consultant") as of the 9 day of February, 2016 ("Effective Date").

RECITALS

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

AGREEMENT

The parties hereby agree as follows:

1. **Key Personnel; Other Consultants and Subcontractors.**

1.1 Professional Services. Consultant will provide all Services necessary to assure the Project is completed timely and efficiently consistent within Project requirements, including, but not limited to, working in close interaction and interfacing with City and its designated employees, and working closely with others, including other consultants or contractors, retained by City.

1.2 Project Team.

a. Project Manager.

- (1) Consultant will designate an employee as Project Manager with sufficient training, knowledge, and experience to, in the City's opinion, complete the project and handle all aspects of the Project such that the work produced by Consultant is consistent with applicable standards as detailed in this Agreement; and
- (2) The City must approve the designated Project Manager.

b. Project Team.

- (1) The Project Manager and all other employees assigned to the Project by Consultant will comprise the "Project Team."
- (2) Project Manager will have responsibility for and will supervise all other employees assigned to the Project by Consultant.

c. Discharge, Reassign, Replacement.

- (1) Consultant acknowledges the Project Team is comprised of the same persons and roles for each as may have been identified in **Exhibit A**.
- (2) Consultant will not discharge, reassign, replace or diminish the responsibilities of any of the employees assigned to the Project who have been approved by City without City's prior written consent unless that person leaves the employment of Consultant, in which event the substitute must first be approved in writing by City.

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

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

2. **Schedule.** The Services will be undertaken in a manner that ensures the Project is completed timely and efficiently in accordance with the Scope of Work (Exhibit A) and schedule, as contained in Exhibit B.

3. **Consultant's Work.**

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

3.2 Licensing. Consultant warrants that:

a. Consultant currently holds all appropriate and required licenses, registrations and other approvals necessary for the lawful furnishing of Services ("Approvals"); and

b. Neither Consultant nor any Subconsultant has been debarred or otherwise legally excluded from contracting with any federal, state, or local governmental entity ("Debarment").

(1) City is under no obligation to ascertain or confirm the existence or issuance of any Approvals or Debarments, or to examine Consultant's contracting ability.

(2) Consultant must notify City immediately if any Approvals or Debarment changes during the Agreement's duration. The failure of the Consultant to notify City as required will constitute a material default under the Agreement.

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

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

3.4 Coordination; Interaction.

a. For projects that the City believes requires the coordination of various professional services, Consultant will work in close consultation with City to proactively interact with any other professionals retained by City on the Project ("Coordinating Project Professionals").

b. Subject to any limitations expressly stated in the Project Budget, Consultant will meet to review the Project, Schedule, Project Budget, and in-progress work with Coordinating Project Professionals and City as often and for durations as City reasonably considers necessary in order to ensure the timely work delivery and Project completion.

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

3.5 Work Product.

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

4. **Compensation for the Project.**

- 4.1 Compensation. Consultant's compensation for the Project, including those furnished by its Subconsultants or Subcontractors will not exceed \$54,470 as specifically detailed in **Exhibit C** ("Compensation").
- 4.2 Change in Scope of Project. The Compensation may be equitably adjusted if the originally contemplated Scope as outlined in the Project is significantly modified.
 - a. Adjustments to Compensation require a written amendment to this Agreement and may require City Council approval.
 - b. Additional services which are outside the Scope of the Project contained in this Agreement may not be performed by the Consultant without prior written authorization from the City.
 - c. Notwithstanding the incorporation of the Exhibits to this Agreement by reference, should any conflict arise between the provisions of this Agreement and the provisions found in the Exhibits and accompanying attachments, the provisions of this Agreement shall take priority and govern the conduct of the parties.
- 4.3 Expenses. City will reimburse Consultant for certain out-of-pocket expenses necessarily incurred by Consultant in connection with this Agreement, without mark-up (the "Reimbursable Expenses"), including, but not limited to, document reproduction, materials for book preparation, postage, courier and overnight delivery costs incurred with Federal Express or similar carriers, travel and car mileage, subject to the following:
 - a. Mileage, airfare, lodging and other travel expenses will be reimbursable only to the extent these would, if incurred, be reimbursed to City of Glendale personnel under its policies and procedures for business travel expense reimbursement made available to Consultant for review prior to the Agreement's execution, and which policies and procedures will be furnished to Consultant;
 - b. The Reimbursable Expenses in this section are approved in advance by City in writing; and

- c. The total of all Reimbursable Expenses paid to Consultant in connection with this Agreement will not cause, or be in addition to, the "not to exceed" amount identified for Reimbursable Services in the Compensation section (Section 4.1) above.

