

LETTER OF ENGAGEMENT & SCOPE OF WORK

THIS AGREEMENT IS MADE THIS 28TH DAY OF MAY, 2014, BY AND BETWEEN THE CITY AND BOROUGH OF SITKA, ALASKA (CITY) & MUNICIPAL SOLUTIONS, LLC. (CONSULTANT)

City & Borough of Sitka, Alaska

Developing a “Comprehensive Management Plan” for the City & Borough and Sitka by conducting a comprehensive examination of infrastructure, policies, practices, and procedures for the City and Borough of Sitka.

Services

Below is a description of what Municipal Solutions, llc will be servicing and the appropriate detail of these and other services, which we will provide or deliver, and the timeline expected for delivery of those items:

OVERVIEW

Like most local governments, the City and Borough of Sitka (CBS) experiences demands for services despite significant financial constraints and a challenging economy. Citizen demands for the expansion of services that already exist and requests for new services is a growing challenge for elected officials and CBS staff. There is additional financial pressure resulting from significant increases to address deferred maintenance and capital investment. Accordingly, there is an imperative to develop and implement a comprehensive plan that can provide CBS strategic direction.

The current economic situation provides a unique opportunity to re-examine services they are providing, the levels of service, and the internal systems, tools and processes which may not be as efficient or effective as possible. While government operates under different constraints than the private sector, government can, and should, in large measure, become much more efficient and effective in delivering services to its resident, tax-paying public.

This General Fund Comprehensive Management Plan is a detailed organizational, financial, and process assessment of the City and its operations. To paraphrase Robert Louis Stevenson, our reports are written “*not be merely understood, but written so that the reader cannot possibly misunderstand*” by the various individuals who will read it including (as is often the case) media, elected officials, department staff and the general public. Each of our efficiency audits and management strategic plans are written to be easily implemented.

We will conduct a comprehensive examination of infrastructure, policies, practices, and procedures for the City and Borough of Sitka. This will be accomplished through such methods as a performance audit and other activities. This “Comprehensive Management Plan” of the City & Borough and Sitka will include and determine:

1. *whether the City and Borough is acquiring, protecting, and using its resources (such as personnel, property, and space) as economically and efficiently as possible,*
2. *the causes of inefficiencies or uneconomical practices, and*
3. *whether the City and Borough has complied with laws and regulations or matters of economy and efficiency.*

OBJECTIVES OF THIS PROJECT

Municipal Solutions shall address the following objectives:

- A. Examination will include needs, skills, processes, resources and priorities to determine whether improvement to operational efficiency (*time*), and expenditure reductions (*costs*) can be realized during the next budget year and beyond.
- B. Examine functions; evaluate the form or structure *Operation Services* only as is necessary to determine whether it is optimal towards fulfillment of these functions, the department and City-wide goals, objectives and priorities; and determine whether the current resources (personnel, technology and physical assets) are being used efficiently.
- C. Determine optimization alternatives to the organization's functions, forms / structure, and resources.
- D. Determine if, where, and why internal stop-gaps are failing and how they can be remedied.
- E. Determine and quantify the most effective strategy to accomplish its organizational objectives.
- F. Determine the most effective means for reducing the cost of operations while improving service delivery and service quality.
- G. Establish the basis for internal assessments, controls, monitoring, and reporting for perpetual organizational improvement to these ends.

SCOPE OF WORK

Our Comprehensive Management Assessments and Plans are universal in their application within each organization we assist. While our methodology generally requires consultant teams with familiarity of local government, our team has intimate knowledge of what *Functions* must be performed, which *Forms and Structures* are most effective for each local institution, and how *Personnel and Physical Resources* can be efficiently utilized to realize significant cost savings and service quality improvement.

