



# REPORT TO COUNCIL

## City of Sacramento

915 I Street, Sacramento, CA 95814-2604  
www. CityofSacramento.org

Consent  
**January 13, 2009**

**Honorable Mayor and  
Members of the City Council**

**Title: Agreement: Citywide Financial and Operational Diagnostic Review**

**Location/Council District: Citywide**

**Recommendation:** Adopt a **Resolution 1)** authorizing the City Manager to execute, on behalf of the City, a modified City standard Professional Services Agreement with Alvarez & Marsal Public Sector Services, LLC (A&M) to conduct a citywide General Fund Budget financial and operational diagnostic review for Fiscal Year 2008/09 for an amount not to exceed \$190,000; and 2) requiring the attached Scope of Services and Compensation and Billable Rates be made part of the Professional Services Agreement.

**Contact:** Marty Hanneman, Assistant City Manager, (916) 808-7508  
Leyne Milstein, Finance Director, (916) 808-8491

**Presenters:** N/A

**Department:** City Manager's Office

**Division:** N/A

**Organization No:** 02001011

### **Description/Analysis**

**Issue:** On December 9, 2008, Mayor Johnson directed the City Manager to provide a full report to the Council in January 2009 with recommendations on how to implement an independent review of city finances and operations to seek opportunities for cost savings, efficiencies and improved service to citizens. To this end, the Mayor has secured an opportunity to partner with a nationally recognized restructuring firm to conduct a citywide financial and diagnostic review with a net-zero cost commitment guarantee to the City.

**Policy Considerations:** The proposed agreement is consistent with City strategies to identify cost savings and right-size the organization to meet reduced revenue trends. City administrative policy allows competitive selection procedures to be waived if it is in the best interests of the City to do so.

**Environmental Considerations:** N/A

**Commission/Committee Action:** N/A

**Sustainability Considerations:** N/A

**Rationale for Recommendation:** An independent review of the City's finances and operations will provide an opportunity to secure written recommendations from A&M, one of the nation's leading restructuring firms, on cost savings, potential revenue enhancements and risk mitigation strategies. Payment will be provided to A&M only upon written approval by the City Manager that A&M has identified ongoing annual cost savings and/or revenue enhancements of at least \$380,000 not already under current review or serious consideration by the City.

The City Manager's decision to waive the competitive selection procedures for professional services, as set forth in Administrative Policy Instructions (API) 47, is based on three factors:

- The qualifications of A&M as one of the country's leading restructuring firms (A&M is guiding the corporate restructuring of Washington Mutual and Lehman Brothers and has provided similar services to the public sector in New York City, Washington DC, and New Orleans).
- Conducting an immediate review with a short turnaround time at the mid-point of the fiscal year, when City revenues are declining, will ensure the City does not lose valuable time to remedy the budget imbalance. In future years, staff will utilize a formal RFP process if the Mayor and Council wish to continue the practice of seeking an independent review of city finances and operations.
- The proposed contractual arrangement provides two weeks of pro-bono service and a net-zero cost commitment guarantee to ensure the City will save at least twice the amount it pays to A&M.

**Financial Considerations:** The proposed agreement will provide \$190,000 to A&M if a minimum of \$380,000 in ongoing annual cost savings and/or revenue enhancements not already under current review or serious consideration by the City are identified and acceptable to the City Manager. If the proposed agreement is approved by Council, the \$190,000 payment will come from the General Fund contingency fund.

**Emerging Small Business Development (ESBD):** N/A

Respectfully Submitted by:   
Marty Hanneman, Assistant City Manager

Recommendation Approved:

  
Ray Kerridge, City Manager

*ben*

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## Background

The City is projecting a budget deficit of \$45 to \$50 million in Fiscal Year (FY) 2009/10 and is considering a number of strategies to close the projected deficit as well as address declining revenues in the current fiscal year.

On December 9, 2008, Mayor Johnson directed the City Manager to provide a full report to the Council in January 2009 with recommendations on how to implement an independent review of city finances and operations to seek opportunities for cost savings, efficiencies and improved service to citizens. To this end, the Mayor has secured an opportunity to partner with Alvarez & Marsal Public Sector Services, LLC (A&M), a nationally recognized restructuring firm, to conduct a citywide financial and diagnostic review with a net-zero cost commitment guarantee to the City and a two week provision of pro bono services. A summary of the firm is provided in Attachment 4.

Conducting a review at the mid-point of the current fiscal year with a short turnaround time will ensure the City does not lose valuable time to remedy the projected FY 2009/10 budget imbalance as well as address potential current year budget imbalances. The proposed financial review is distinct from formal audit processes the City conducts (e.g. required annual financial attestation performed in accordance with Generally Accepted Accounting Principles and internal audit examinations performed in accordance with Generally Accepted Government Auditing Standards). In addition to identifying opportunities for efficiencies and improved service to citizens, the focus of this review will be to determine if the current FY 2008/09 budget remains balanced and to identify three to five departments where the greatest potential for cost savings and/or revenue enhancements exist.

Staff has negotiated a proposed agreement with A&M that will ensure a payment of \$190,000 is provided to A&M upon written approval by the City Manager that A&M has identified ongoing annual cost savings and/or revenue enhancements of at least \$380,000. Recommendations must be independent of savings and/or revenues already under current review or serious consideration by the City.

The citywide financial and operational diagnostic review is proposed to be conducted in two phases as outlined below and more specifically in the Scope of Services:

- Phase 1 – A two-week review of the City's budget and the identification of three to five key budget areas for potential savings (provided pro-bono). If acceptable, the City Manager has the authority to authorize A&M to proceed into Phase 2.
- Phase 2 – A six-week specific review of the identified three to five key budget areas with resulting recommendations.

The agreement presented for approval is a modified version of the City's standard Professional Services Agreement. Attachment 3 to this report is a redlined version, showing the additions and deletions to the standard Professional Services Agreement. The most significant modifications include A&M requests to delete the City's standard indemnity language throughout the agreement and to delete the Equal Benefits Ordinance compliance tools requirements and provision allowing City access to A&M's records for purposes of Equal Opportunity regulation compliance.

**RESOLUTION NO.**

Adopted by the Sacramento City Council

**AGREEMENT: CITYWIDE FINANCIAL AND DIAGNOSTIC  
OPERATIONAL REVIEW**

**BACKGROUND**

- A. The City is facing a projected budget deficit of \$45 to \$50 million in FY2009/10 and experiencing declining revenues in the current fiscal year.
- B. Mayor Johnson has proposed an independent review of General Fund city finances for FY 2008/09 and operations to seek opportunities for cost savings, efficiencies and improved service to citizens.
- C. Mayor Johnson has secured an opportunity to partner with a nationally recognized restructuring firm to conduct a citywide financial and diagnostic review with a net-zero cost commitment guarantee to the City.
- D. The proposed Contractor is willing to conduct the first two weeks of its services at no charge to the City, and will begin immediately after Council approval of the Agreement on a date agreeable to the City Manager.
- E. The proposed Contractor is willing to conduct Phase 2 services immediately after receiving written notice from the City.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL  
RESOLVES AS FOLLOWS:**

- Section 1. The City Manager, or authorized designee, is hereby authorized to execute a modified City standard Professional Services Agreement with Alvarez & Marsal Public Sector Services, LLC (A&M) to perform a citywide financial and operational diagnostic review, in an amount not to exceed \$190,000.
- Section 2. The Scope of Services and Compensation and Billable Rates collectively attached hereto as Exhibit A shall be part of the authorized Professional Services Agreement, as Attachment 1 to Exhibit A and Attachment 1 to Exhibit B thereto, respectively.

Exh. A: Scope of Services and Compensation and Billable Rates

## **Scope of Services**

Contractor shall provide consulting services to the City of Sacramento in connection with the City's efforts to improve its fiscal General Fund budget and operations for FY2008/09 and beyond, as further described in this Scope of Services.

### **Phase I:**

During Phase I, Contractor will complete the following services:

1. Conduct a thorough review of the City's FY2008/09 General Fund budget and projected General Fund budget deficit. As part of this service, Contractor will, at a minimum: gain a functional understanding of key revenue and expense assumptions; gain a functional understanding of fiscal trends and changes over time; and gain a functional understanding of FY2008/09 year-to-date spending versus the approved FY2008/09 budget; and seek to re-validate FY2008/09's projected year-end General Fund balanced budget.
2. Identify three to five departments in which greatest opportunities for cost savings or revenue enhancement opportunities may exist. Contractor will, at a minimum: identify three to five departments with large and growing annual spending rates; identify functions with departmental overlap; identify departments that have significant projected to actual spend variances (positive or negative); and work with the City Manager, Charter officers, department heads, and other City leadership to understand "untouchable" areas that are critical priorities for the City.
3. Present a written preliminary report to the City including but not limited to, an outline of Contractor's analyses and conclusions regarding Items 1 and 2 above, the likely FY2008/09 General Fund fiscal ending balance and any deficit therein, and a supported identification of three to five City departments recommended for further review and their respective potential cost savings and/or revenue enhancement potential.