5. Billings and Payment.

5.1 Applications.

- a. Consultant will submit monthly invoices (each, a "Payment Application") to City's Project Manager and City will remit payments based upon the Payment Application as stated below.
- b. The period covered by each Payment Application will be one calendar month ending on the last day of the month.

5.2 Payment.

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

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

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

6. Termination.

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

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

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

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

7. **Conflict.** Consultant acknowledges this Agreement is subject to A.R.S. § 38-511, which allows for cancellation of this Agreement in the event any person who is significantly involved in initiating, negotiating, securing, drafting, or creating the Agreement on City's behalf is also an employee, agent, or consultant of any other party to this Agreement.
8. **Insurance.** For the duration of the term of this Agreement, Consultant shall procure and maintain insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of all tasks or work necessary to complete the Project as herein defined. Such insurance shall cover Consultant, its agent(s), representative(s), employee(s) and any subcontractors.
- 8.1 **Minimum Scope and Limit of Insurance.** Coverage must be at least as broad as:
- a. **Commercial General Liability (CGL):** Insurance Services Office Form CG 00 01, including products and completed operations, with limits of no less than **\$1,000,000** per occurrence for bodily injury, personal injury, and property damage. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
 - b. **Automobile Liability:** Insurance Services Office Form Number CA 0001 covering Code 1 (any auto), with limits no less than **\$500,000** per accident for bodily injury and property damage.
 - c. **Professional Liability.** Consultant must maintain a Professional Liability insurance covering errors and omissions arising out of the work or services performed by Consultant, or anyone employed by Consultant, or anyone for whose acts, mistakes, errors and omissions Consultant is legally liability, with a liability insurance limit of **\$1,000,000** for each claim and a **\$1,000,000** annual aggregate limit.
 - d. **Worker's Compensation:** Insurance as required by the State of Arizona, with Statutory Limits, and Employers' Liability insurance with a limit of no less than **\$1,000,000** per accident for bodily injury or disease. Workers' Compensation insurance is not required if the Consultant has no employees.
- 8.2 **Other Insurance Provisions.** The insurance policies required by the Section above must contain, or be endorsed to contain the following insurance provisions:
- a. **The City, its officers, officials, employees and volunteers are to be covered as additional insureds** of the CGL and automobile policies for any liability arising from or in connection with the performance of all tasks or work necessary to complete the Project as herein defined. Such liability may arise, but is not limited to, liability for materials, parts or equipment furnished in connection with any tasks, or work performed by Consultant or on its behalf and for liability arising from automobiles owned, leased, hired or borrowed on behalf of the Consultant. General liability coverage can be provided in the form of an endorsement to the Consultant's existing insurance policies, provided such endorsement is at least as broad as ISO Form CG 20 10, 11 85 or both CG 20 10 and CG 23 37, if later revisions are used.
 - b. For any claims related to this Project, the **Consultant's insurance coverage shall be primary insurance** with respect to the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be in excess of the Consultant's insurance and shall not contribute with it.
 - c. Each insurance policy required by this Section shall provide that coverage shall not be canceled, except after providing notice to the City.
- 8.3 **Acceptability of Insurers.** Insurance is to be placed with insurers with a current A.M. Best rating of no less than A: VII, unless the Consultant has obtained prior approval from the City stating that a non-conforming insurer is acceptable to the City.