The study will provide the City and Borough with an independent assessment of the effectiveness and efficiency of the provision of Municipal Services. The consultant will be expected to identify implementation recommendations that are equitable, effective, efficient and achievable in the context of an overall strategy. The following components are essential to the study:

- Analyze service levels, workloads and staffing
- Evaluate programs and services in terms of necessity, efficiency, staffing, funding and responsiveness to citizen needs
- Identify policies, procedures or other factors that impede productivity and effectiveness
- Recommend alternatives that will enable the City & Borough to deliver services in the most efficient and effective manner possible
- Project savings in operating costs that will result from implementing recommendations

This study will be conducted in consultation with department heads and employees as necessary, and will include the following functions:

- Public Safety: Police, Fire, EMT;
- Utilities: Public Works, Electric, Buildings, Water, Wastewater, Solid Waste;
- Services: Library, Parks & Recreation;
- Ports: Airport, Harbors;
- Other: Industrial Park, Cold Storage Facility

A. PRE-ASSESSMENT

Objectives: Discovery & Orientation

Discovery: Gather a variety of information from City / Borough staff necessary to begin familiarization of the City / Borough’s systems, tools, and processes.

Kickoff Meeting: Prepare orientation materials for a ‘kick-off’ meeting / discussion with the Operations Services Department head and division managers regarding principals of *efficiency, effectiveness, and sustainable innovation* – and what they mean from various organizational perspectives (City / Borough administration, managers and line / field staff as determined necessary). Discussion on service delivery, and how innovation ultimately translates into measurable cost savings and quality of service to customers. Brief discussion on the objectives of our work, timelines, and outcomes. Discussion on the project scope of work and the range of potential outcomes

Note: organizational changes to functional duties, as it pertains to current planning and scheduling functions, policies, procedures, and paperwork.

Timing: Within 30 days of contract execution.

**Note: Examples are provided for illustration only.
All alternatives will be explored and validated or excluded.**

B. ASSESSMENT

Objective:

Comprehensively examine the City & Borough’s departments and identify essential Service Area Functions, the Form or Structure currently being used to carry out its intended objectives, and evaluate whether Function, Form or personnel and other physical Resources are optimal in reducing the cost of operations. Determine where significant cost-savings can be realized both short-term and in perpetuity, and provide a full evaluation and detailed recommendations including policy, *technological alternatives*, reorganization, reassignment and use of resources.

Function: Service Delivery & Process

Evaluate principal areas of department functions, what services they provide (internal and external), and how current processes deliver those services. Examine rate-based revenues, user fees, and tax-generated revenues for legal and prudent ways to redistribute costs for services and operational expenses.

Organizational Structure / Management Options:

Evaluate how the organizational structure, within and among departments might be more efficient in addressing current service areas. Such reorganization might include combining or separation of functions, sharing of resources, and / or the reassignment of personnel.

Resources: Management/Use (Personnel, Technology, Physical Facilities)

Evaluate current Personnel, Technology and Physical Facilities to discover greater efficiency than is currently realized. Consider the reassignment of personnel, more efficient use of physical facilities, and better use of technologies to improve efficiency and service delivery. *Report will include the current and potential use of Best Available Technologies (BAT) to ensure the most efficient installation of equipment and effective operation of the City departments and functions.* Recommend the installation, removal or replacement of equipment or programs to meet organizational financial and service delivery goals. Consider the benefits and cost savings of Electronic government (E-Gov) services which provide greater access for residents and businesses to municipal services while providing more efficient process management for staff and cost savings to the organization.

Rules, Policies, and Procedures

Evaluate internal rules, policies, and procedures for compliance, adequacy, and effectiveness.

System-Wide Operational Policies

Evaluate existing system-wide operational policies for effectiveness, adequacy, and functionality by identifying existing operational policies and standards of performance; Measure performance and compliance with existing operational policies and standards; Review effectiveness, adequacy and practical functionality of operational policies; Establishing benchmark governmental operational policy standards; Compare and contrast established benchmark policy standards with current operational policy standards; Make recommendations to correct deficiencies discovered; Identify existing operational policies and programs that are efficient and effective.