Items 1 to 3 of Phase I shall be completed no later than two weeks (14 days) from the date this Agreement is approved by the City Council. This two week period may be extended by the City Manager, if necessary for Contractor to present a complete written preliminary report.

### **Phase II:**

It shall be the City Manager's sole option whether to direct Contractor to proceed with Phase II, a determination that will be made within three business days after the completion of Phase 1. If the City Manager elects to have Contractor proceed to Phase II, then the City Manager will provide written notice to proceed with Phase II. Upon receipt of the written notice to proceed, Contractor shall immediately proceed to Phase II, which shall

include:

1. Performance of a detailed review and identification of fiscal savings opportunities in the three to five City departments identified by the Contractor in Phase I. For each identified department, the detailed review will include: an understanding of the mission and purpose of that department, including key performance indicators; and organizational structure/staffing plan review; interviews with key personnel; review of key contracts and labor agreements; and an understanding of key risks and opportunities associated with funding levels within that department.

2. Preparation of written recommendations for the identified departments. As part of these written recommendations, Contractor will include for each identified department, at a minimum: cost savings range; an estimated timeline to achieve those cost savings; the risks and implementation hurdles to achieving those savings; potential revenue enhancements; and risk mitigation strategies. Contractor shall present in its written recommendations a minimum of \$380,000 ongoing annual cost savings and/or revenue enhancements to the City. Those identified savings and/or enhancements must not be duplicative of savings or enhancements under current review or serious consideration by the City.

3. Personal review of recommendations with the City Manager, Charter officers, and others within the City as designated by the City Manager; written presentation of recommended next steps and recommended timeline for further City action or implementation of recommendations.

4. If requested by the City, Contractor shall present its written recommendations and/or an oral report to the City Council at a City Council meeting on a date chosen by the City.

Items 1 to 3 of Phase II shall be completed no later than six weeks after the City gives notice to proceed with Phase II, unless extended by the City Manager.

## **Compensation and Billable Rates**

### **Phase I:**

Contractor shall perform Phase I at no cost to the City. Contractor agrees that, notwithstanding the pro bono aspect of Phase I, it has received adequate consideration under this Agreement.

### **Phase II:**

If the City Manager directs Contractor to perform Phase II, upon completion of Phase II City shall pay Contractor \$190,000, subject to terms of the Agreement and the contingencies set forth below.

Contractor agrees that any payments for Phase II services are contingent upon (i) presentation in its written recommendations a minimum of \$380,000 ongoing annual cost savings and/or revenue enhancements to the City not already under current review or serious consideration by the City; (ii) the City Manager's and Charter Officers' opportunity to review and comment upon the acceptability of such cost savings and/or revenue enhancements as to recommendations affecting operations within their respective purviews; and (iii) written approval by the City Manager that the Contractor recommendations provide a minimum of \$380,000 of ongoing annual cost savings and/or revenue enhancements to the City.

Contractor understands and agrees that: its services may be suspended or terminated at any time, as set forth in Exhibit D, paragraph 9, of this Agreement; the City shall have no obligation to proceed with Phase II; and the City shall not be bound to accept, approve, or implement any of Contractor's recommendations.

There shall be no Reimbursable Expenses under this Agreement.

PROJECT #:  
PROJECT NAME:  
DEPARTMENT: City Manager  
DIVISION: Executive Office

CITY OF SACRAMENTO

**PROFESSIONAL SERVICES AGREEMENT \***

**THIS AGREEMENT** is made at Sacramento, California, as of \_\_\_\_\_, by and between the **CITY OF SACRAMENTO**, a municipal corporation ("CITY"), and

*Alvarez & Marsal Public Sector Services, LLC, Sajan P. George  
3399 Peachtree Road, NE, Suite 1900, Atlanta, GA 30325  
Mobile: 678-662-1772; Fax: 877.733.3069*

("CONTRACTOR"), who agree as follows:

1. **Services.** Subject to the terms and conditions set forth in this Agreement, CONTRACTOR shall provide to CITY the services described in Exhibit A. CONTRACTOR shall provide said services at the time, place, and in the manner specified in Exhibit A. CONTRACTOR shall not be compensated for services outside the scope of Exhibit A unless prior to the commencement of such services: (a) CONTRACTOR notifies CITY and CITY agrees that such services are outside the scope of Exhibit A; (b) CONTRACTOR estimates the additional compensation required for these additional services; and (c) CITY, after notice, approves in writing a Supplemental Agreement specifying the additional services and amount of compensation therefor. CITY shall have no obligations whatsoever under this Agreement and/or any Supplemental Agreement, unless and until this Agreement or any Supplemental Agreement is approved by the Sacramento City Manager or the City Manager's authorized designee, or by the Sacramento City Council, as required by the Sacramento City Code.
2. **Payment.** CITY shall pay CONTRACTOR for services rendered pursuant to this Agreement at the times and in the manner set forth in Exhibit B. The payments specified in Exhibit B shall be the only payments to be made to CONTRACTOR for the services rendered pursuant to this Agreement unless pursuant to Section 1, above, CITY approves additional compensation for additional services. CONTRACTOR shall submit all billings for said services to CITY in the manner specified in Exhibit B, or, if not specified in Exhibit B, according to the usual and customary procedures and practices that CONTRACTOR uses for billing clients similar to CITY.
3. **Facilities and Equipment.** Except as set forth in Exhibit C, CONTRACTOR shall, at its sole cost and expense, furnish all facilities and equipment that may be required for furnishing services pursuant to this Agreement. CITY shall furnish to CONTRACTOR only the facilities and equipment listed in Exhibit C according to any terms and conditions set forth in Exhibit C.
4. **General Provisions.** The General Provisions set forth in Exhibit D, that include indemnity and insurance requirements, are part of this Agreement. In the event of any conflict between the General Provisions and any terms or conditions of any document prepared or provided by

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\* This form to be used for all professional services, except professional services related to a construction project and professional services performed by licensed architects, landscape architects or professional land surveyors or registered professional engineers.

CONTRACTOR and made a part of this Agreement, including without limitation any document relating to the scope of services or payment therefor, the General Provisions shall control over said terms or conditions.

- 5. **Non-Discrimination in Employee Benefits.** This Agreement is subject to the provisions of Sacramento City Code Chapter 3.54, Non-Discrimination in Employee Benefits by City Contractors. The requirements of Sacramento City Code Chapter 3.54 are summarized in Exhibit E. CONTRACTOR is required to sign the attached Declaration of Compliance (Equal Benefits Ordinance), to assure compliance with these requirements.
- 6. **Authority.** The person signing this Agreement for CONTRACTOR hereby represents and warrants that he/she is fully authorized to sign this Agreement on behalf of CONTRACTOR and to bind CONTRACTOR to the performance of its obligations hereunder.
- 7. **Exhibits.** All exhibits referred to herein are attached hereto and are by this reference incorporated as if set forth fully herein.

Executed as of the day and year first above stated.

**CITY OF SACRAMENTO**  
A Municipal Corporation

**CONTRACTOR:**

By: \_\_\_\_\_  
Marty Hanneman, Assistant City Manager  
For: Ray Kerridge, City Manager

\_\_\_\_\_  
Alvarez & Marsal Public Sector Services, LLC

\_\_\_\_\_  
Federal I.D. No.

APPROVED TO AS FORM:

\_\_\_\_\_  
State I.D. No.

\_\_\_\_\_  
Matthew Ruyak  
Supervising Deputy City

\_\_\_\_\_  
City of Sacramento Business Op. Tax Cert. No.

