CONSENT AGENDA

AGENDA ITEM 12.01
December 13, 2011

TO: Mayor and City Council

FROM: Susan Mayer, Chief Financial Officer

SUBJECT: MOTION AUTHORIZING A CHANGE ORDER TO THE PROFESSIONAL SERVICES CONTRACT FOR INTERIM FINANCIAL MANAGEMENT ASSISTANCE WITH MANAGEMENT PARTNERS, INC.

RECOMMENDATION

It is recommended that by motion action the City Council adopt findings and authorize a contractual agreement with Management Partners, Inc. to conduct a financial condition assessment for the City of Stockton in the amount of $79,900. It is further recommended that the City Council authorize the City Manager to leverage an existing contract with Management Partners and execute the above mentioned contractual agreement through a change order to that contract for this distinct and unique scope of work.

Summary

One of your Council Strategic Initiatives is to complete detailed financial analyses of our complex array of funds. During the 2011-2012 annual budgeting process City staff and the City Council made significant progress in fully understanding the financial condition of the City of Stockton. However, the adopted budget continues to be tested and the City still faces significant financial challenges for the FY 2012-2013 budget. In addition, the city must prepare for changes to the bargaining process that include fact-finding. In order to prepare for the FY 2012-13 budget and bargaining process, staff identified the need for a third-party financial condition assessment to assure that our understanding of our financial situation is accurate and complete.

DISCUSSION

Background

During 2011 significant progress has been made in accomplishing the Plan for Fiscal Stability, including adopting a FY 2011-12 Budget that bridged a $37 million General Fund deficit and reflects labor costs that are more in line with the labor market. However, the FY 2011-12 adopted budget continues to be tested with the impacts of the state budget, legal challenges to the imposition of pay and benefit reductions, redevelopment law changes and potential instability in multiple City funds, many of which carry significant debt that is secured against General Fund resources. And while the City has made progress in bringing labor costs in line with available resources for FY 2011-12, General Fund tax revenues have unfortunately not yet stabilized and the City should be prepared to face significant financial challenges for the FY 2012-2013 budget.
In addition to preparing for the financial challenges for the FY 2012-13 budget, the City must be prepared for changes to State law that have the potential of increasing costs and adding an additional 60-90 days to the 2012-13 bargaining process. This fall the California State Legislature approved and the Governor enacted a new law that in the event of impasse gives employee organizations the sole discretion to requesting fact-finding. Under fact-finding, the differences between the parties will be reviewed by a fact-finding panel and will include a detailed review of the financial condition of the City. Regardless of the outcome of fact-finding, the City will bear the burden of half of the costs and this additional step will significantly delay the bargaining process. Advance preparation that will provide information for fact-finding and avoid delays in the bargaining process will be highly valuable to the City.

Because of financial challenges and the possibility of fact-finding, it is particularly important that the City have assurance of our financial condition and be well prepared for the 2012-13 budget and labor negotiation processes.

Present Situation

In order to be prepared for the 2012-13 budget and labor negotiation processes we have identified the importance of conducting a third-party financial condition assessment to be as certain as possible of the full extent of the financial challenges of the City. This preparation includes validating the work and assumptions that have already been made by staff and determining if there are additional actions the City could take to achieve financial stability.

Third-party financial condition assessments are a common practice in the private sector and are becoming increasingly common in the public sector. In fact, the proposed firm has recent experience providing similar fiscal condition assessments to other California cities including Santa Ana, Sacramento, Fresno, San Jose, Fremont, San Bernardino and Tracy. Like Stockton, these cities are complex, with capable staff and elected officials. However, they found that expert outside assistance was critical to their ability to fully assess their financial position. This practice does not reflect a lack of confidence in the work of internal staff. Rather, it is the equivalent to other common practices such as a peer review assessment or obtaining a second opinion. A third-party review provides an assurance of the work done by internal staff and strengthens the understanding and position of the City. Given the level of risk and potential exposure to the City, it is critical that we have this assurance that our understanding of our financial condition is accurate and complete.