- 8.4 **Waiver of Subrogation.** Consultant hereby agrees to waive its rights of subrogation which any insurer may acquire from Consultant by virtue of the payment of any loss. Consultant agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. The Workers' Compensation Policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by the Consultant, its employees, agent(s) and subcontractor(s).
- 8.5 **Verification of Coverage.** Within 15 days of the Effective Date of this Agreement, Consultant shall furnish the City with original certificates and amendatory endorsements, or copies of any applicable insurance language making the coverage required by this Agreement effective. All certificates and endorsements must be received and approved by the City before work commences. Failure to obtain, submit or secure the City's approval of the required insurance policies, certificates or endorsements prior to the City's agreement that work may commence shall not waive the Consultant's obligations to obtain and verify insurance coverage as otherwise provided in this Section. The City reserves the right to require complete, certified copies of all required insurance policies, including any endorsements or amendments, required by this Agreement at any time during the Term stated herein.
- Consultant's failure to obtain, submit or secure the City's approval of the required insurance policies, certificates or endorsements shall not be considered a Force Majeure or defense for any failure by the Consultant to comply with the terms and conditions of the Agreement, including any schedule for performance or completion of the Project.
- 8.6 **Subcontractors.** Consultant shall require and shall verify that all subcontractors maintain insurance meeting all requirements of this Agreement.
- 8.7 **Special Risk or Circumstances.** The City reserves the right to modify these insurance requirements, including any limits of coverage, based on the nature of the risk, prior experience, insurer, coverage or other circumstances unique to the Consultant, the Project or the insurer.

9. Immigration Law Compliance.

- 9.1 Consultant, and on behalf of any Subconsultant, warrants to the extent applicable under A.R.S. § 41-4401, compliance with all federal immigration laws and regulations that relate to their employees as well as compliance with A.R.S. § 23-214(A) which requires registration and participation with the E-Verify Program.
- 9.2 Any breach of warranty under this section is considered a material breach of this Agreement and is subject to penalties up to and including termination of this Agreement.
- 9.3 City retains the legal right to inspect the papers of any Consultant, Subconsultant, or employee who performs work under this Agreement to ensure that the Consultant, Subconsultant, or any employee, is compliant with the warranty under this section.
- 9.4 City may conduct random inspections, and upon request of City, Consultant will provide copies of papers and records of Consultant demonstrating continued compliance with the warranty under this section. Consultant agrees to keep papers and records available for inspection by the City during normal business hours and will cooperate with City in exercise of its statutory duties and not deny access to its business premises or applicable papers or records for the purposes of enforcement of this section.
- 9.5 Consultant agrees to incorporate into any subcontracts under this Agreement the same obligations imposed upon Consultant and expressly accrue those obligations directly to the benefit of the City. Consultant also agrees to require any Subconsultant to incorporate into each of its own subcontracts under this Agreement the same obligations above and expressly accrue those obligations to the benefit of the City.
- 9.6 Consultant's warranty and obligations under this section to the City is continuing throughout the term of this Agreement or until such time as the City determines, in its sole discretion, that Arizona law has been modified in that compliance with this section is no longer a requirement.

9.7 The "E-Verify Program" above means the employment verification program administered by the United States Department of Homeland Security, the Social Security Administration, or any successor program.

10. Notices.

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

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

10.2 Representatives.

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

Pat Walker
Pat Walker Consulting, LLC
2404 West Harrison Street
Chandler, AZ 85224

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

City of Glendale
c/o Terri Canada
5850 West Glendale Avenue #302
Glendale, Arizona 85301

With required copy to:

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

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

- c. Concurrent Notices.

- (1) All notices to City's representative must be given concurrently to City Manager and City Attorney.
- (2) A notice will not be deemed to have been received by City's representative until the time that it has also been received by the City Manager and the City Attorney.