ATTEST:

TYPE OF BUSINESS ENTITY (*check one*):

- \_\_\_\_\_ Individual/Sole Proprietor
- \_\_\_\_\_ Partnership
- \_\_\_\_\_ Corporation (*may require 2 signatures*)
- \_\_\_\_\_ Limited Liability Company
- \_\_\_\_\_ Other (*please specify:* \_\_\_\_\_)

\_\_\_\_\_  
City Clerk

Attachments

- Exhibit A - Scope of Service
- Exhibit B - Fee Schedule/Manner of Payment
- Exhibit C - Facilities/Equipment Provided
- Exhibit D - General Provisions
- Exhibit E - Non-Discrimination in Employee Benefits

\_\_\_\_\_  
Sajan P. George  
Managing Partner

Additional Signature (*if required*)

\_\_\_\_\_  
Print Name and Title

**DECLARATION OF COMPLIANCE  
Equal Benefits Ordinance**

Name of Contractor: **Alvarez & Marsal Public Sector Services, LLC**

Address: **3399 Peachtree Road, NE, Suite 1900, Atlanta, GA 30326**

The above named Contractor ("Contractor") hereby declares and agrees as follows:

1. Contractor has read and understands the Requirements of the Non-Discrimination In Employee Benefits Code (the "Requirements") attached hereto as Exhibit E.
2. As a condition of receiving this Agreement, Contractor agrees to fully comply with the Requirements, as well as any additional requirements that may be specified in the City of Sacramento's Non-Discrimination In Employee Benefits Code codified at Chapter 3.54 of the Sacramento City Code (the [Ordinance](#)).
3. Contractor understands, to the extent that such benefits are not preempted or prohibited by federal or state law, employee benefits covered by the Ordinance are any of the following:
  - a. Bereavement Leave
  - b. Disability, life, and other types of insurance
  - c. Family medical leave
  - d. Health benefits
  - e. Membership or membership discounts
  - f. Moving expenses
  - g. Pension and retirement benefits
  - h. Vacation
  - i. Travel benefits
  - j. Any other benefit offered to employees

Contractor agrees that if Contractor offers any of the above-listed employee benefits, Contractor will offer those benefits, without discrimination between employees with spouses and employees with domestic partners, and without discrimination between the spouses and domestic partners of such employees.

4. Contractor understands that Contractor will not be considered to be discriminating in the provision or application of employee benefits under the following conditions or circumstances:
  - a. If the actual cost of providing a benefit to a domestic partner or spouse exceeds the cost of providing the same benefit to a spouse or domestic partner of an employee, Contractor will not be required to provide the benefit, nor shall it be deemed discriminatory, if Contractor requires the employee to pay the monetary difference in order to provide the benefit to the domestic partner or to the spouse.
  - b. If Contractor is unable to provide a certain benefit, despite taking reasonable measures to do so, if Contractor provides the employee with a cash equivalent Contractor will not be deemed to be discriminating in the application of that benefit.
  - c. If Contractor provides employee benefits neither to employee's spouses nor to employee's domestic partners.
  - d. If Contractor provides employee benefits to employees on a basis unrelated to marital or domestic partner status.
  - e. If Contractor submits written evidence of making reasonable efforts to end discrimination in employee benefits by implementing policies that will be enacted before the first effective date

after the first open enrollment process following the date this Agreement is executed by the City of Sacramento ("City"). Contractor understands that any delay in the implementation of such policies may not exceed one (1) year from the date this Agreement is executed by the City, and applies only to those employee benefits for which an open enrollment process is applicable.

- f. Until administrative steps can be taken to incorporate nondiscrimination in employee benefits. The time allotted for these administrative steps will apply only to those employee benefits for which administrative steps are necessary and may not exceed three (3) months from the date this Agreement is executed by the City.
  - g. Until the expiration of a current collective bargaining agreement(s) if employee benefits are governed by such collective bargaining agreement(s).
  - h. Contractor takes all reasonable measures to end discrimination in employee benefits by either requesting that the union(s) involved agree to reopen the agreement(s) in order for Contractor to take whatever steps are necessary to end discrimination in employee benefits or by ending discrimination in employee benefits without reopening the collective bargaining agreement(s).
  - i. In the event Contractor cannot end discrimination in employee benefits despite taking all reasonable measures to do so, Contractor provides a cash equivalent to eligible employees for whom employee benefits are not available. Unless otherwise authorized in writing by the City Manager, Contractor understands this cash equivalent must begin at the time the union(s) refuse to allow the collective bargaining agreement(s) to be reopened or not longer than three (3) months after the date this Agreement is executed by the City.
5. Contractor understands that failure to comply with the provisions of Section 4(a) through 4(i), above, will subject Contractor to possible suspension and/or termination of this Agreement for cause; repayment of any or all of the Agreement amount disbursed by the City; debarment for future agreements until all penalties and restitution have been paid in full and/or for up to two (2) years; and/or the imposition of a penalty, payable to the City, in the sum of \$50.00 for each employee, for each calendar day during which the employee was discriminated against in violation of the provisions of the Ordinance.
6. Contractor understands and agrees to provide notice to each current employee and, within ten (10) days of hire, to each new employee, of their rights under the Ordinance. Contractor further agrees to maintain a copy of each such letter provided, in an appropriate file for inspection by authorized representatives of the City. Contractor also agrees to prominently display a poster informing each employee of these rights.
7. Contractor understands that Contractor has the right to request a waiver of, or exemption from, the provisions of the Ordinance by submitting a written request to the City's Procurement Services Division prior to Agreement award, which request shall identify the provision(s) of the Ordinance authorizing such waiver or exemption and the factual basis for such waiver or exemption. The City shall determine in its sole discretion whether to approve any such request.
8. ~~Contractor agrees to defend, indemnify and hold harmless, the City, its officers and employees, against any claims, actions, damages, costs (including reasonable attorney fees), or other liabilities of any kind arising from any violation of the Requirements or of the Ordinance by Contractor.~~

The undersigned declares under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that he or she is authorized to bind the Contractor to the provisions of this Declaration.

\_\_\_\_\_  
Sajan P. George, Managing Partner  
Alvarez & Marsal Public Sector Services, LLC

\_\_\_\_\_  
Date

**EXHIBIT A**

**PROFESSIONAL SERVICES AGREEMENT  
SCOPE OF SERVICES**

**1. Representatives.**

The CITY Representative for this Agreement is:

*Marty Hanneman, Assistant City Manager  
915 I Street, Fifth Floor, Sacramento, CA 95814  
Phone: 916.808.5704; Fax: 916.808.7618  
mhanneman@cityofsacramento.org*

All CONTRACTOR questions pertaining to this Agreement shall be referred to the CITY Representative or the Representative's designee.

The CONTRACTOR Representative for this Agreement is:

*Sajan P. George, Managing Partner  
Alvarez & Marsal Public Sector Services, LLC  
3399 Peachtree Road, NE  
Mobile: 678.662.1772; 877.733.3096*

All CITY questions pertaining to this Agreement shall be referred to the CONTRACTOR Representative. All correspondence to CONTRACTOR shall be addressed to the address set forth on page one of this Agreement. Unless otherwise provided in this Agreement, all correspondence to the CITY shall be addressed to the CITY Representative.

**2. Professional Liability Insurance.** Professional Liability (Errors and Omissions) insurance is   X   is not        required for this Agreement. If required, such coverage must be continued for at least   1   year following the completion of all Services and Additional Services under this Agreement. (See Exhibit D, Section 11, for complete insurance requirements.)

**3. Conflict of Interest Requirements.**

A. **Generally.** Under the California Political Reform Act, Government Code §§ 81000 et seq., designated employees of the CITY are required to comply with the CITY's Conflict of Interest Code. The term Adesignated employees is a term of art and includes individuals who are working for contractors who are providing services or performing work for the CITY and who are considered to be Aconsultants@ under the Political Reform Act. The term Aconsultant@ generally includes individuals who make, or participate in making, governmental decisions or who serve in a staff capacity. Individuals who perform work that is solely clerical, ministerial, manual or secretarial are not "consultants."

The CITY's Conflict of Interest Code requires designated employees, including individuals who qualify as "consultants", to file the following statements of economic interests:

- (1) An "assuming office" statement of economic interests to be filed within 30 days after execution of the agreement between the City and the contractor;
- (2) Annual statements of economic interests while the agreement remains in effect, to be filed not later than April 30 of each year; and
- (3) A "leaving office" statement of economic interests to be filed within 30 days of completion of the contract.

The above statements of economic interests are public records subject to public disclosure under the California Public Records Act.

The CITY's Conflict of Interest Code also requires individuals who qualify as "consultants" under the Political Reform Act to comply with the conflict of interest provisions of the Political Reform Act, which generally prohibit individuals from making or participating in the making of decisions that will have a material financial effect on their economic interests.

- B. **Conflict of Interest Statements.** The individual(s) who will provide services or perform work pursuant to this Agreement are "consultants" within the meaning of the Political Reform Act and the CITY's Conflict of Interest Code:  yes  no *[check one]*

If "yes" is checked above, CONTRACTOR shall cause the following to occur within 30 days after execution of this Agreement:

- (1) Identify the individuals who will provide services or perform work under this Agreement as "consultants";
- (2) Cause these individuals to file with the CITY Representative the assuming office statements of economic interests required by the CITY's Conflict of Interest Code.

Thereafter, throughout the term of the Agreement, CONTRACTOR shall cause these individuals to file with the CITY Representative annual statements of economic interests, and "leaving office" statements of economic interests, as required by the CITY's Conflict of Interest Code. The CITY may withhold all or a portion of any payment due under this Agreement until all required statements are filed.

