

TO: James L. App, City Manager

FROM: Mike Compton, Director of Administrative Services

SUBJECT: State Mandated Cost Claiming Services

DATE: October 4, 2005

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Needs: For the City Council to consider adoption of a resolution approving an agreement with AK & Company for cost claiming services.

Facts:

1. Senate Bill 90, adopted many years ago provided that public agencies shall be reimbursed for costs associated with compliance with legislation enacted by the legislature.
2. The City has filed annual reimbursement claims, prepared by a third party expert, for many years.
3. In the past, the City has utilized Maximus, Inc. (and their predecessor DMG Griffith & Associates) for cost filing services on a "continuing relationship" basis.
4. This year, the City received a proposal from AK & Company for said services for \$6,500. The proposal submitted by Maximus had a cost of \$6,650.

Analysis &  
Conclusion:

As noted above, for as long as anyone can remember, Maximus (DMG) has prepared the City's mandated cost reimbursement claims. The pricing was competitive and there was considerable value in the consistency of remaining with the same firm.

This year the City has received a proposal from AK & Company to provide mandated cost reimbursement services. AK & Company is owned and operated by Anita Worlow who just left Maximus to form her own consulting business. Approving this request to engage AK & Company to perform mandated cost reimbursement services, while a change in company name, would provide a continuing relationship with the prior individual who prepared and managed the City's claims.

The cost to prepare the claims is considerably exceeded by the reimbursement revenues received from the State for mandated costs. Many of the mandates are complicated and would require considerable staff time to prepare without using outside expertise.

Fiscal  
Impact:

The Administrative Services has sufficient appropriations available to pay for these services. Historically costs and revenues received are noted follows:

	Total Contract <u>Costs</u>	Total Claim <u>Revenues</u>	Net General Fund <u>Revenue</u>
Fiscal Year 2005	\$7,213	\$26,640	\$19,428
Fiscal Year 2004	6,650	26,640	19,990
Fiscal Year 2003	3,800	78,005	74,205
Fiscal Year 2002	3,600	49,324	45,724
Fiscal Year 2001	5,700	101,757	85,382
Fiscal Year 2000	6,500	73,422	66,922
Prior Eight Yrs.	28,814	173,576	144,762

The net revenues illustrated above for fiscal years 2005 and 2004 are lower than historical levels due to the State having deferred reimbursement payments on most of the claims filed for those fiscal years.

The cost proposed by AK & Company to provides mandated cost reimbursement services is \$6,500 which is \$150 less than the cost proposed by Maximus.

Options:

- a. Adopt Resolution No. 05-xx authorizing the Director of Administrative Services to engage the services of AK & Company to provide mandated cost claiming services on behalf of the City;  
or
- b. Amend, modify, or reject the above option.

## AGREEMENT FOR PROVISION OF PROFESSIONAL CONSULTING SERVICES TO THE CITY OF PASO ROBLES

This AGREEMENT is entered into on the \_\_\_\_\_ day of \_\_\_\_\_, 2005 both by and between AK & COMPANY ("Consultant" for the purposes of this Agreement) and the City of Paso Robles ("City" for the purposes of this Agreement).

### