

FIRST AMENDMENT TO AGREEMENT FOR PROFESSIONAL SERVICES

THIS FIRST AMENDMENT TO AGREEMENT is made and entered into this ____ day of _____, 2016, by and between the City of Merced, a California Charter Municipal Corporation ("City"), and Chad Wohlford, a sole proprietor, doing business as Wohlford Consulting, ("Consultant").

WHEREAS, City is undertaking a project to complete a citywide cost allocation plan; and

WHEREAS, City and Consultant have previously entered into an Agreement for Professional Services ("Agreement") dated February 19, 2016; and,

WHEREAS, City and Consultant desire to amend said Agreement to provide for additional services in connection with said project.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants hereinafter recited, agree as follows:

1. Section 20, "ADDITIONAL SCOPE OF SERVICES," is hereby added to the Agreement to read as follows:

"SECTION 20. ADDITIONAL SCOPE OF SERVICES.
Consultant shall perform the additional work outlined in the proposal from Consultant to City dated May 12, 2016, attached hereto as Exhibit "1".

2. Section 21, "ADDITIONAL COMPENSATION," is hereby added to the Agreement to read as follows:

"SECTION 21. ADDITIONAL COMPENSATION.
City shall pay to Consultant the not to exceed additional sum of Nineteen Thousand Seven Hundred Dollars (\$19,700.00) for the additional work described in the proposal attached hereto as Exhibit "1" and in accordance with the rates set forth on Exhibit "1."

3. Except as herein amended, the Agreement dated February 19, 2016, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this First Amendment to Agreement to be executed on the date first above written.

CITY OF MERCED
A California Charter Municipal
Corporation

BY: _____
City Manager

ATTEST:
STEVE CARRIGAN, CITY CLERK

BY: _____
Assistant/Deputy City Clerk

APPROVED AS TO FORM:

BY: Kelly Fincher 5/18/16
City Attorney Date

ACCOUNT DATA:

BY: _____
Verified by Finance Officer

CONSULTANT
CHAD WOHLFORD,
A Sole Proprietor
Doing Business As
WOHLFORD CONSULTING

BY: _____
Chad Wohlford

Taxpayer I.D. No. _____

ADDRESS: 372 Florin Road #293
Sacramento, CA 95831

TELEPHONE: (916) 205-7050

FAX: _____

E-MAIL: chad@wohlfordconsulting.com

May 12, 2016

Brad Grant
Finance Director
City of Merced
678 W. 18th Street
Merced, CA 95340

**Re: Proposal for an Internal Services Fund and Housing Division
Cost Allocation Study**

Dear Mr. Grant:

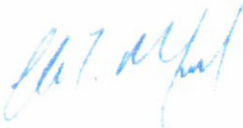
I am very pleased to provide you with this proposal to again partner with the *City of Merced* to perform additional services beyond our current contracted Citywide Cost Allocation Study. You requested a study of the distribution of costs incurred by the Internal Services Funds. In addition, it came to light during our initial CAP discussions that a distribution of Housing Administration costs may also be necessary.

This proposal is intended to address each of the items / issues mentioned above. Since I am already in progress with the Citywide CAP, I wrote this proposal with a focus only on the scope of services, deliverables, work tasks, and cost. If you need further information about any aspects of Wohlford Consulting, I would be pleased to provide a supplement containing this information.

Thank You

Thank you for the opportunity to propose my services to you. Please feel free to contact me at any time if you have questions or need clarification of the proposal.

Sincerely,



Chad Wohlford
Principal Consultant
chad@wohlfordconsulting.com



**Proposal
for an
Internal Services Fund
and
Housing Division
COST ALLOCATION STUDY
for the
*City of Merced***

May 12, 2016

WOHLFORD CONSULTING

372 Florin Road, #293

Sacramento, CA 95831

(916) 205-7050

chad@wohlfordconsulting.com



Table of Contents

STUDY BACKGROUND	1
ISF Cost Allocation Project Approach	1
Housing Division Cost Allocation Project Approach	1
SCOPE OF SERVICES	2
Specific Project Deliverables.....	2
COST PROPOSAL	4
CONCLUSION	6



STUDY BACKGROUND

The *City of Merced* contracted with *Wohlford Consulting* to produce a Cost Allocation Plan (CAP) to distribute citywide administrative overhead costs to operating departments and other funds, in order to assist with cost recovery and fiscal analysis. The City has requested the addition of other services to complement the CAP, including:

- A cost allocation study of the Internal Services Fund (“ISF”) operations (support services) of the City;
- A cost allocation study to distribute the cost of administration in the Housing Division of the Economic Development Department.