**4. Scope of Services.**

The services provided shall be as set forth in Attachment 1 to Exhibit A, attached hereto and incorporated herein.

- 5. Time of Performance.** The services described herein shall be provided during the period, or in accordance with the schedule, set forth in the scope of services.

## **Attachment 1 to Exhibit A**

### **Scope of Services**

Contractor shall provide consulting services to the City of Sacramento in connection with the City's efforts to improve its fiscal General Fund budget and operations for FY2008/09 and beyond, as further described in this Scope of Services.

#### **Phase I:**

During Phase I, Contractor will complete the following services:

1. Conduct a thorough review of the City's FY2008/09 General Fund budget and projected General Fund budget deficit. As part of this service, Contractor will, at a minimum: gain a functional understanding of key revenue and expense assumptions; gain a functional understanding of fiscal trends and changes over time; and gain a functional understanding of FY2008/09 year-to-date spending versus the approved FY2008/09 budget; and seek to re-validate FY2008/09's projected year-end General Fund balanced budget.

2. Identify three to five departments in which greatest opportunities for cost savings or revenue enhancement opportunities may exist. Contractor will, at a minimum: identify three to five departments with large and growing annual spending rates; identify functions with departmental overlap; identify departments that have significant projected to actual spend variances (positive or negative); and work with the City Manager, Charter officers, department heads, and other City leadership to understand "untouchable" areas that are critical priorities for the City.

3. Present a written preliminary report to the City including but not limited to, an outline of Contractor's analyses and conclusions regarding Items 1 and 2 above, the likely FY2008/09 General Fund fiscal ending balance and any deficit therein, and a supported identification of three to five City departments recommended for further review and their respective potential cost savings and/or revenue enhancement potential.

Items 1 to 3 of Phase I shall be completed no later than two weeks (14 days) from the date this Agreement is approved by the City Council. This two week period may be extended by the City Manager, if necessary for Contractor to present a complete written preliminary report.

#### **Phase II:**

It shall be the City Manager's sole option whether to direct Contractor to proceed with Phase II, a determination that will be made within three business days after the completion of Phase I. If the City Manager elects to have Contractor proceed to Phase II, then the City Manager will

provide written notice to proceed with Phase II. Upon receipt of the written notice to proceed. Contractor shall immediately proceed to Phase II, which shall include:

1. Performance of a detailed review and identification of fiscal savings opportunities in the three to five City departments identified by the Contractor in Phase I. For each identified department, the detailed review will include: an understanding of the mission and purpose of that department, including key performance indicators; and organizational structure/staffing plan review; interviews with key personnel; review of key contracts and labor agreements; and an understanding of key risks and opportunities associated with funding levels within that department.

2. Preparation of written recommendations for the identified departments. As part of these written recommendations, Contractor will include for each identified department, at a minimum: cost savings range; an estimated timeline to achieve those cost savings; the risks and implementation hurdles to achieving those savings; potential revenue enhancements; and risk mitigation strategies. Contractor shall present in its written recommendations a minimum of \$380,000 ongoing annual cost savings and/or revenue enhancements to the City. Those identified savings and/or enhancements must not be duplicative of savings or enhancements under current review or serious consideration by the City.

3. Personal review of recommendations with the City Manager, Charter officers, and others within the City as designated by the City Manager; written presentation of recommended next steps and recommended timeline for further City action or implementation of recommendations.

4. If requested by the City, Contractor shall present its written recommendations and/or an oral report to the City Council at a City Council meeting on a date chosen by the City.

Items 1 to 3 of Phase II shall be completed no later than six weeks after the City gives notice to proceed with Phase II, unless extended by the City Manager.

## EXHIBIT B

### PROFESSIONAL SERVICES AGREEMENT

#### FEE SCHEDULE/MANNER OF PAYMENT

1. **CONTRACTOR's Compensation.** The total of all fees paid to the CONTRACTOR for the performance of all services set forth in Exhibit A, including normal revisions (hereafter the "Services"), and for all authorized Reimbursable Expenses, shall not exceed the total sum of \$190,000.
2. **Billable Rates.** CONTRACTOR shall be paid for the performance of Services on an hourly rate, daily rate, flat fee, lump sum or other basis, as set forth in Attachment 1 to Exhibit B, attached hereto and incorporated herein. *[Attach list of billable rates that apply, labeled "Attachment 1 to Exhibit B".]*
3. **CONTRACTOR's Reimbursable Expenses.** Reimbursable Expenses shall be limited to actual expenditures of CONTRACTOR for expenses that are necessary for the proper completion of the Services and shall only be payable if specifically authorized in advance by CITY.
4. **Payments to CONTRACTOR.**
  - A. Payments to CONTRACTOR shall be made within a reasonable time after receipt of CONTRACTOR's invoice but in no event more that 30 days after receipt, said payments to be made ~~in proportion to services performed or as otherwise~~ as specified in Attachment 1 to Exhibit B. ~~CONTRACTOR may request payment on a monthly basis. CONTRACTOR shall be responsible for the cost of supplying all documentation necessary to verify the monthly billings to the satisfaction of CITY.~~
  - B. All invoices submitted by CONTRACTOR shall contain the following information:
    - (1) Job Name
    - (2) Description of services billed under this invoice, and overall status of project
    - (3) Date of Invoice Issuance
    - (4) Sequential Invoice Number
    - (5) CITY's Purchase Order Number
    - (6) Total Contract Amount
    - (7) Amount of this Invoice (Itemize all Reimbursable Expenses)
    - (8) Total Billed to Date
    - (9) Total Remaining on Contract
    - (10) Updated project schedule. This shall identify those steps that shall be taken to bring the project back on schedule if it is behind schedule.

- C. Items shall be separated into Services and Reimbursable Expenses. Billings that do not conform to the format outlined above shall be returned to CONTRACTOR for correction. CITY shall not be responsible for delays in payment to CONTRACTOR resulting from CONTRACTOR's failure to comply with the invoice format described below.
- D. Requests for payment shall be sent to:

*City Manager's Office*  
915 I Street, Fifth Floor, Sacramento, CA 95814  
916.808.5704; Fax: 916.808.7618  
Attn: Marty Hanneman, Assistant City Manager

- 5. **Additional Services.** Additional Services are those services related to the scope of services of CONTRACTOR set forth in Exhibit A but not anticipated at the time of execution of this Agreement. Additional Services shall be provided only when a Supplemental Agreement authorizing such Additional Services is approved by CITY in accordance with CITY's Supplemental Agreement procedures. CITY reserves the right to perform any Additional Services with its own staff or to retain other contractors to perform said Additional Services.
- 6. **Accounting Records of CONTRACTOR.** During performance of this Agreement and for a period of three (3) years after completing all Services and Additional Services hereunder, CONTRACTOR shall maintain all accounting and financial records related to this Agreement, including, but not limited to, records of CONTRACTOR's costs for all Services and Additional Services performed under this Agreement and records of CONTRACTOR's Reimbursable Expenses, in accordance with generally accepted accounting practices, and shall keep and make such records available for inspection and audit by representatives of the CITY upon reasonable advance written notice during normal business hours.
- 7. **Taxes.** CONTRACTOR shall pay, when and as due, any and all taxes incurred as a result of CONTRACTOR's compensation hereunder, including estimated taxes, and shall provide CITY with proof of such payment upon request. ~~CONTRACTOR hereby agrees to indemnify CITY for any claims, losses, costs, fees, liabilities, damages or injuries suffered by CITY arising out of CONTRACTOR's breach of this Section 7.~~

**Attachment 1 to Exhibit B**  
**Compensation and Billable Rates**

**Phase I:**

Contractor shall perform Phase I at no cost to the City. Contractor agrees that, notwithstanding the pro bono aspect of Phase I, it has received adequate consideration under this Agreement.

**Phase II:**

If the City Manager directs Contractor to perform Phase II, upon completion of Phase II City shall pay Contractor \$190,000, subject to terms of the Agreement and the contingencies set forth below.

Contractor agrees that any payments for Phase II services are contingent upon (i) presentation in its written recommendations a minimum of \$380,000 ongoing annual cost savings and/or revenue enhancements to the City not already under current review or serious consideration by the City; (ii) the City Manager's and Charter Officers' opportunity to review and comment upon the acceptability of such cost savings and/or revenue enhancements as to recommendations affecting operations within their respective purviews; and (iii) written approval by the City Manager that the Contractor recommendations provide a minimum of \$380,000 of ongoing annual cost savings and/or revenue enhancements to the City.

Contractor understands and agrees that: its services may be suspended or terminated at any time, as set forth in Exhibit D, paragraph 9, of this Agreement; the City shall have no obligation to proceed with Phase II; and the City shall not be bound to accept, approve, or implement any of Contractor's recommendations.