The City is already preparing forecasts and assumptions for the FY 2012-13 budget and preparing for the 2012-13 bargaining process. Given the immediate need for a financial condition assessment, City staff sought out proposals for this service from four firms
MOTION AUTHORIZING A CHANGE ORDER TO THE PROFESSIONAL SERVICES CONTRACT FOR INTERIM FINANCIAL MANAGEMENT ASSISTANCE WITH MANAGEMENT PARTNERS, INC.

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that are well known for their expertise in financial services consulting. Following review of these proposals, Management Partners, Inc. was determined to be best suited for this project as they have the expertise required and have the additional advantage of an existing working relationship with the City of Stockton that will expedite this distinct scope of work (Attachment A). A contract with Management Partners, Inc. was entered into on September 14, 2011 and later amended by Council through Resolution 11-0286. The contract provides interim financial management services as backfill for the vacant Budget Officer and Fiscal Officer positions during the recruiting period. The amended contract for interim financial management services will not exceed $90,000. This additional amendment for the financial condition assessment in the amount of $79,900 will bring the total contract amount to $169,900 (Attachment B).

Staff recommends that the City avoid delay in beginning the financial condition assessment by leveraging the existing contract with Management Partners and request that the City Council amend the existing contract to include the financial condition assessment as a distinct scope of work that will not exceed $79,900.

The outcome of this assessment will be an independent management report that describes the near-term financial outlook for the City. Management Partners will review and validate (or recommend adjustments to) the City’s revenue and expenditure projections, evaluate the stability of internal service funds and special funds that have the potential to impact the General Fund, and review key service costs. Management Partners will also provide new information to the City by comparing Stockton’s financial condition with that of peer jurisdictions. This assessment will consider multi-year information on the City’s budget, including revenue sources and amounts, expenditure allocations, reserves and other funds, budgetary reductions and cost shifts that have been made to date, the local community, the labor environment and other relevant factors. Management Partners will also review financial statements, bond rating agencies’ reports, financial and budget reports pertaining to internal service funds, maintenance funds and the City’s other funds. Particular attention will be paid to the understanding of all recent Comprehensive Annual Financial Report (CAFR) and annual audit reports.

At the conclusion of their work, Management Partners will consult with management and then present the financial condition assessment report and its recommendations to the City Council. This assessment will allow the City to prepare and be well positioned for the FY 2012-13 budget and bargaining processes.

Findings

Stockton Municipal Code Section 3.68.070 provides an exception to the competitive bidding process in cases where the City Council has approved findings that support and justify the purchase.
The findings are as follows:

- On May 17, 2011, the City Council declared a State of Emergency due to fiscal circumstances.

- There is an immediate need to obtain a financial condition assessment in order to prepare for the FY 2012-13 budget and bargaining process.

- A review of the City's budget and financial statements has identified areas of risk and brought to light the urgent need for accurate and reliable financial information.

- There would be a significant delay in obtaining a financial condition assessment if the City were to engage in a formal Request for Proposals (RFP) process. To expedite work, staff conducted an informal competitive process and reviewed four proposals.

FINANCIAL SUMMARY

This contract will be paid from existing appropriations in the Administrative Services Department budget. Staff vacancies have generated savings that will be leveraged to cover the cost of these services.

Respectfully submitted,

SUSAN MAYER
CHIEF FINANCIAL OFFICER

APPROVED

LAURIE MONTES
DEPUTY CITY MANAGER

SM:cc

Attachment A – Management Partners Proposal
Attachment B – Contract Change Order Form
November 9, 2011

Mr. Bob Deis  
City Manager  
City of Stockton  
725 N. El Dorado Street  
Stockton, CA 95202

Dear Mr. Deis:

Management Partners appreciates the opportunity to submit this proposal to conduct a financial condition assessment for the City of Stockton. We are well-qualified to complete this project and are equipped to provide support to the City in your effort to fully assess your financial condition and help get the City on a course of financial sustainability. We have the expertise and skills necessary to provide this assistance and we would be pleased to do so.