Personnel

Analyze the staffing requirements and existing positions; determine the following concerning existing staff positions; *Is there a sufficient number of positions to adequately perform the City & Borough's services safely, efficiently and effectively? Are staff performing tasks efficiently, effectively, and economically or can positions be consolidated or eliminated?* Identify controlling personnel policies and determine level of compliance by existing personnel and management; Evaluate hiring standards; Review payroll procedures; and the recent Fox Lawson Compensation Study; Determine if best management practices are utilized to supervise personnel; Evaluate personnel training programs; Make recommendations to correct deficiencies discovered in personnel analysis.

Procurement and Purchasing

Evaluate procurement and purchasing practices utilized by City & Borough government in an attempt to determine: Legal purchasing guidelines are being followed; Evaluate purchasing policies and management practices; Determine level of compliance with statutes and policies; Identify weakness in internal and external control mechanisms; Verify competitive bidding requirements are being followed; Determine effectiveness of supply ordering and requisitioning system; Examine appropriateness of forms utilized; Identify concerns in receiving goods; Evaluate technology utilized to support purchasing activities; and make recommendations for improvements to correct purchasing and procurement deficiencies.

Data Processing, Technology Evaluation & Records Storage Assessment

Evaluate City & Borough data processing and technology assets including SCADA: Identify and inventory system-wide data processing assets; Evaluate efficiency and adequacy of existing assets; Determine system-wide needs for data processing and service personnel, equipment, hardware, software; Identify safety and security concerns; Evaluate records storage concerns, space and alternatives; Make recommendations for staffing levels and needed data processing equipment; Determine if system-wide data processing functions are being duplicated by other City & Borough departments, and if so, would it be practical and cost effective to consolidate these functions; and Project cost estimates for system-wide needs for the next five (5), ten (10), fifteen (15), and twenty (20) years.

Public Partnerships, Mutual Aid and Outsourcing

Evaluate the potential for Mutual-Aid Agreements with other public institutions, including the Sitka Community Hospital and Sitka School District, or other government agencies in addressing services, technology or personnel towards performance improvement and / or cost-sharing of similar operations or maintenance expenses. Examine the potential for Outsourcing certain functions or services to private institutions including the potential of privatization of services and fee-based contracts.

Shared Cooperative Service Analysis

Evaluate and compare potential shared and cooperative governmental services within the town.

MANAGEMENT PLAN / DELIVERABLES

Comprehensive Management Plan (Preliminary Report) status of interim findings and observations. These reports are generally of an interim basis, meaning, they are not intended for public review as they are a part of an incomplete work product requiring further validation and clarification.

Comprehensive Management Plan (Final Report) will present validation of current best practices in use, illustration of potential problems or concerns, and identification of alternatives and cost-benefit analysis that can be implemented strategically. The Final Report is generally put in terms that a lay-person could easily understand & move forward after reading, but contains enough detail to permit the technician in his / her field of expertise to implement effectively. Final Report will be comprehensive in nature – covering all related or interconnected departments and services. Solutions will be as specific and detailed as possible.

Presentations & Training. We will present to the city Assembly and work with staff in additional training as needed based on the outcome of the Assessment & Final Report recommendations.

Element	Deliverable	Timing
A	Preliminary Report <i>(draft working document)</i>	60 days from execution of contract <i>(or sooner if requested).</i>
B	Final Report	60 days from Preliminary Report <i>(or sooner requested)</i>
C	Presentations to Staff, City Assembly and Committees.	As necessary. Communication w/ the Media : approved, prudent & useful

Optional / Additional

The following additional services can be performed if requested:

- A. Enterprise Fund Recovery / Policy Revision
- B. Procurement Audit: *Bid Specifications / Document Preparation, Vendor Evaluation / Selection & Contract Admin.*
- C. Strategic Planning of Annual Goals & Policies
- D. Specific Skills Training
- E. Customer Service Audit / Customer Service Training
- F. Utility Franchises / Fee Audits (*water, electric, harbor / storage fees, electric, etc*)
- G. Change Management workshops
- H. Strategic Planning Workshop (staff or Assembly)
- I. Preparing & Securing Inter-government / Inter-agency Agreements
- J. Administration of Contracts or Agreements
- K. Review and revision of job classifications and descriptions and policy manual.