There shall be no Reimbursable Expenses under this Agreement.

**EXHIBIT C**  
**PROFESSIONAL SERVICES AGREEMENT**  
**FACILITIES AND EQUIPMENT TO BE PROVIDED BY CITY**

CITY shall *[check one]*       Not furnish any facilities or equipment for this Agreement; or  
    furnish the following facilities or equipment for the Agreement; *[list, if applicable]*

**EXHIBIT D  
PROFESSIONAL SERVICES AGREEMENT**

**GENERAL PROVISIONS**

**1. Independent Contractor.**

- A. It is understood and agreed that CONTRACTOR (including CONTRACTOR's employees) is an independent contractor and that no relationship of employer-employee exists between the parties hereto for any purpose whatsoever. Neither CONTRACTOR nor CONTRACTOR's assigned personnel shall be entitled to any benefits payable to employees of CITY. CITY is not required to make any deductions or withholdings from the compensation payable to CONTRACTOR under the provisions of this Agreement, and CONTRACTOR shall be issued a Form 1099 for its services hereunder. ~~As an independent contractor, CONTRACTOR hereby agrees to indemnify and hold CITY harmless from any and all claims that may be made against CITY based upon any contention by any of CONTRACTOR's employees or by any third party, including but not limited to any state or federal agency, that an employer-employee relationship or a substitute therefor exists for any purpose whatsoever by reason of this Agreement or by reason of the nature and/or performance of any Services under this Agreement. (As used in this Exhibit D, the term "Services" shall include both Services and Additional Services as such terms are defined elsewhere in this Agreement.)~~
- B. It is further understood and agreed by the parties hereto that CONTRACTOR, in the performance of its obligations hereunder, is subject to the control and direction of CITY as to the designation of tasks to be performed and the results to be accomplished under this Agreement, but not as to the means, methods, or sequence used by CONTRACTOR for accomplishing such results. To the extent that CONTRACTOR obtains permission to, and does, use CITY facilities, space, equipment or support services in the performance of this Agreement, this use shall be at the CONTRACTOR's sole discretion based on the CONTRACTOR's determination that such use will promote CONTRACTOR's efficiency and effectiveness. Except as may be specifically provided elsewhere in this Agreement, the CITY does not require that CONTRACTOR use CITY facilities, equipment or support services or work in CITY locations in the performance of this Agreement.
- C. If, in the performance of this Agreement, any third persons are employed by CONTRACTOR, such persons shall be entirely and exclusively under the direction, supervision, and control of CONTRACTOR. Except as may be specifically provided elsewhere in this Agreement, all terms of employment, including hours, wages, working conditions, discipline, hiring, and discharging, or any other terms of employment or requirements of law, shall be determined by CONTRACTOR. It is further understood and agreed that CONTRACTOR shall issue W-2 or 1099 Forms for income and employment tax purposes, for all of CONTRACTOR's assigned personnel and subcontractors.

- D. The provisions of this Section 1 shall survive any expiration or termination of this Agreement. Nothing in this Agreement shall be construed to create an exclusive relationship between CITY and CONTRACTOR. CONTRACTOR may represent, perform services for, or be employed by such additional persons or companies as CONTRACTOR sees fit provided that CONTRACTOR does not violate the provisions of Section 5, below.
2. **Licenses; Permits, Etc.** CONTRACTOR represents and warrants to the best of its knowledge and belief that CONTRACTOR has all licenses, permits, City Business Operations Tax Certificate, qualifications, and approvals of whatsoever nature that are legally required for CONTRACTOR to practice its profession or provide any services under the Agreement. CONTRACTOR represents and warrants that CONTRACTOR shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement any licenses, permits, and approvals that are legally required for CONTRACTOR to practice its profession or provide such Services. Without limiting the generality of the foregoing, if CONTRACTOR is an out-of-state corporation, CONTRACTOR warrants and represents that it possesses a valid certificate of qualification to transact business in the State of California issued by the California Secretary of State pursuant to Section 2105 of the California Corporations Code.
  3. **Time.** CONTRACTOR shall devote such time and effort to the performance of Services pursuant to this Agreement as is necessary for the satisfactory and timely performance of CONTRACTOR's obligations under this Agreement. Neither party shall be considered in default of this Agreement, to the extent that party's performance is prevented or delayed by any cause, present or future, that is beyond the reasonable control of that party.
  4. **CONTRACTOR Not Agent.** Except as CITY may specify in writing, CONTRACTOR and CONTRACTOR's personnel shall have no authority, express or implied, to act on behalf of CITY in any capacity whatsoever as an agent. CONTRACTOR and CONTRACTOR's personnel shall have no authority, express or implied, to bind CITY to any obligations whatsoever.
  5. **Conflicts of Interest.** CONTRACTOR covenants to the best of its knowledge and belief that neither it, nor any officer or principal of its firm, has or shall acquire during the term of this Agreement any interest, directly or indirectly, that would conflict in any manner with the interests of CITY or that would in any way hinder CONTRACTOR's performance of Services under this Agreement. CONTRACTOR further covenants that in the performance of this Agreement, no person having any such interest shall be employed by it as an officer, employee, agent or subcontractor, without the written consent of CITY. CONTRACTOR agrees to avoid conflicts of interest or the appearance of any conflicts of interest with the interests of CITY at all times during the performance of this Agreement. If CONTRACTOR is or employs a former officer or employee of the CITY, CONTRACTOR and any such employee(s) shall comply with the provisions of Sacramento City Code Section 2.16.090 pertaining to appearances before the City Council or any CITY department, board, commission or committee.
  6. **Confidentiality of CITY Information.** During performance of this Agreement, CONTRACTOR may gain access to and use CITY information regarding inventions, machinery, products, prices, apparatus, costs, discounts, future plans, business affairs, governmental affairs, processes,

trade secrets, technical matters, systems, facilities, customer lists, product design, copyright, data, and other vital information (hereafter collectively referred to as "City Information") that are valuable, special and unique assets of the CITY. CONTRACTOR agrees to protect all City Information and treat it as strictly confidential, and further agrees that CONTRACTOR shall not at any time, either directly or indirectly, divulge, disclose or communicate in any manner any City Information to any third party (except its subcontractors and affiliates) without the prior written consent of CITY except as may be required by law. In addition, CONTRACTOR shall comply with all CITY policies governing the use of the CITY network and technology systems, as set forth in applicable provisions of the City of Sacramento Administrative Policy Instructions # 30. A violation by CONTRACTOR of this Section 6 shall be a material violation of this Agreement and shall justify legal and/or equitable relief.

## 7. CONTRACTOR Information.

CITY shall have full ownership and control, including ownership of any copyrights, of all information prepared, produced, or provided by CONTRACTOR pursuant to this Agreement. In this Agreement, the term "information" shall be construed to mean and include: any and all work product, submittals, reports, plans, specifications, and other deliverables consisting of documents, writings, handwritings, typewriting, printing, photostating, photographing, computer models, and any other computerized data and every other means of recording any form of information, communications, or representation, including letters, works, pictures, drawings, sounds, or symbols, or any combination thereof. CONTRACTOR shall not be responsible for any unauthorized modification or use of such information for other than its intended purpose by CITY. Notwithstanding anything to the contrary, CONTRACTOR shall retain all right, title and interest in and to: (1) all of its pre-existing patent, copyright, trademark and other intellectual property rights and (2) all methodologies, processes, techniques, ideas, concepts, trade secrets, and know-how embodied in the information or deliverables or that CONTRACTOR may develop or supply in connection with this Agreement ("CONTRACTOR Consulting Knowledge"). Subject to any applicable confidentiality restrictions contained herein, CONTRACTOR may use CONTRACTOR Consulting Knowledge for any purpose. The provisions contained in this Section 7 shall survive expiration or termination of this Agreement

- A. ~~CONTRACTOR shall fully defend, indemnify and hold harmless CITY, its officers and employees, and each and every one of them, from and against any and all claims, actions, lawsuits or other proceedings alleging that all or any part of the information prepared, produced, or provided by CONTRACTOR pursuant to this Agreement infringes upon any third party's trademark, trade name, copyright, patent or other intellectual property rights. CITY shall make reasonable efforts to notify CONTRACTOR not later than ten (10) days after CITY is served with any such claim, action, lawsuit or other proceeding, provided that CITY's failure to provide such notice within such time period shall not relieve CONTRACTOR of its obligations hereunder, which shall survive any termination or expiration of this Agreement.~~
- B. All proprietary and other information received from CONTRACTOR by CITY, whether received in connection with CONTRACTOR's proposal to CITY or in connection with any Services performed by CONTRACTOR, will be disclosed upon receipt of a request for disclosure, pursuant to the California Public Records Act; provided, however, that, if any information is set apart and clearly marked "trade secret" when it is provided to CITY, CITY shall give notice to CONTRACTOR of any request for the disclosure of such information. The CONTRACTOR shall then have five (5) days from the date it receives

such notice to enter into an agreement with the CITY, satisfactory to the City Attorney, providing for the defense of, and complete indemnification and reimbursement for all costs (including plaintiff's attorney fees) incurred by CITY in any legal action to compel the disclosure of such information under the California Public Records Act. The CONTRACTOR shall have sole responsibility for defense of the actual "trade secret" designation of such information.