ISF Cost Allocation Project Approach

The simple purpose of an ISF Cost Allocation Project is to accurately, fairly, and reasonably distribute the City’s internal support costs contained within Internal Service Funds to the customer departments in the City. At the start of the project, I will work with key representatives from the ISF divisions to determine the best structure, approach, and relevant details used for the study. The complexity of the study will be determined by the needs and structure of the City.

The general method for allocating costs from each ISF to the customer departments is to identify an “allocation basis” and distribute the costs proportionately. The best way to ensure accuracy and fairness is to separate the distinct “functions” of each ISF and allocate them individually. The potential allocation bases consist of various available data/statistics that best reflect the workload related to the recipient of the service. The selection of the most appropriate measure for each function will follow a discussion with key department staff.

Housing Division Cost Allocation Project Approach

The Housing Division is not part of the General Fund, so it is excluded from the Citywide Cost Allocation Plan. However, the cost of Housing Division Administration support to the Housing Division and other funds should be identified to enable recovery of that cost through grants and other external funds. Therefore, an analysis of the Department overhead is warranted.

The allocation of Department administrative costs will follow the same approach and methodology as the Citywide CAP, except that the focus will be exclusively on the overhead costs in the Department. As with the Citywide CAP, we will separate the administrative services into functions and allocate them individually to the operating divisions and funds, according to appropriate allocation bases.



SCOPE OF SERVICES

The propose scope of services reflects my current understanding of the needs of the City and the availability of necessary data. At the beginning of the project, I will work with the City to refine this scope of services to best meet your objectives.

Specific Project Deliverables

For this proposed study, Wohlford Consulting will complete and deliver the following items and information to the City:

ISF Allocation Study

Wohlford Consulting will gather relevant data and use proprietary analytical model(s) to identify the fair allocation of ISF costs to the customer departments.

The ISF services (areas to be allocated) include the following areas of Support Services:

- Personnel
- Information Technology
- Public Educational and Governmental Access Fee
- Risk Management and Safety
- Workers Compensation
- Liability
- Unemployment
- Employee Benefits
- Facilities

The ultimate product of the study will be a summary worksheet (Excel format) that illustrates the final distribution of costs to each of the customer departments. The specific deliverable products will include this summary worksheet for each ISF, as well as the supporting printouts (pdf format) that detail all of the distributions and their bases.

Wohlford Consulting will provide the electronic file that the City can use to review and distribute the document as needed within the City and/or to produce paper copies at its discretion. In an effort to reduce paper consumption, Wohlford Consulting will not provide “hard copy” printed versions.



City of Merced Proposal for an ISF and Housing Division Cost Allocation Study

In addition, Wohlford Consulting will conduct a study session to present the results of the ISF allocations and explain the study methodology to the customer departments, the city council, or another internal City audience designated by the City. The study session will consist of an on-site PowerPoint presentation (or similar format) with opportunities for audience questions.

The ISF allocation study proposal assumes that the City has sufficient data to identify allocations, including established costs for capital replacement, cost of the services, customer usage data, direct cost information, and cost breakdowns for specific items necessary for analysis. This assumption is important, as the proposal does not include analysis of operations or the underlying funding requirements for any department or division.

Housing Division Cost Allocation

Wohlford Consulting will gather relevant data and use a proprietary analytical model to identify the fair allocation of Housing Division Administration costs to the internal divisions and funds.

The ultimate product of the study will be a summary worksheet (Excel format) that illustrates the final distribution of costs to each of the receiving divisions. The specific deliverable products will include this summary worksheet and the supporting printout (pdf format) of the worksheets that document the detail of the distributions and their bases.

Wohlford Consulting will provide the electronic file that the City can use to review and distribute the document within the City and/or to produce paper copies at its discretion. In an effort to reduce paper consumption, Wohlford Consulting will not provide "hard copy" printed versions.

On-Site Meetings

To conduct the additional studies, Wohlford Consulting will conduct multiple meetings during one to two on-site visits. In order to minimize disruptions and the impact on staff workload, I will conduct the remainder of the work with the City through web meetings, email, phone, fax, mail, and other media.

Optional Additional Presentations or Study Sessions

My understanding is that you wanted a study session as part of the ISF Allocation Study to inform customer departments and/or the City Council, so I included one presentation in the scope of services for that part of the project in this proposal. If you also want to add another City Council



City of Merced
Proposal for an ISF and Housing Division Cost Allocation Study

study session for the Citywide CAP, I would be pleased to add that task to our scope of services.