- (3) City may appoint one or more designees for the purpose of receiving notice by delivery of a written notice to Consultant identifying the designee(s) and their respective addresses for notices.
- d. Changes. Consultant or City may change its representative or information on Notice, by giving Notice of the change in accordance with this section at least ten days prior to the change.
11. **Financing Assignment.** City may assign this Agreement to any City-affiliated entity, including a non-profit corporation or other entity whose primary purpose is to own or manage the Project.
12. **Entire Agreement; Survival; Counterparts; Signatures.**
- 12.1 **Integration.** This Agreement contains, except as stated below, the entire agreement between City and Consultant and supersedes all prior conversations and negotiations between the parties regarding the Project or this Agreement.
- a. Neither Party has made any representations, warranties or agreements as to any matters concerning the Agreement's subject matter.
- b. Representations, statements, conditions, or warranties not contained in this Agreement will not be binding on the parties.
- c. Inconsistencies between the solicitation, any addenda attached to the solicitation, the response or any excerpts attached as **Exhibit A**, and this Agreement, will be resolved by the terms and conditions stated in this Agreement.
- 12.2 **Interpretation.**
- a. The parties fairly negotiated the Agreement's provisions to the extent they believed necessary and with the legal representation they deemed appropriate.
- b. The parties are of equal bargaining position and this Agreement must be construed equally between the parties without consideration of which of the parties may have drafted this Agreement.
- c. The Agreement will be interpreted in accordance with the laws of the State of Arizona.
- 12.3 **Survival.** Except as specifically provided otherwise in this Agreement, each warranty, representation, indemnification and hold harmless provision, insurance requirement, and every other right, remedy and responsibility of a Party, will survive completion of the Project, or the earlier termination of this Agreement.
- 12.4 **Amendment.** No amendment to this Agreement will be binding unless in writing and executed by the parties. Electronic signature blocks do not constitute execution for purposes of this Agreement. Any amendment may be subject to City Council approval.
- 12.5 **Remedies.** All rights and remedies provided in this Agreement are cumulative and the exercise of any one or more right or remedy will not affect any other rights or remedies under this Agreement or applicable law.
- 12.6 **Severability.** If any provision of this Agreement is voided or found unenforceable, that determination will not affect the validity of the other provisions, and the voided or unenforceable provision will be reformed to conform with applicable law.
- 12.7 **Counterparts.** This Agreement may be executed in counterparts, and all counterparts will together comprise one instrument.
13. **Term.** The term of this Agreement commences upon the effective date and continues for a one (1) year initial period. There is no automatic renewal option for this Agreement.
14. **Dispute Resolution.** Each claim, controversy and dispute (each a "Dispute") between Consultant and City will be resolved in accordance with **Exhibit D**. The final determination will be made by the City.

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

Exhibit A	Scope of Work
Exhibit B	Schedule
Exhibit C	Compensation
Exhibit D	Dispute Resolution

(Signatures appear on the following page.)

The parties enter into this Agreement effective as of the date shown above.

City of Glendale,
an Arizona municipal corporation



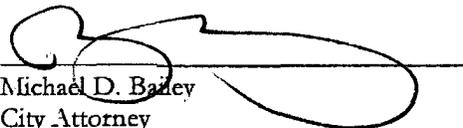
By: Kevin R. Phelps
Its: City Manager

ATTEST:



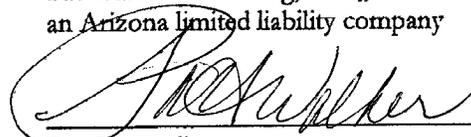
Pamela Hanna (SEAL)
City Clerk

APPROVED AS TO FORM:



Michael D. Bailey
City Attorney

Pat Walker Consulting, LLC.,
an Arizona limited liability company



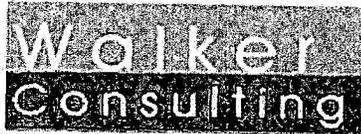
By: Pat Walker
Its: Principal

EXHIBIT A
Professional Services Agreement

SCOPE OF WORK

PER ATTACHED.

Exhibit A



Over 38 years' municipal experience

October 16, 2015

Terri Canada, Budget Manager
City of Glendale
5850 W. Glendale Ave. Ste.302
Glendale, AZ 85301

Dear Terri,

Thank you for the opportunity to provide a scope of work for a cost allocation and indirect cost allocation plan in compliance with the OMB Omni Circular for City of Glendale.

With more than 38 years of experience in local government, municipal finance and operations, Pat Walker has provided a broad array of management and financial planning services to cities, towns and special districts. Ms. Walker was with the City of Chandler, Arizona, for 23 years and served as the City's Management Services Director and Chief Financial Officer. In 2007, she became a municipal management and financial consultant to cities, towns and utilities across the Country, working with municipalities and utilities performing cost allocation studies, fee studies, budgets, financial analysis and planning. In 2012, she formed Pat Walker Consulting LLC (PWC) to continue her consulting in municipal management and finance services to public sector organizations throughout Arizona.

PWC will be the prime consultant, but will be sub-contracting with Willdan Financial Services. Willdan Financial Services was established in 1988 and is one of the largest public sector financial consulting firms in the United States. They have helped over 800 public agencies successfully address a broad range of financial challenges, such as financing the costs of growth and generating revenues to fund desired services. Kevin Burnett with 14 years of experience and Tony Thrasher with 9 years of experience in preparing cost allocation or indirect cost allocation studies. Their resumes are attached.