C. The parties understand and agree that any failure by CONTRACTOR to respond to the notice provided by CITY and/or to enter into an agreement with CITY, in accordance with the provisions of subsection C, above, shall constitute a complete waiver by CONTRACTOR of any rights regarding the information designated "trade secret" by CONTRACTOR, and such information shall be disclosed by CITY pursuant to applicable procedures required by the Public Records Act.

8. **Standard of Performance.** CONTRACTOR shall perform all Services required pursuant to this Agreement in the manner and according to the standards currently observed by a competent practitioner of CONTRACTOR's profession in California. All products of whatsoever nature that CONTRACTOR delivers to CITY pursuant to this Agreement shall be prepared in a professional manner and conform to the standards of quality normally observed by a person currently practicing in CONTRACTOR's profession, and shall be provided in accordance with any schedule of performance specified in Exhibit A. CONTRACTOR shall assign only competent personnel to perform Services pursuant to this Agreement. CONTRACTOR shall notify CITY in writing of any changes in CONTRACTOR's staff assigned to perform the Services required under this Agreement, prior to any such performance. In the event that CITY, at any time during the term of this Agreement, desires the removal of any person assigned by CONTRACTOR to perform Services pursuant to this Agreement, because CITY, in its sole discretion, determines that such person is not performing in accordance with the standards required herein, CONTRACTOR shall remove such person immediately upon receiving notice from CITY of the desire of CITY for the removal of such person.

9. **Term; Suspension; Termination.**

A. This Agreement shall become effective on the date that it is approved by both parties, set forth on the first page of the Agreement, and shall continue in effect until both parties have fully performed their respective obligations under this Agreement, unless sooner terminated as provided herein.

B. CITY shall have the right at any time to temporarily suspend CONTRACTOR's performance hereunder, in whole or in part, by giving a written notice of suspension to CONTRACTOR. If CITY gives such notice of suspension, CONTRACTOR shall immediately suspend its activities under this Agreement, as specified in such notice.

C. Both parties CITY shall have the right to terminate this Agreement at any time by giving a written notice of termination to the other party CONTRACTOR. If either party CITY gives such notice of termination, CONTRACTOR shall immediately cease rendering Services pursuant to this Agreement. If this Agreement is terminated CITY terminates ~~this Agreement~~:

(1) CONTRACTOR shall, not later than five days after such notice of termination, deliver to CITY copies of all information prepared pursuant to this Agreement.

- (2) ~~CITY shall pay CONTRACTOR the reasonable value of Services rendered by CONTRACTOR prior to termination; provided, however, CITY shall not in any manner be liable for lost profits that might have been made by CONTRACTOR had the Agreement not been terminated or had CONTRACTOR completed the Services required by this Agreement. In this regard, CONTRACTOR shall furnish to CITY such financial information as in the judgment of the CITY is necessary for CITY to determine the reasonable value of the Services rendered by CONTRACTOR. The foregoing is cumulative and does not affect any right or remedy that CITY may have in law or equity.~~

## 10. Indemnity.

- A. Indemnity: ~~CITY CONTRACTOR shall defend, hold harmless and indemnify CONTRACTOR CITY, its affiliates and their officers and employees and subcontractors, and each and every one of them, from and against any and all actions, damages, costs, liabilities, claims, demands, losses, judgments, penalties, costs and expenses of every type and description, including, but not limited to, any fees and/or costs reasonably incurred by CITY's CONTRACTOR's staff attorneys or outside attorneys and any reasonable fees and expenses incurred in enforcing this provision (hereafter collectively referred to as "Liabilities"), including but not limited to Liabilities relating to or arising as a result of the Services, City's use of the information (as defined in Section 7) and the deliverables, or this Agreement from personal injury or death, damage to personal, real or intellectual property or the environment, contractual or other economic damages, or regulatory penalties, arising out of or in any way connected with performance of or failure to perform this Agreement by CONTRACTOR, any sub-consultant, subcontractor or agent, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, whether or not (i) such Liabilities are caused in part by a party indemnified hereunder or (ii) such Liabilities are litigated, settled or reduced to judgment; provided that the foregoing indemnity does not apply to liability for any damage or expense for death or bodily injury to persons or damage to property to the extent arising from the sole negligence or willful misconduct of CITY, its agents, servants, or independent contractors who are directly responsible to CITY, except when such agents, servants, or independent contractors are under the direct supervision and control of CONTRACTOR. Notwithstanding anything to the contrary, CONTRACTOR's total liability relating to this Agreement shall in no event exceed the fees CONTRACTOR receives hereunder for the portion of the work giving rise to liability, or include any special, consequential, incidental or exemplary damages or loss (nor any lost profits, savings or business opportunity). Notwithstanding anything to the contrary, CITY also agrees that CONTRACTOR shall not have any liability (whether direct or indirect, in contract or tort or otherwise) to the CITY for or in connection with the engagement of CONTRACTOR, except to the extent that any such liability for losses, claims, damages, liabilities or expenses are finally determined to have resulted primarily and directly from Contractor's gross negligence or willful misconduct.~~
- B. Insurance Policies; Intellectual Property Claims: The existence or acceptance by CITY of any of the insurance policies or coverages described in this Agreement shall not affect or limit any of CITY's rights under this Section 10, nor shall the limits of such insurance limit the liability of CONTRACTOR hereunder. This Section 10 shall not apply to any

intellectual property claims, actions, lawsuits or other proceedings subject to the provisions of Section 7.B., above. The provisions of this Section 10 shall survive any expiration or termination of this Agreement.

11. **Insurance Requirements.** During the entire term of this Agreement, CONTRACTOR shall maintain the insurance coverage described in this Section 11.

Full compensation for all premiums that CONTRACTOR is required to pay for the insurance coverage described herein shall be included in the compensation specified for the Services provided by CONTRACTOR under this Agreement. No additional compensation will be provided for CONTRACTOR's insurance premiums.

It is understood and agreed by the CONTRACTOR that its liability to the CITY shall not in any way be limited to or affected by the amount of insurance coverage required or carried by the CONTRACTOR in connection with this Agreement.

A. Minimum Scope & Limits of Insurance Coverage

- (1) Commercial General Liability Insurance, providing coverage at least as broad as ISO CGL Form 00 01 on an occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000) per occurrence. The policy shall provide contractual liability and products and completed operations coverage for the term of the policy.
- (2) Automobile Liability Insurance providing coverage at least as broad as ISO Form CA 00 01 on an occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000) per occurrence. The policy shall provide coverage for ~~owned~~, non-owned and/or hired autos as appropriate to the operations of the CONTRACTOR.

No automobile liability insurance shall be required if CONTRACTOR completes the following certification:

"I certify that CONTRACTOR does not own any a motor vehicle will ~~not be used in the performance of any work or services under this agreement.~~" \_\_\_\_\_ (CONTRACTOR initials)

- (3) Workers' Compensation Insurance with statutory limits, and Employers' Liability Insurance with limits of not less than five hundred thousand ~~one million~~ dollars ~~(\$500,000) (\$1,000,000)~~. ~~The Worker's Compensation policy shall include a waiver of subrogation for contracts involving construction or maintenance, or if required by the CITY by selecting the option below:~~

~~\_\_\_\_\_ Workers' Compensation waiver of subrogation in favor of the City is required for all work performed by the CONTRACTOR.~~

~~No Workers' Compensation insurance shall be required if CONTRACTOR completes the following certification:~~

~~"I certify that my business has no employees, and that I do not employ anyone. I am exempt from the legal requirements to provide Workers' Compensation insurance." \_\_\_\_\_ (CONTRACTOR initials)~~

- (4) ~~Professional Liability Insurance~~ providing coverage on a claims made basis for errors ~~or omissions or malpractice~~ with limits of not less than one million (\$1,000,000) dollars if required by the CITY under Exhibit A, Section 2.