We developed this proposal based on our previous experience conducting financial assessments and budget strategies and on our knowledge of the City of Stockton. In addition to providing interim management services to the Finance Department, we are currently conducting a development process review with the Community Development Department. As a current partner, we will have less ramp-up time working with the organization on this project. In addition, we have recent experience providing similar fiscal condition assessments to other California cities including Santa Ana, Sacramento, Fresno, San Jose, Fremont, San Bernardino and Tracy.

Before we describe our approach to this engagement, we would like to tell you about Management Partners.

**Qualifications and Experience**

As you may know, Management Partners was founded in 1994 with a specific mission to help local government leaders operate their governments in providing high quality service to their public. We are a national consulting firm with offices in Orange County and San Jose, California and Cincinnati, Ohio. We have a well-established track record of helping public sector organizations throughout the United States, including all of the services provided by cities, counties towns and special districts at the local level. Our emphasis as a firm is in working with local governments throughout the country and we complete an average of 110 projects annually.
During our 17 years of service, we have earned a national reputation by delivering quality, actionable work products to our clients. We bring extensive experience to this project, along with first-hand knowledge of local government operations. We are distinguished by the fact that each team we assign is led and staffed by associates who have actual experience in direct public service and experience working together as a team. The work we do is not an academic exercise; it is grounded in the real world of customer service and accomplishment in the public sector. Management Partners is unique in that regard.

The firm is staffed with 50 professionals who are experienced public service managers as well as qualified management consultants. This group includes generalists as well as subject-matter experts. Our consultants have years of experience working in all aspects of local government management and have built a track record of extraordinary quality service for our clients.

The firm has extensive experience helping improve both the efficiency and effectiveness of local government services, and as noted above, we have a particular expertise in fiscal condition assessment. We have undertaken organizational staffing and improvement projects in virtually every type of local government service, including reviews of entire governments as well as selected studies of individual departments and functional activities.

We offer a balance of perspectives with a practitioner’s bias and a proven track record of successful consulting engagements. This experience gives us a sensitivity that produces successful outcomes. Each of our projects is individually tailored to the unique needs of the client. We have a deep understanding of the service environment of local government and we are proud to say that as a result of our quality work, many of our clients ask us to complete subsequent assignments.

Understanding of the Engagement
The City of Stockton is the 13th largest city in California, with a population of 292,000. The City’s $603 million budget for fiscal year 2011/12 includes a $163 million General Fund budget. The organization bridged a significant $37 million General Fund deficit for 2011/12 by eliminating positions and imposing employee pay and benefit reductions. The balanced spending plan continues to be tested, with the impact of the state budget, legal challenges to the imposition of pay and benefit reductions, and potential instability and problems in multiple City funds. The City’s bond rating was downgraded twice this year, with Moody’s citing uncertainty and substantial risk due to labor disputes, legal challenges and unanticipated revenue declines.

The City has taken significant actions to control rising costs. Dramatic service reductions have already been implemented in recent years. The City’s Plan B budget option for 2011/12 represents a cumulative 25% reduction in staffing since 2008/09. More recently, City leadership has cited success in bringing employee costs in line with the market. While revenue has for the most part stabilized and the City has made significant headway in the area of employee costs,
Stockton’s financial condition continues to worsen. A major issue is a significant debt load secured against General Fund resources which amounts to approximately $319 million.

Stockton’s financial problems have recently been extended beyond the General Fund to recognize problems that have been identified with inter-fund transfers and special fund instability due to deficit spending and large negative fund balances. In addition, the need for services continues to grow due to the slow recovery from this recession and Stockton’s particularly difficult local economic environment, which has been battered by the housing market collapse.

Continued declines in property values coupled with increases in unemployment, and a high crime rate (the highest in the state) places increased demand on already strained services. The City Manager’s State of Emergency for 2011/12 memo, Attachment A in the 2011/12 budget, indicates that while home prices have leveled and stabilized, the median home price of $140,000 hovers at one-third of the 2006 level ($400,000). Meanwhile, Stockton’s unemployment rate (12.5% in 2010) continues to be well above national and state averages.

As a result of the City’s continually declining budget picture, City leadership has identified the importance of understanding the full problem, validating staff assumptions, and determining if there are additional actions the City could take to achieve financial stability.