We appreciate the opportunity to present our proposal to City of Glendale. Should you have any questions concerning the information presented or should you require additional information, please contact Pat Walker, Principal Owner, at (480) 694-7179 or pwalkerconsulting@aol.com.

Sincerely,

A handwritten signature in cursive script that reads "Pat Walker". The signature is written in black ink on a white background.

Pat Walker, Principal Owner
Pat Walker Consulting LLC

Introduction

In the early 1970s, the cost allocation plan concept was introduced to many government agencies. The purpose of a typical cost allocation plan is to identify costs related to rendering internal central support services and allocate those costs to operating departments or programs that utilize and benefit from them, in a fair and equitable manner.

Before indirect costs and central support service charges may be claimed for reimbursement by an operating department, there must be some formal means of identifying, accumulating and distributing these types of costs to all benefiting departments. Regardless of whether or not an agency has a formal comprehensive cost accounting system, the best method of accumulating and identifying indirect costs and accomplishing any distribution of costs is a cost allocation plan.

Project Team

The Team of Pat Walker Consulting LLC (PWC), prime consultant, in conjunction with Willdan Financial Services (WFS) as a sub-consultant, is proposing to assist the City of Glendale (City) to prepare a cost allocation plan and an OMB Omni Circular (formerly OMB A-87) indirect cost allocation plan. Pat Walker, the principal of PWC, will be lead in the project by facilitating the meetings, participating in the compilation and analysis of the data, and making presentations in conjunction with WFS. WFS will also have critical and significant roles in meetings, analysis and presentation for the successful completion of this project.

Scope of Work

A City is made up of many departments, each with their own specific purposes or functions. Departments whose primary function is to provide support internally to other City departments are called central services. Examples of central services are City Council, City Clerk, City Attorney, Finance and Information Technology. Within these groups there are numerous functions that they perform to provide support to the direct cost centers. The direct cost centers, or departments, that require support from Central Services, and provide services directly to the community through their day-to-day operations, are called operating departments. Examples of operating departments are Police, Fire, Building, Planning, Public Works, and includes other funds. The Cost Allocation Plan allocates the costs of the central services to the operating departments based on the functions that are provided by the central services organizations, upon which the operating departments depend. This is done in order to determine the total cost associated with providing direct services. This total cost is made up of the direct costs associated with each direct cost organization (salaries and benefits of operating department personnel, materials, facilities, equipment, etc.) as well as each organizations' share of the indirect costs that are required to support the organizations' operations (central support services such as finance, workers compensation, liability insurance, payroll, etc.). Through the cost allocation plan process, a City may allocate a portion of the costs of central service departments to the operating departments to 1) account for "all" costs, direct and indirect, for each operating department, and 2) accurately calculate the fully burdened cost of providing services to the public. The objectives of the study are as follows:

- Identify the central support and operating departments in the City;
- Identify the functions and services provided by the central departments;
- Identify allocable and non-allocable costs associated with the City's central service departments;

- Determine indirect allocation rate under OMB Omni Circular and;
- Distribute those costs to operating departments in a fair and equitable manner.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In addition, any revenue that a central service receives is used to offset the same amount of cost of that central service so that there is no duplication. These cost reductions are done before the allocation methodologies are used and are detailed within the model itself.

We will actually prepare two separate cost allocation plans. The primary is the full cost allocation (CAP), which the City should use for standard City operations and budgeting. The second is a plan that complies with the Office of Management and Budget Omni Circular (Formerly OMB A-87), that should be used for determining costs for Federal awards carried out through grants, cost reimbursement contracts and other agreements.

The methodology used for both CAP's is the double-step-down method, which is considered one of the most accurate and equitable methods for allocating costs from central services to operating departments, and is generally the most recommended. The double-step-down method utilizes two steps to allocate indirect costs. In the first step, the allocable costs of central service departments are identified and distributed to *all* departments including the central service departments themselves, based on the appropriate allocation bases that were selected to represent the manner in which central services are utilized. Then, the second and final steps allocate indirect costs that were distributed to the central service departments in the first step to *only* the operating departments. This is done in a sequential manner where costs are closed out from each central department one-by-one, until all costs have been distributed to the operating departments, and none remain with the central service departments.