RATE

Municipal Solutions' rates are structured one of three ways: Project-based, Hourly Rate-based, or Reduced Hourly Rate-based. **Project-based** rates are determined by overall project scope, time required for completion and the likelihood of variable costs or shifting timelines. Normally, **Hourly Rate-based** rates average between \$125-\$250 per hour but can vary depending upon the complexity / risk of the project, municipal organization and / or service level complexity, size and budget of the municipality, regional factors, the priority requested by a client, the levels of cooperative and independent effort, and the time constraints necessary to complete the work.

Our fee for the services enumerated in this Scope of Work are:

- Option A: Total cost for services **not to exceed the Project-Based amount of \$49,828 which includes all expenses and travel reimbursements***.
- Option B: Total cost for services including an on-site presentation of the Final Report to the Management Team and Assembly, **not to exceed the Project-Based amount of \$51,156 which includes all expenses and travel reimbursements***.

** both options include implementation training.*

Both fees are based on anticipated efforts from Municipal Solutions, llc with the understanding that unexpected or changing circumstances will not be encountered during the engagement without revision to the terms of this agreement. Should such revisions be necessary, the stated hourly rate is provided for consideration of extension of services however, the City will only pay the expenses and travel reimbursement actually incurred by the City.

Project Component	Hourly Rate	Total Hours	Amount
Pre-assessment (offsite and on-site)			
Gathering Electronic and Paper Documents communication with staff, transmittals, clarification, dissemination.	\$ 125	16	\$2,000
Document Review / Revise needed documents list.	\$ 160	20	\$3,200
Meeting Scheduling / Preparation	\$ 125	8	\$1,000
		44	\$6,200
Department Meetings, Data Collection and Validation			
White-board Management / Staff Meeting (on-site)	\$ 160	10	\$1,600
Individual Department Staff Meetings 3-days onsite - interviews, data collection & validation.	\$ 160	120	\$19,200
		174	\$20,800
Final Report and Presentation			
Preliminary Report Prep - Team Collaboration (on-sight)	\$ 125	40	\$5,000
Preliminary Report Draft	\$ 125	16	\$2,000
Final Report	\$ 160	16	\$2,560
Presentations, discusison, clarification & training	\$ 160	8	\$1,280
Client-requested Revisions / Edits	\$ 125	12	\$1,500
		92	\$12,340
PROJECT TOTALS		Hours	Amount
PROJECT COMPONENTS		266	\$39,340
EXPENSES			\$10,488
<i>(add'l onsite presentaiton to Management & Assembly)</i>			\$1,328
TOTAL PROJECT COST (w/out travel for final presentation)			\$49,828
TOTAL PROJECT COST (with travel for final presentation)			\$51,156

Because Municipal Solutions, llc consultants are specialists and practitioners in various fields and professions, retaining the best, but affordable team members is essential to the success of this project. We are responsible for ensuring that our findings are based on fact, and defensible in court (if ever necessary). That is our standard.

The Hourly Rate or Project Rate or any additional work not supplied in this agreement will be determined at that time and included in any amendments to this or separate agreements by written change order. All supplies related to all elements including publication of documents, are included as are the use of municipal supplies, telephone and photocopying equipment by Consultant Team Members is approved while on-site as is appropriate to offset additional expenses.

Principal / Project Manager: Hourly Rate of \$160

Senior Associates: Hourly Rate \$125 - \$160

Project Associates: Hourly Rate of \$75 - \$125

Analysts: Hourly Rate of \$25 - \$75

Expenses (included): Client billed only local per diem for # days x # persons.
 Travel and related expenses for # persons @ \$500 max.
 Printing & Shipping costs: \$500
 Hotel: \$ within local per diem

Included travel expenses are included in the overall project cost. We anticipate a maximum of 5 consultants x 3 days on-site R/T airfare and IRS-standard per diem food and lodging.