Management Partners has helped other cities assess their financial situation and create budget stabilization plans. In each case, our assessment was practical, grounded by an understanding of operational requirements and relevant to the specific city. Like Stockton, these cities are complex, with capable staff and elected officials. However, they found that expert outside assistance was critical to their ability to fully assess their financial position and create an effective budget stabilization plan.

Our Approach
The outcome of this assignment will be an independent management report that describes the near-term financial outlook for the City. We will conduct a financial assessment that will review and validate (or recommend adjustments to) the City’s revenue and expenditure projections, evaluate the stability of internal service funds and special funds that have the potential to impact the General Fund, and review key service costs. Management Partners will compare Stockton’s financial condition with that of peer jurisdictions to bring context to the situation, and focus on areas where additional attention should be paid to fully address the City’s financial challenge. As described below, we will engage the City’s executive and financial team in the process to ensure that our recommendations are based on accurate information and the latest financial data.

The following plan of work is a starting point for our discussions with your team. We take a collaborative approach and will modify this plan of work as needed to ensure that it accomplishes your objectives.
Activity 1 – Start Project
Management Partners will begin by meeting with the City’s project manager to ensure that we have a clear understanding of the objectives for the financial assessment. We will create a detailed work plan that includes specific activities and tasks and a proposed schedule so that it is clear who will be responsible for key steps during the process. During the kick-off meeting with the City we will confirm and review the work plan and schedule of key deliverables.

In addition to covering logistics, we will discuss the approach and timing of this project in relation to other activities in the City. During the initial meeting we will also present a document and data request that will allow us to begin collecting data for the following activity.

Following the meeting, we will fine-tune the scope of work and finalize the schedule. Throughout the project, we will keep you informed of our progress.

Activity 2 – Gather Data
We will initiate a careful learning phase to understand the City’s current fiscal status and environment, including the General Fund and the City’s other funds. We will review multi-year information on the City’s budget, including revenue sources and amounts, expenditure allocations, reserves and other funds, budgetary reductions and cost shifts that have been made to date, the local community, the labor environment and other relevant factors. We will review financial statements, bond rating agencies’ reports, financial and budget reports pertaining to internal service funds, maintenance funds and the City’s other funds. Particular attention will be paid to the understanding of all recent CAFR and annual audit reports.

During this activity we will compile data to be used throughout the analytical phase of the project. In addition, we will review budgeting approaches and test budget assumptions against actual experience, and review and factor in the City’s inventory of unmet or deferred infrastructure and maintenance needs, to the extent the information is available. To maximize our efficiency in this area we will utilize previous work products developed by the City as part of the budget process, which may well include suggestions and ideas from staff.

We will conduct interviews with key executives who will help inform our analysis. Individuals to be interviewed include the City Manager, Deputy City Managers, Chief Financial Officer and specific department heads recommended by the City. These interviews will be valuable in providing an understanding of the City’s fiscal environment, decisions made, changes underway, and factors that are impacting the status of the City’s various funds.

Activity 3 – Conduct Benchmarking with Peer Cities
During Activity 3, we will benchmark key financial data and budget practices with peer jurisdictions, and against accepted industry standards. We will obtain information that will enable us to compare revenue assumptions, expenditure trends, budget balancing actions, debt levels and structure, internal service fund practices, and special fund levels.
We will collaborate with City management about benchmarking criteria such as population, economics, demographics, service delivery profile, best practices and other factors that make service providers comparable to the City of Stockton service. In conjunction with the City, we will choose four to six cities with whom to benchmark. Once agreement is reached, we will work with City management to contact the cities to seek cooperation in providing the requested information to Management Partners. Because of the limited time available for this assessment, our analysis will be focused on “big picture” issues, but it will be sufficient to allow us to put Stockton’s finances in context with the situation facing other similar California jurisdictions. Management Partners believes that this information will be an important part of helping City leaders understand and appreciate the fiscal position.

Upon the conclusion of this activity, Management Partners will prepare a summary of benchmarking and industry metrics applicable to the City of Stockton.