B. Additional Insured Coverage

- (1) Commercial General Liability Insurance: The CITY, its officials, employees and volunteers shall be covered by policy terms or endorsement as additional insureds as respects general liability arising out of activities performed by or on behalf of CONTRACTOR, products and completed operations of CONTRACTOR, and premises owned, leased or used by CONTRACTOR. ~~The general liability additional insured endorsement must be signed by an authorized representative of the insurance carrier for contracts involving construction or maintenance, or if required by the CITY by selecting the option below:~~

~~\_\_\_\_\_ Additional insured endorsement must be signed by an authorized representative of the insurance carrier.~~

~~If the policy includes a blanket additional insured endorsement or contractual additional insured coverage, the above signature requirement may be fulfilled by submitting that document with a signed declaration page referencing the blanket endorsement or policy form.~~

- (2) ~~Automobile Liability Insurance~~: The CITY, its officials, employees and volunteers shall be covered by policy terms or endorsement as additional insureds as respects auto liability.

C. Other Insurance Provisions

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

- (1) Except for professional liability, CONTRACTOR's insurance coverage shall be primary insurance as respects CITY, its officials, employees and volunteers. Any insurance or self-insurance maintained by CITY, its officials, employees or volunteers shall be in excess of CONTRACTOR's insurance and shall not contribute with it.
- (2) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to CITY, its officials, employees or volunteers.
- (3) Coverage shall state that CONTRACTOR's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect

to the limits of the insurer's liability.

- (4) CITY will be provided with thirty (30) days written notice of cancellation or material change in the policy language or terms.

D. Acceptability of Insurance

Insurance shall be placed with insurers with a Bests' rating of not less than A:V. Self-insured retentions, policy terms or other variations that do not comply with the requirements of this Section 11 must be declared to and approved by the CITY Risk Management Division in writing prior to execution of this Agreement.

E. Verification of Coverage

- (1) CONTRACTOR shall furnish CITY with certificates and required endorsements evidencing the insurance required. The certificates and endorsements shall be forwarded to the CITY representative named in Exhibit A. Copies of policies shall be delivered to the CITY on demand. Certificates of insurance shall be signed by an authorized representative of the insurance carrier.
- (2) The CITY may withdraw its offer of contract or cancel this Agreement if the certificates of insurance and endorsements required have not been provided prior to execution of this Agreement. The CITY may withhold payments to CONTRACTOR and/or cancel the Agreement if the insurance is canceled or CONTRACTOR otherwise ceases to be insured as required herein.

F. Subcontractors

CONTRACTOR shall require and verify that all sub-consultants and subcontractors maintain insurance coverage that meets the minimum scope and limits of insurance coverage specified in subsection A, above.

**12. Equal Employment Opportunity.** During the performance of this Agreement, CONTRACTOR, for itself, its assignees and successors in interest, agrees as follows:

- A. Compliance With Regulations: CONTRACTOR shall comply with the Executive Order 11246 entitled "Equal Opportunity in Federal Employment", as amended by Executive Order 11375 and 12086, and as supplemented in Department of Labor regulations (41 CFR Chapter 60), hereinafter collectively referred to as the "Regulations".
- B. Nondiscrimination: CONTRACTOR, with regards to the work performed by it after award and prior to completion of the work pursuant to this Agreement, shall not discriminate on the ground of race, color, religion, sex, national origin, age, marital status, physical handicap or sexual orientation in selection and retention of subcontractors, including procurement of materials and leases of equipment. CONTRACTOR shall not participate either directly or indirectly in discrimination prohibited by the Regulations.
- C. Solicitations for Subcontractors, Including Procurement of Materials and Equipment: In all solicitations either by competitive bidding or negotiations made by CONTRACTOR for

work to be performed under any subcontract, including all procurement of materials or equipment, each potential subcontractor or supplier shall be notified by CONTRACTOR of CONTRACTOR's obligation under this Agreement and the Regulations relative to nondiscrimination on the ground of race, color, religion, sex, national origin, age, marital status, physical handicap or sexual orientation.

- D. Information and Reports: CONTRACTOR shall provide all information and reports required by the Regulations, or by any orders or instructions issued pursuant thereto, ~~and shall permit access to its books, records, accounts, other sources of information and its facilities as may be determined by the CITY to be pertinent to ascertain compliance with such Regulations, orders and instructions.~~ Where any information required of CONTRACTOR is in the exclusive possession of another who fails or refuses to furnish this information, CONTRACTOR shall so certify to the CITY, and shall set forth what efforts it has made to obtain the information.
- E. Sanctions for Noncompliance: In the event of noncompliance by CONTRACTOR with the nondiscrimination provisions of this Agreement, the CITY shall impose such sanctions as it may determine to be appropriate including, but not limited to:
- (1) Withholding of payments to CONTRACTOR under this Agreement until CONTRACTOR complies;
  - (2) Cancellation, termination, or suspension of the Agreement, in whole or in part.
- F. Incorporation of Provisions: CONTRACTOR shall include the provisions of subsections A through E, above, in every subcontract, including procurement of materials and leases of equipment, unless exempted by the Regulations, or by any order or instructions issued pursuant thereto. CONTRACTOR shall take such action with respect to any subcontract or procurement as the CITY may reasonably direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event CONTRACTOR becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, CONTRACTOR may request CITY to enter such litigation to protect the interests of CITY.
13. **Entire Agreement.** This document, including all Exhibits, contains the entire agreement between the parties and supersedes whatever oral or written understanding they may have had prior to the execution of this Agreement. No alteration to the terms of this Agreement shall be valid unless approved in a writing executed by CONTRACTOR, and by CITY, in accordance with applicable provisions of the Sacramento City Code.
14. **Severability.** If any portion of this Agreement or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Agreement shall not be affected thereby and shall be enforced to the greatest extent permitted by law.
15. **Waiver.** Neither CITY acceptance of, or payment for, any Service or Additional Service performed by CONTRACTOR, nor any waiver by either party of any default, breach or condition precedent, shall be construed as a waiver of any provision of this Agreement, nor as a waiver of any other default, breach or condition precedent or any other right hereunder.

16. **Enforcement of Agreement.** This Agreement shall be governed, construed and enforced in accordance with the laws of the State of California. Venue of any litigation arising out of or connected with this Agreement shall lie exclusively in the state trial court or Federal District Court located in Sacramento County in the State of California, and the parties consent to jurisdiction over their persons and over the subject matter of any such litigation in such courts, and consent to service of process issued by such courts.
17. **Assignment Prohibited.** The expertise and experience of CONTRACTOR are material considerations for this Agreement. CITY has a strong interest in the qualifications and capability of the persons and entities who will fulfill the obligations imposed on CONTRACTOR under this Agreement. In recognition of this interest, CONTRACTOR and CITY shall not assign any right or obligation pursuant to this Agreement without the written consent of the CITY other party. Any attempted or purported assignment without CITY's the required written consent of the other party shall be void and of no effect.
18. **Binding Effect.** This Agreement shall be binding on the heirs, executors, administrators, successors and assigns of the parties, subject to the provisions of Section 17, above.

## **EXHIBIT E**

### **REQUIREMENTS OF THE NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE**

#### **INTRODUCTION**

The Sacramento Non-Discrimination In Employee Benefits Code (the "Ordinance"), codified as Sacramento City Code Chapter 3.54, prohibits City contractors from discriminating in the provision of employee benefits between employees with spouses and employees with domestic partners, and between the spouses and domestic partners of employees.

#### **APPLICATION**

The provisions of the Ordinance apply to any contract or agreement (as defined below), between a Contractor and the City of Sacramento, in an amount exceeding \$25,000.00. The Ordinance applies to that portion of a contractor's operations that occur: (i) within the City of Sacramento; (ii) on real property outside the City of Sacramento if the property is owned by the City or if the City has a right to occupy the property; or (iii) at any location where a significant amount of work related to a City contract is being performed.

The Ordinance does not apply: to subcontractors or subcontracts of any Contractor or contractors; to transactions entered into pursuant to cooperative purchasing agreements approved by the Sacramento City Council; to legal contracts of other governmental jurisdictions or public agencies without separate competitive bidding by the City; where the requirements of the ordinance will violate or are inconsistent with the terms or conditions of a grant, subvention or agreement with a public agency or the instructions of an authorized representative of any such agency with respect to any such grant, subvention or agreement; to permits for excavation or street construction; or to agreements for the use of City right-of-way where a contracting utility has the power of eminent domain.

#### **DEFINITIONS**

As set forth in the Ordinance, the following definitions apply:

"Contract" means an agreement for public works or improvements to be performed, or for goods or services to be purchased or grants to be provided, at the expense of the City or to be paid out of moneys deposited in the treasury or out of the trust money under the control or collected by the City. "Contract" also means a written agreement for the exclusive use ("exclusive use" means the right to use or occupy real property to the exclusion of others, other than the right reserved by the fee owner) or occupancy of real property for a term exceeding 29 days in any calendar year, whether by singular or cumulative instrument, (i) for the operation or use by others of real property owned or controlled by the City for the operation of a business, social, or other establishment or organization, including leases, concessions, franchises and easements, or (ii) for the City's use or occupancy of real property owned by others, including leases, concessions, franchises and easements.