Project Limitations

To avoid confusion and conflicting expectations, it is important to note the key exclusions of this study, which include:

- Other allocations not described in this proposal;
- User fees, service rates, or other specific service costs;
- Negotiations or significant discussions with a cognizant agency);
- Audit and/or litigation support (beyond general questions); and/or
- On-site visits or presentations not specified in the proposal.

COST PROPOSAL

Wohlford Consulting proposes to provide this study for the fixed professional fee of **\$19,700** for both studies. This fee includes all of the deliverables and work tasks described in the proposal, as well as all expenses. Merced will not incur any additional charges unless they are related to additional services requested by the City that exceed the contracted scope of services.

The table below shows the fee breakdown for the proposed project add-ons:

Project Component	Component Fixed Fee
Project Management:	
Project Planning and Control	<i>Included *</i>
Quality Assurance Processes	<i>Included *</i>
On-site Visits / Interviews	<i>Included *</i>
Communication Plan / Presentation	<i>Included *</i>
Specific Study Components:	
ISF Allocations	\$ 11,250
Housing Division CAP	\$ 7,500
Fixed Expenses	\$ 950
Total Project Fee:	\$ 19,700

* The project management costs are embedded in the specific study components.

The fee for an additional (optional) on-site presentation or study session would be \$1,900, including preparation and all expenses. The cost for an additional presentation is not included in the study costs shown in the preceding table.



City of Merced
Proposal for an ISF and Housing Division Cost Allocation Study

Billing Milestones

I propose payment at the following “billing milestones:”

#	Milestone Description	Project %
20	ISF Project Kick-off and Completion of Initial Interviews	15.0%
21	ED CAP Project Kick-off and Completion of Initial Interviews	10.0%
22	ISF Study Structure Developed; Design of Analytical Model; Delivery of Data Collection Worksheets	15.0%
23	ED CAP Structure Developed; Design of Analytical Model; Delivery of Data Collection Worksheets	10.0%
24	Monthly Progress Payment # 1 (of 3)	5.0%
25	Monthly Progress Payment # 2 (of 3)	5.0%
26	Monthly Progress Payment # 3 (of 3)	5.0%
27	Initial Draft of ISF Allocations Delivered	10.0%
28	Initial Draft of ED Cost Plan Delivered	5.0%
29	Final ISF Allocations Delivered	7.5%
30	Final ED CAP Delivered	5.0%
31	ISF Study Session Presentation Developed	5.0%
32	Final Documentation Delivered and/or City’s Acceptance of Project Completion	2.5%
Total:		100%

Note: The Milestone numbering in this table is a continuation of the numbering from the existing Citywide CAP contract.

The milestones represent a way to progressively spread the fixed cost of the study over the course of the project using discernible events. As the customization and the flow of the project warrants, or as specific tasks are altered, I may complete certain elements of the study in a different order than the billing milestones may indicate and/or I may employ alternate milestones.

Cost Adjustments at the City’s Request

The proposed cost reflects my expectations of the work necessary to complete the proposed scope of services to the satisfaction of the City. If the City wishes to engage me for services not included in the proposed scope of services, we can establish mutually agreeable fixed fees or use the standard hourly rate of \$150, plus expenses. The rate for more intensive services, such as audit support, litigation/legal response, or outside negotiations, is \$325 per hour, plus expenses. For more details about supplemental costs, please reference the “Fees for Additional Services” table in the original Cost Allocation Services proposal.



City of Merced
Proposal for an ISF and Housing Division Cost Allocation Study

Cost Flexibility and Control

It is in the best interests of the City of Merced and Wohlford Consulting to manage this project within the proposed budget. As a fixed fee project, we must maintain the scope of service, expected level of responsiveness, and assumed tasks at the proposed level to ensure a fair deal.

Should Merced enact significant delays (one month cumulative), require excessive on-site meetings, require excessive drafts of documentation, or otherwise consume disproportionate consultant resources, I will quantify the additional cost and request additional compensation from Merced. Of course, I will not hold the City responsible for delays or additional work caused by Wohlford Consulting. Furthermore, whenever practical, I will give the City advance notice of the potential for additional cost, in order for the City to make an informed decision whether to proceed with its request.

CONCLUSION

I appreciate this opportunity to propose my services to the City of Merced. I look forward to the chance to serve you further and expand our professional relationship.

Please contact me at your convenience if you have any questions about Wohlford Consulting, my proposal, or this study in general. I would be glad to help.

Thank you again for reviewing my proposal.