**Activity 4 – Conduct Analysis**

Next, Management Partners’ team members will review the City’s financial and budgeting methodology and projections to determine the accuracy of staff projections, identify other previously unexplored financial risk areas, and assess whether additional options are available to address the problem. We will conduct analysis in the areas below.

- Review revenue projections: Property, sales, and utility user taxes; fees; other miscellaneous revenue.
- Review expenditure projections: Salaries and benefits, services and supplies, other support, as well as contingency and reserve funds.
- Review expenditures and revenue within internal service funds: Review and validate revenue and cost assumptions, assess the adequacy of funding levels.
- Assess the condition of special funds that may impact the General Fund.
- Evaluate cost levels of key services.
- Conduct a scan for any areas of additional financial risk.
- Create and/or validate five-year projections.

We will assess the strategies employed to date by the City to ascertain which have been most effective in reducing costs and increasing revenues. Our analysis will show historical trends and create a forecast giving a solid perspective of the factors affecting the City’s financial health. This analysis will provide the basis for understanding the City’s financial ability to fund services during the next five years. While the focus of our analysis is on providing a clear picture of the City’s financial condition, as we conduct our analysis, we will look for optimization options that may exist, alternative service delivery approaches that might be possible and revenue enhancement opportunities. Since we work with many cities, we have a full knowledge base of alternative approaches that are being applied in this current recession.

We will meet with City management to present our preliminary observations and recommendations to obtain feedback.
Activity 5 – Report Results
Once our analysis is complete, Management Partners will prepare a draft report summarizing the results of our work and providing recommendations. All recommendations will be clearly presented and supported by analysis and comparison with peer benchmark cities and best practices. In our discussion of recommendations we will also analyze implementation impediments and alternatives as appropriate.

The draft report will be reviewed with management to ensure factual accuracy and as a vehicle for discussing the ideas it presents prior to moving to a final project report and action plan for implementation. Management Partners will then finalize the report. As desired by City management, we will present the report and its recommendations to the City Council.

While we recognize this is a fiscal assessment project, Management Partners has an operational bias, which leads us to think about implementation of solutions. Therefore, as we complete our analysis we will be careful to identify any specific recommendations that could assist the City.

Project Team
Management Partners has a project team that is highly qualified to complete this work for Stockton. This project will be a top priority for Management Partners and our team members will be available in whatever capacity and with whatever availability will contribute to the success of the project. Andy Belknap, Regional Vice President, will serve as project director and will oversee the substantive work of the project. Jan Perkins will serve as project manager and will be responsible for execution of the project. They will be supported by Larry Lisenbee, Dave Millican, Mark Olson, Dianne Gershuny, Jovan Grogan, and Suzanne Martin.

The qualifications of each team member are briefly summarized below. Complete resumes for each person are included in Attachment B to this response.

Andrew Belknap, Regional Vice President, is responsible for Management Partners’ western operations, based in San Jose, California. He has more than 20 years of local government experience, including service as a city manager, public works director, and consultant to California municipalities and special districts. His areas of expertise include fiscal and budget analysis, intergovernmental relations and developing service delivery partnerships and functional consolidations to take advantage of economies of scale in public sector service delivery. A trained economist, Andy brings a special expertise to fiscal analysis and public finance issues. His blend of quantitative skills, coupled with a practitioner’s understanding of public services and management systems, adds value to all types of organizational and policy analysis. He is also an excellent facilitator and strategic thinker.

Jan Perkins, Partner, has 30 years of management experience in local government. Before joining Management Partners in 2005 she served in several California and Michigan jurisdictions, including as city manager in Fremont and Morgan Hill, California. She also served the cities of Santa Ana, California; Grand Rapids, Michigan; and Adrian, Michigan. She
provides assistance to government leaders in organizational analysis, leadership development, facilitation, strategic planning, teambuilding, executive coaching and performance evaluation, workforce and succession planning, and policy board/staff effectiveness. Jan has authored a number of articles, including "Hiring 2.0: 23 Creative Ways to Recruit and Keep Great Staff," which appeared in the January/February 2011 issue of Public Management magazine; "Successful Leadership," March 2005, Public Management magazine; and "The Value of Going Back to the Basics," co-authored with former Fremont Mayor Gus Morrison, June 2005, Western City magazine. Jan is an ICMA Credentialed Manager.

Larry Lisenbee, Special Advisor, joined Management Partners after serving for over 21 years as budget director for the City of San Jose, the tenth largest city in the country. During that time, Larry led the Budget Office which reported directly to the city manager. He was responsible for developing the annual budget proposal, monitoring the budgets of all City funds during the fiscal year, and producing and presenting budget reports to the City Council throughout the entire year. Previously, Larry served as a budget analyst, senior budget analyst and supervising budget analyst for Santa Clara County. During his career, Larry has had extensive experience managing public budgeting efforts in large urban California agencies. He is particularly skilled in developing budget strategies in deficit financial conditions. He has had lead roles in organizational and process review efforts and led numerous problem solving efforts involving organizational development, team building, strategic planning, enterprise fund management, rate/fee studies, personnel and labor relations, information systems, public information and outreach to diverse populations.

David Millican, Special Advisor, has more than 35 years experience working in and providing services to state and local governments. He started his career as an audit supervisor and state and local government industry audit specialist for a major CPA firm, taught accounting as a Peace Corp volunteer in Afghanistan and has served as vice president of a municipal management information software provider where he assisted over 30 cities in the selection and installation of application software. After moving to local government as finance director of Burlingame California, he also served as finance director of South Lake Tahoe. In Fremont, California he held the positions of finance director, deputy city manager, chief financial officer, and interim city manager. Following his retirement from Fremont, Dave served as interim financial services manager in Santa Rosa, California while the city recruited a chief financial officer. Dave recently served as finance and administrative services director for Santa Fe, New Mexico. Dave has extensive experience using participative budget and change management processes to redefine municipal services and business models. He is an experienced negotiator in labor relations, integrated waste management, redevelopment, land entitlement, complex contracts and legal settlements. He has also succeeded in securing additional resources without increasing taxes to assure that adequate funding was available to support core municipal services, infrastructure and economic development initiatives.
Mark Olson, Senior Manager, has over 20 years of consulting and public sector experience at the local, state and federal levels. His primary areas of work include financial and management audits, organization and management consulting, productivity and benchmarking studies, and other financial management and cost analysis services. Mark has served in a variety of planning, budgeting and management roles in state and local government. He served as the budget and management coordinator for the Forest Preserve District of DuPage County, Illinois, and as the budget development coordinator for the Illinois Department of Transportation. He has been providing cost-effective advice to help management confront difficult choices, make effective decisions and implement solutions that work for the past 12 years.

Dianne Gershuny, Senior Management Advisor, developed her expertise in city management during a 20-year local government career emphasizing municipal finance. She has extensive experience with budget development, cost reduction strategies, revenue enhancement strategies, long-term financial planning, financial policy development, goal setting, risk management, and organizational analysis. Before serving as city manager of Los Altos, California for nine years, she was the assistant city manager/finance director there. Previously, Dianne served as finance director/assistant city administrator in San Carlos, California. She began her local government career working for the Ventura Regional Sanitation District in management analysis and human resources after obtaining a master’s degree in business administration from UCLA.

Jovan Grogan, Senior Management Advisor, has a breadth of local government experience that ranges from hands-on leadership to community relations and national agency work. Jovan has provided interim management and analytical assistance to general and special purpose governments in the western United States. Since joining the firm in 2006, he has been an integral part of projects to improve cities’ development review processes, conducted reviews of entire governmental organizations, and performed organization structure reviews as well as staffing studies. He is knowledgeable about best practice areas in municipal management and has facilitated workshops for mid-level and executive managers.