On December 26, 2013, the Office of Management and Budget (OMB) published new guidance for Federal award programs, OMB Uniform Guidance: Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Guidance). The Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, A-122, A-89, A-102 and A-133 and the guidance in Circular A-50 on Single Audit Act follow-up. It is a key component of a larger Federal effort to more effectively focus Federal grant resources on improving performance and outcomes while ensuring the financial integrity of taxpayer dollars. This OMB Circular establishes the principles and standards for determining both direct and indirect costs applicable to Federal awards. It is effective for new awards and awards granted after December 26, 2014.

Under the OMB Omni Circular new rules, federal agencies and pass-through entities must accept a negotiated indirect cost rate if one exists, or negotiate a rate in accordance with federal guidelines. There are exceptions when a statute or regulation requires it, or if the head of the agency approves it based on publicly documented justification. For example, non-federal entities that have never had a negotiated indirect cost rate may use a rate of 10 percent of modified total direct costs. However, entities with an approved federally negotiated indirect cost rate can now apply for a one-time exemption of up to four years. There are other changes such as to administrative salary costs where in certain circumstances can be charged directly, and computer costs can be charged directly if they are essential and allocable even if they are not fully used for the performance of the federal award.

Proposed Work Plan

The following outlines the summary work plan for the cost allocation and indirect cost allocation plan.

Project Kickoff and Planning

1. Prepare and send out data request form to complete study.
2. Kickoff conference call to review scope/data request.
3. Meet with appropriate Accounting Services staff and department heads to discuss the objectives and needs related to the preparation of the cost allocation plan.
4. Meet with appropriate administrative and support personnel to gain an understanding of the City's organizational structure, operations, and available financial reports.
5. Through these discussions with City personnel and as additional information is obtained throughout the project, identify:
 - a. indirect cost pools (departments, divisions, and other cost centers providing support services);
 - b. the grants to which the indirect costs will be allocated; and
 - c. Changes in organizational structure and/or operations, new or proposed programs, and other changes that potentially may be incorporated into the current cost allocation plan.

Information Requests and Data review

1. Interview City staff in departments providing support services to gain an understanding of the practices and operations specific to the City and relevant information for the preparation of the cost allocation plans.
2. During the course of the interviews, analyze the availability and readiness of information to utilize the most advantageous and appropriate allocation methodologies.
3. Based on the determination of information available, obtain necessary budgetary and historical financial data, as well as other relevant statistical data such as authorized full-time equivalent positions, square footage by department/use, assigned vehicles, and quantities of various transactions such as purchase orders issued and accounts payable checks issued. If time studies have been performed that provide appropriate information regarding support operations activities, that information may also be used for the allocation of indirect costs. If no appropriate statistical data exists, we will recommend alternative methods for approximating the time or effort of the support function.
4. Obtain information for any in-kind services that may impact on the calculation of the indirect cost allocation plan.
5. Obtain information for any support costs that may be directly billed to grants, and identify the impact on the calculation of the indirect cost allocation plan.
6. Review and analyze detailed budgetary and historical financial data to determine appropriateness of costs to be allocated, as applicable. Evaluate the eligibility of costs in accordance with OMB Omni Circular.
7. Review detailed expenditures for indirect cost pools to allocate to the various functions of each department, division, or cost center, as appropriate.
8. Evaluate whether there are additional grants that could fairly and equitably be charged indirect costs, and discuss with appropriate City personnel to determine if these should be included in the cost allocation plan.

Preparation of Cost Allocation Plan

1. Input the expenditure data based on the various functions for each indirect cost pool and the statistical data identified as the most advantageous and appropriate allocation bases for each function.

2. Develop and calculate a cost allocation plan that complies with OMB Omni Circular and any specific restrictions identified in applicable will be included.
3. Review the methodologies and data inclusion with the City's Accounting Services team, and make any requested adjustments if appropriate.

Presentation of Cost Allocation Plan

1. Present the draft cost allocation plan to the City's key stakeholders for final acceptance and to facilitate their understanding of the plans and their implications. The presentation of the information will be tailored to the audience based on "layman" terms for maximum participation and benefit to the City.
2. Provide final cost allocation plan and indirect cost rate to the City.