Additional meetings or client delays (i.e. return visits, presentations, edit revisions, approvals) will be billed as additional expense if incurred. Under such circumstances, the client will be billed actual costs associated with local per diem for # days x # persons; airfare and related travel expenses for # persons. Invoices are also itemized including time and expense. Internal project status worksheets are kept by the Consultant to ensure all projects do not exceed the amount contracted. Unless otherwise stated in this agreement, clients are billed in 'progress payments' payable within 15 days of invoice date. Invoices will not be itemized. This project will be billed as follows:

- 25% due within 15 business days of the execution of this agreement.
- 35% due within 15 days of submittal of Preliminary Report.
- 40% due within 15 business days of submittal of the Final Report.

A 5% per month *Late Charge* will be charged on any outstanding balance not paid within 30 days of the invoice date, and no late charges will occur so long as payment is current. Although we are available to provide you with municipal consulting services, we are not obligated to venture beyond the terms of this agreement in writing. The City / Borough should rely on advice from our organization, however, we prefer to fully review and report our recommendations and results in writing to the City / Borough of Sitka.

This Agreement contains the entire agreement of the parties and this agreement may be amended in writing. Unexpected or changing circumstances may be encountered during the engagement; therefore, changes may be necessary, by the request of either party, without revision to the terms of this Agreement. It is understood that changes must be reduced to writing. Client also understands that many of our consultants are also practitioners in other public agencies, which will require some flexibility in scheduling arrangements, adjustments of deadlines and potential substitution of consultants.

SUCCESS PAYMENT

If the City implements and realizes cost savings, and increasing revenues. An additional Success Payment may be awarded to the consultant in an amount not to exceed \$10,000. This would be a one-time award and contingent on the recommendation of the Municipal Administrator with Approval of the Assembly.

CONSULTANT REPRESENTATION

Municipal Solutions, llc cannot provide an assurance that a 'perfect' product will be rendered. However, all efforts will be made to ensure the best product possible for the client. Circumstances may arise in which it is necessary for us to modify our efforts or withdraw from the engagement. To mitigate the effects of such circumstances, the findings or reasons for concern, modification or withdrawal will be communicated clearly by each agent of this agreement, and in writing. Both parties agree to work in good faith to avoid any delay or premature termination in the relationship.

The Client has the ultimate responsibility for outlining the necessary outcomes of this agreement and in providing copies of necessary materials and documents. Municipal Solutions, llc has the responsibility of providing timely and accurate information,

communications, results and final products in fulfilling the established objectives and tasks of this agreement. This responsibility includes the maintenance of adequate records and internal controls and the safeguarding of accomplished tasks – including any relationship with associates or teaming partners. Our engagement cannot be relied upon to disclose every problem in the relationship; however, both parties agree to notify each other immediately if any such matters come one or the other's attention. We have confidence that the relationship will greatly benefit both parties.

The Client agrees that all records, documentation, and information in its possession in connection with our engagement (not limited to Exhibit A) will be made available to Municipal Solutions, and its assigns or teaming partners, and agrees that all records, documentation, and information in our possession in connection with our engagement will be made available to you. Both parties agree that all material information will be disclosed one to another, that Municipal Solutions, llc will have the full cooperation of the Company's personnel, under direction of its Principal, for the efficient and effective completion of the requested services. Both parties agree that the City and Borough of Sitka shall solely own any document, record or information created by the parties under this Letter of Engagement. The City and Borough of Sitka shall not have to pay any party for the use or continued use of any document created under this Letter of Engagement, and Municipal Solutions, llc may use the final work product for marketing purposes. As required by generally accepted standards, we will make specific inquiries into various organizations to whom a relationship exists or may eventually exist. If the responses to our inquiries, the oral and written representations, and the results of our efforts somehow appears to compromise our relationship, both parties agree to first try and resolve this relationship together without resorting to litigation. If both parties are unable to resolve the dispute, then either party shall be allowed to pursue litigation or arbitration to resolve the dispute. Any action or lawsuit brought to construe, interpret, or enforce this agreement shall be brought in the superior court of the State of Alaska, in Sitka, Alaska. Venue for any such action or lawsuit shall be exclusively in Sitka, Alaska. The parties specifically disavow any application under the removal jurisdiction of the federal courts on grounds of diversity, in any litigation concerning this agreement.