Suzanne Martin, Management Analyst, joined Management Partners in May 2010. Since that time, Suzanne has performed benchmarking analyses, organizational assessments and analytical research for a wide variety of projects, including user fee assessments, service consolidation studies, and budget stabilization projects. Having received her master’s degree in public administration from San Francisco State University in December 2009, Suzanne brings expertise in conducting qualitative and quantitative research. Before joining Management Partners, Suzanne spent two years as a graduate student intern at the California Public Utilities Commission, where she conducted business services-related program evaluation and policy analysis. Suzanne is also a member of Pi Alpha Alpha.
References

Management Partners has conducted numerous complex budget stabilization studies as well as analytical projects of all types for municipalities. Several references for budget and operational studies are provided below:

**Santa Ana, California**
Management Partners was engaged to conduct a budget stabilization study and develop recommendations to allow Santa Ana to continue to provide services within its projected resource capacity. We conducted interviews with elected, appointed and labor leaders and collaborated with a project steering committee to identify alternatives for analysis. In addition we conducted a review of each labor association Memorandum of Understanding to identify significant cost drivers, and developed a ten-year financial perspective to show the magnitude of the City’s budget challenges, including a five-year forecast. Our analysis resulted in 47 recommendations in three areas: new revenues, service delivery model changes and compensation changes. When implemented, the recommendations will improve Santa Ana’s financial condition by at least $24 to $27 million annually.

Client Contact: Mr. Paul Walters, Interim City Manager/Police Chief  
20 Civic Center Plaza, 8th Floor  
Santa Ana, CA 92701  
714-647-5200

**San Jose, California**
Management Partners has worked with the City of San Jose on a variety of projects involving developing strategies for closing a projected $137 million structural deficit in the General Fund. This initial project was completed over a three-month period (from October to December 2007). Working with a City staff task force, Management Partners developed solutions valued from $115 million to $218 million in four basic categories; expenditure controls and shifts, revenue enhancements, service delivery model changes and service reductions. The project included extensive stakeholder involvement as part of the strategy development. This was accomplished using an electronic survey instrument for employees and community members and structured focus groups with constituency subsets. Management Partners continues to assist with the implementation of recommendations and identifying further efficiencies.

Client Contact: Ms. Debra Figone, City Manager  
200 East Santa Clara Street  
San Jose, CA 95113  
408-535-8100
Tracy, California
Management Partners completed a project for the City of Tracy that included a comprehensive evaluation of budget strategies. This project was initiated in the summer of 2008, but took on extreme importance and urgency as the fiscal crisis grew during the latter part of 2008. The final report recommended approximately $25 million in ongoing budget solutions. As a discrete element within this project Management Partners completed a complete evaluation of building, engineering and planning fees. Our recommendations for adjustments were made in an attachment to the final report. Other user fee recommendations were discussed in the budget recommendations, as were adjustments to the City’s cost allocation methodology to increase cost recovery for the General Fund. The City has already implemented the recommendations contained in our report.

Client Contact: Mr. Leon Churchill, City Manager
333 Civic Center Plaza
Tracy, CA 95376
209-831-6000

Sacramento, California
Management Partners completed a finance and operations review for the City of Sacramento, California (480,000 population) in 2010. The city is faced with making significant cuts in current services and programs and asked for help identifying deficit reduction alternatives. Management Partners’ work resulted in 49 recommendations that identified ongoing operating cost reduction opportunities that when implemented would save between $25 million and $46 million. In addition, we identified strategies to increase revenue that would yield between $65 million and $105 million. The review covered all aspects of city operations including police; fire and EMS; park, street, tree facility and garage maintenance; recreation; convention center operations; and the water, wastewater, solid waste and storm drainage utilities.

Client Contact: Mr. Max Fernandez, Interim Deputy City Manager
915 I Street, 5th Floor
Sacramento, CA 95814
916-801-4858

Fremont, California
Management Partners was engaged to conduct a strategic budget sustainability study and develop recommendations to allow Fremont to continue to provide services within its projected resource capacity. We used interviews, focus groups and collaboration with a project steering committee to identify promising alternatives for analysis. In addition, we conducted a review of each labor association’s memorandum of understanding to identify significant cost drivers, and developed a five-year financial forecast. Our analysis resulted in 33 recommendations that will improve Fremont’s financial condition by between $16.7 and $19.6 million annually. We also provided the City with a template to facilitate the development of a plan for implementing our recommendations.
Client Contact: Mr. Mark Danaj, Assistant City Manager  
Office of the City Manager  
3300 Capitol Avenue, P.O. Box 5006  
Fremont, CA 94537-5006  
510-284-4005

Port of Sacramento
Management Partners was retained to provide interim management services to the Port District, which was contemplating bankruptcy. This assignment resulted in a complete restructuring of operations and governance for the Yolo Port District. Management Partners worked with elected officials and executive management with the County of Sacramento, the County of Yolo, the City of Sacramento and the City of West Sacramento to broker an effective compromise that gave the City of West Sacramento more control over port operations and an incentive to see the port prosper. An operations agreement with the Port of Oakland has resulted in a much more stable financial situation and the Port of Sacramento is no longer threatened with insolvency.

Client Contacts: Mr. Mike McGowan, County Supervisor  
County of Yolo  
500 Jefferson Boulevard, Building A  
West Sacramento, CA 95691  
916-375-6440  

Mr. Toby Ross, City Manager  
City of West Sacramento  
1110 West Capitol Avenue  
West Sacramento, CA 95691  
916-617-4500

Fee Proposal
Management Partners estimates that 423 hours will be required to complete the fiscal assessment described in the scope of work above. The following table shows a breakdown of hours according to each activity that will be undertaken.

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<tr>
<th>Activity</th>
<th>Estimated Hours</th>
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<tbody>
<tr>
<td>1 – Start Project</td>
<td>14</td>
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<tr>
<td>2 – Gather Data</td>
<td>43</td>
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<tr>
<td>3 – Conduct Benchmarking</td>
<td>37</td>
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<td>4 – Conduct Analysis</td>
<td>221</td>
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<tr>
<td>5 – Report Results</td>
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<td><strong>Total</strong></td>
<td><strong>423</strong></td>
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The ultimate test of a quality project is that the client is pleased with the results and we are committed to achieving that goal. The total fee to complete the project described in this proposal is $79,900 which includes our expenses.

Conclusion

We would be pleased to assist the City of Stockton with this important project. Please feel free to contact either Andy Belknap (805) 320-1702 or me if you have any questions about this proposal.

Sincerely,

Gerald E. Newfarmer
President and CEO

Accepted for the City of Stockton by:

Name: __________________________

Title: __________________________

Date: __________________________
ATTACHMENT B

CITY OF STOCKTON

Contract Change Order No. 2

PROFESSIONAL SERVICES CONTRACT FOR INTERIM FINANCIAL MANAGEMENT ASSISTANCE

Original Contract Price $30,000
CCO No. 1 $60,000
CCO No. 2 $79,900
Revised Contract Price $169,900

TO Management Partners, Inc. (Contractor). You are hereby directed to make the herein described changes from the plans and specifications or do the following described work not included in the plans and specifications of this contract.

ADDITIONAL WORK PERFORMED FOR ABOVE REFERENCED PROJECT

Scope of services to remain the same. Change order to increase contract amount and duration of original contract.

We, the undersigned contractor, have given careful consideration to the change proposed and hereby agree, if this proposal is approved that we will provide all equipment, furnish all materials, except as may otherwise be noted above, and perform all services necessary for the work above specified, and will accept as full payment therefore the prices shown above.

By reason of this proposed change, 5 days extension of time will be allowed.

Accepted Date __________________________
Management Partners, Inc.
(Contractor)

By __________________________
Title __________________________

Note: This change order is not effective until approved by the City Manager or if under Council approved limits, Department Director.

*Increase Total cost of change not to exceed $ 79,900

Submitted By Susan Mayer
Project Manager

Reviewed for Construction N/A
(if applicable)

Approval Recommended:

By __________________________

Do the changes above have any potential impact on the use of Public Facility Fees and/or other restricted funding sources? (Circle One) YES/NO

If Yes, Budget Officer or designee to verify available funding

Available funding verified __________________________
Name and Title __________________________

Date Approved __________________________

Dept Head Name and Title __________________________

Bob Deis, City Manager

Approved - City Council Resolution No. __________________________

APPROVED AS TO FORM & CONTENT: OFFICE OF THE CITY ATTORNEY

BY __________________________
CITY ATTORNEY

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