Implementation

Provide assistance with integrating the results of the cost allocation plan into the City's operations, as needed.

Advise and assist with negotiations with the City's Federal cognizant agency, if requested. Ongoing negotiations extend beyond the time required to prepare the cost allocation plan; therefore, we will provide these services when requested and approved by the City at our hourly rates. All decisions in connection with the implementation of such advice are the responsibility of the City.

Train and instruct designated City staff in the specifics of indirect costing, including cost analysis and cost flow structuring, statistical collection and development techniques, plan summarization and organization, theory of computation, and plan implementation as well as use of the model.

Deliverables

PWC will provide the following deliverables.

1. Final cost allocation plan and OMB Circular allocation rate.
2. Copies of all supporting documentation.

Timeline

We expect the timeline for this engagement to be approximately four months from date of notice to proceed, depending upon the availability of City staff and timely access to City records.

Frequent regular communication with management is a vital part of all our work. Throughout the project, we will regularly report our progress, on both a formal and informal basis, and involve City personnel in as many aspects of the engagement as desired to ensure the project is adequately understood by all appropriate personnel.

Cost Proposal

The cost to conduct the studies and prepare the rates and plans will be a not to exceed number of \$54,470.

EXHIBIT B
Professional Services Agreement

SCHEDULE

Timeline to be approximately four months from date of notice to proceed, dependent upon availability of City staff and timely access to City records.

EXHIBIT C
Professional Services Agreement

COMPENSATION

METHOD AND AMOUNT OF COMPENSATION

Compensation for all work performed and expenses earned by Consultant shall not exceed a total cost of \$54,470. Billings and Payment shall be made in accordance with the provisions of Section 5 of the Agreement.

NOT-TO-EXCEED AMOUNT

The total amount of compensation paid to Consultant for full completion of all work required by the Project and all expenses earned by Consultant in performance of such work during the entire term of the Project must not exceed \$54,470.

DETAILED PROJECT COMPENSATION

See Exhibit A.

EXHIBIT D
Professional Services Agreement

DISPUTE RESOLUTION

1. Disputes.

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

2. Arbitration.

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

2.3 Hearing. The arbitration hearing will be held within 90 days of the appointment of the arbitrator. The arbitration hearing, all proceedings, and all discovery will be conducted in Glendale, Arizona unless otherwise agreed by the parties or required as a result of witness location. Telephonic hearings and other reasonable arrangements may be used to minimize costs.

2.4 Award. At the arbitration hearing, each Party will submit its position to the arbitrator, evidence to support that position, and the exact award sought in this matter with specificity. The arbitrator must select the award sought by one of the parties as the final judgment and may not independently alter or modify the awards sought by the parties, fashion any remedy, or make any equitable order. The arbitrator has no authority to consider or award punitive damages.

2.5 Final Decision. The Arbitrator's decision should be rendered within 15 days after the arbitration hearing is concluded. This decision will be final and binding on the Parties.

2.6 Costs. The prevailing party may enter the arbitration in any court having jurisdiction in order to convert it to a judgment. The non-prevailing party will pay all of the prevailing party's arbitration costs and expenses, including reasonable attorney's fees and costs.

3. **Services to Continue Pending Dispute.** Unless otherwise agreed to in writing, Consultant must continue to perform and maintain progress of required Services during any Dispute resolution or arbitration proceedings, and City will continue to make payment to Consultant in accordance with this Agreement.

4. **Exceptions.**

4.1 Third Party Claims. City and Consultant are not required to arbitrate any third-party claim, cross-claim, counter claim, or other claim or defense of a third party who is not obligated by contract to arbitrate disputes with City and Consultant.

4.2 Liens. City or Consultant may commence and prosecute a civil action to contest a lien or stop notice, or enforce any lien or stop notice, but only to the extent the lien or stop notice the Party seeks to enforce is enforceable under Arizona Law, including, without limitation, an action under A.R.S. § 33-420, without the necessity of initiating or exhausting the procedures of this Exhibit.

4.3 Governmental Actions. This Exhibit does not apply to, and must not be construed to require arbitration of, any claims, actions or other process filed or issued by City of Glendale Building Safety Department or any other agency of City acting in its governmental permitting or other regulatory capacity.