"Contract" shall not include: a revocable at-will use or encroachment permit for the use of or encroachment on City property regardless of the ultimate duration of such permit; excavation, street construction or street use permits; agreements for the use of City right-of-way where a contracting utility has the power of eminent domain; or agreements governing the use of City property that constitute a public forum for activities that are primarily for the purpose of espousing or advocating causes or ideas

and that are generally protected by the First Amendment to the United States Constitution or that are primarily recreational in nature.

“Contractor” means any person or persons, firm partnership or corporation, company, or combination thereof, that enters into a Contract with the City. “Contractor” does not include a public entity.

“Domestic Partner” means any person who has a currently registered domestic partnership with a governmental entity pursuant to state or local law authorizing the registration.

“Employee Benefits” means bereavement leave; disability, life, and other types of insurance; family medical leave; health benefits; membership or membership discounts; moving expenses; pension and retirement benefits; vacation; travel benefits; and any other benefit given to employees. “Employee benefits” shall not include benefits to the extent that the application of the requirements of this chapter to such benefits may be preempted by federal or state.

#### **CONTRACTOR'S OBLIGATION TO PROVIDE THE CITY WITH DOCUMENTATION AND INFORMATION**

Contractor shall provide the City with documentation and information verifying its compliance with the requirements of the Ordinance within ten (10) days of receipt of a request from the City. ~~Contractors shall keep accurate payroll records, showing, for each City Contract, the employee's name, address, Social Security number, work classification, straight time pay rate, overtime pay rate, overtime hours worked, status and exemptions, and benefits for each day and pay period that the employee works on the City Contract. Each request for payroll records shall be accompanied by an affidavit to be completed and returned by the Contractor, as stated, attesting that the information contained in the payroll records is true and correct, and that the Contractor has complied with the requirements of the Ordinance. A violation of the Ordinance or noncompliance with the requirements of the Ordinance shall constitute a breach of contract.~~

#### **EMPLOYER COMPLIANCE CERTIFICATE AND NOTICE REQUIREMENTS**

(a) All contractors seeking a Contract subject to the Ordinance shall submit a completed Declaration of Compliance Form, signed by an authorized representative, with each proposal, bid or application. The Declaration of Compliance shall be made a part of the executed contract, and will be made available for public inspection and copying during regular business hours.

(b) The Contractor shall give each existing employee working directing on a City contract, and (at the time of hire), each new employee, a copy of the notification provided as Attachment “A.”

(c) Contractor shall post, in a place visible to all employees, a copy of the notice provided as Attachment “B.”

## Attachment A



### **YOUR RIGHTS UNDER THE CITY OF SACRAMENTO'S NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE**

On ..... (date), your employer (the "Employer") entered into a contract with the City of Sacramento (the "City") for ..... (contract details), and as a condition of that contract, agreed to abide by the requirements of the City's Non-Discrimination In Employee Benefits Code (Sacramento City Code Section 3.54).

The Ordinance does not require the Employer to provide employee benefits. The Ordinance does require that if certain employee benefits are provided by the Employer, that those benefits be provided without discrimination between employees with spouses and employees with domestic partners, and without discrimination between the spouse or domestic partner of employees.

The Ordinance covers any employee working on the specific contract referenced above, but only for the period of time while those employees are actually working on this specific contract.

The included employee benefits are:

- |   |   |
|---|---|
| - Bereavement leave                             | - Moving expenses                       |
| - Disability, life and other types of insurance | - Pension and retirement benefits       |
| - Family medical leave                          | - Vacation                              |
| - Health benefits                               | - Travel benefits                       |
| - Membership or membership discounts            | - Any other benefits given to employees |

(Employee Benefits does not include benefits that may be preempted by federal or state law.)

If you feel you have been discriminated or retaliated against by your employer in the terms and conditions of your application for employment, or in your employment, or in the application of these employee benefits, because of your status as an applicant or as an employee protected by the Ordinance, or because you reported a violation of the Ordinance, and after having exhausted all remedies with your employer,

**You May . . .**

- Submit a written complaint to the City of Sacramento, Contract Services Unit, containing the details of the alleged violation. The address is:

City of Sacramento  
Contract Services Unit  
921 10th St., Room 402  
Sacramento, CA 95814-2714

- Bring an action in the appropriate division of the Superior Court of the State of California against the Employer and obtain the following remedies:

- Reinstatement, injunctive relief, compensatory damages and punitive damages
- Reasonable attorney's fees and costs

## Attachment B



### **YOUR RIGHTS UNDER THE CITY OF SACRAMENTO'S NON-DISCRIMINATION IN EMPLOYEE BENEFITS CODE**

If your employer provides employee benefits, they must be provided to those employees working on a City of Sacramento contract without discriminating between employees with spouses and employees with domestic partners.

The included employee benefits are:

- Bereavement leave
- Disability, life and other types of insurance
- Family medical leave
- Health benefits
- Membership or membership discounts
- Moving expenses
- Pension and retirement benefits
- Vacation
- Travel benefits
- Any other benefits given to employees

If you feel you have been discriminated against by your employer . . .

#### **You May . . .**

- Submit a written complaint to the City of Sacramento, Contract Services Unit, containing the details of the alleged violation. The address is:  
  
City of Sacramento  
Contract Services Unit  
921 10th St., Room 402  
Sacramento, CA 95814-2714
- Bring an action in the appropriate division of the Superior Court of the State of California against the employer and obtain reinstatement, injunctive relief, compensatory damages, punitive damages and reasonable attorney's fees and costs.

#### **Discrimination and Retaliation Prohibited.**

If you feel you have been discriminated or retaliated against by your employer in the terms and conditions of your application for employment, or in your employment, because of your status as an applicant or as an employee protected by the Ordinance, or because you reported a violation of this Ordinance . . .

#### **You May Also . . .**

Submit a written complaint to the City of Sacramento, Contract Services Unit, at the same address, containing the details of the alleged violation.



## ALVAREZ & MARSAL

- Founded in 1983, Alvarez & Marsal ("A&M") is an independent global professional services firm that helps organizations in the corporate and public sectors solve problems and unlock value.
- With more than 1,300 professionals across the US, Europe, Asia, and Latin America, A&M delivers a distinct blend of leadership, problem solving and value creation.
- Drawing on its strong operational heritage and hands-on approach, A&M works closely with organizations and their stakeholders to help navigate complex business issues.
- A&M has a team of professionals specifically devoted to making a difference in the Public Sector.

### ALVAREZ & MARSAL PUBLIC SECTOR SERVICES

#### Addressing Unique Public Sector Challenges

Alvarez & Marsal Public Sector Services helps public sector entities identify new ways to overcome challenges and implement sustainable change – pioneering an approach based on operational and financial improvement principles that have proven to be powerful in the private sector.

- Government Acquisition & Procurement Advisory
- Financial Consulting and Advisory
- Financial and Operational Implementation
- Crisis Management
- Interim Management
- Performance Improvement
- Strategic Planning and Implementation
- Business and Organizational Transformation
- Project Management
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- Human Resources Solutions
- Information Technology Solutions
- Process Improvement
- Real Estate Advisory
- Supply Chain Advisory
- Healthcare Consulting

#### Dedicated Team of Public Sector Professionals

A&M has assembled a dedicated team of professionals with the expertise, talent and commitment to meet the unique operational and financial challenges of the public and not-for-profit sectors. Our professionals have extensive experience managing critical performance improvement initiatives, combined with a profound personal commitment to helping organizations overcome the hurdles of service delivery in resource-constrained environments.

#### Representative Public Sector Experience of Our Professionals:

- U.S. Army Corps of Engineers
- National Capital Revitalization Corporation
- Department of Housing and Urban Development
- Department of the Air Force
- Department of the Navy
- New Orleans Parish Public Schools
- New York City Public Schools
- Kansas City Board of Public Utilities
- Massachusetts Port Authority
- Alabama Department of Transportation
- Orange County, California
- St. Louis Public Schools
- Washington DC Public Schools
- U.S. Department of Defense
- U.S. Department of Justice
- U.S. Virgin Islands
- California Department of Motor Vehicles
- Legal Aid Society of New York

#### Proven Results

A&M has been honored for its work by the Turnaround Management Association (TMA) for several years, receiving the prestigious *Turnaround of the Year Award* for our work with Warnaco, Inc., Spiegel, Inc., and Treofan Germany GmbH & Co. KG. A&M has also received significant national attention in the public sector and has been written about in numerous publications, including: *The Wall St. Journal*, *Jim Lehrer News Hour* on PBS, *The Chronicle of Philanthropy*, and *Education Week*.