Although we are prepared to provide you with additional consulting services beyond the terms of this agreement, we are not obligated to venture beyond the scope of this agreement unless specifically requested and compensation affixed in writing. It is our policy to put all amendments to this agreement in writing. Both parties should rely on advice from our organization, however, we prefer to fully review and report our recommendations and results in writing to you.

If the above terms are acceptable to you and the services outlined are in accordance with your understanding, please sign this letter and return to us as soon as possible.

We are pleased to have this opportunity to work with you.

Accepted:

By: _____
Municipal Administrator
Mark Gorman

By: _____
David A Evertsen, Principal

Representing: City and Borough of Sitka

Representing: Municipal Solutions, llc

Date:

Date:

Exhibit A – List of Documents and Materials for Pre-Assessment

During the Pre-assessment phase, City / Borough staff will be provided a list of documents, details and data which will be needed by the consultants. Documents which may be requested include (but are not limited to) the following:

Staff Contact Information

- Internal Telephone and Email list.

Rules, Policies & Procedures

- Personnel Manual/Policies and Procedures, including purchasing, vehicle use, customer service, operational policies, etc.
- Management goals and priorities, as previously approved for last three years.

Cooperative Service Agreements

- Agreements with or between other government agencies for sharing of services (may include purchasing, service delivery, resource sharing, etc).

Organizational Structure / Personnel

- Current Organizational Chart including all classified positions by department and including members of boards and commissions.
- Total Personnel by department current and last five (5) years.
- Current Employee Classification System, including pay grades and ranges for positions, employees by classification and their current pay grades and ranges.
- Copies of Job Descriptions for all classified positions.

Accounting, Budget, Finance, Revenue & Expenditure Analysis:

- Most recent annual Audit report.
- Operating Budgets for Fiscal Year and previous two years. Include any special revenue or enterprise funds.
- Capital Improvements Program (5 year if available).
- Copy of IT or Technology Plans spanning the last 5 years.
- Lists of fixed assets / capital facilities / property / vehicles.
- List of Service Contracts with private service providers including software licenses, maintenance agreements, printer / copier leases, mobile phone plans, etc. Actual documents can be inspected onsite as needed.
- List of any Mutual-aid Agreements with other government agencies, special districts, school districts.
- Map of the City / Borough illustrating locations of all public buildings, public property that does or will have computers and telephones.
- List of grants received and currently managed.
- Pole Attachment Agreements – Electric Department
- ADOT Street Light Agreements – Electric Department

General Information:

- Prepared public information regarding local economics, demographics, and statistics.

Much of this information will be required for us prior to our onsite work.

When we begin our onsite work, a whiteboard session will require key department personnel in attendance, one-on-one interviews over two days and follow-up/Q&A by email and/or telephone over the term of the project.

During our onsite work, we will need use of a conference room, a work space for three/meeting space for two days, access to a network printer, photo copier, Internet access, and telephone while onsite.

Equipment / Space Needed:

- Dedicated work space for both days (i.e. conference room with space for 10-12).
- Individual 'meeting' spaces in each department or division for sit-down or face-to-face meetings (i.e. space for 3-4).
- Internet access for web research and email correspondence (send and receive capability).
- Temporary read-only access to 'shared' network databases for document retrieval and review. Ability to log on to the terminal server through the Internet or network connection to get to your intranet.
- Use of Printer, Photocopier and telephone equipment while on-site.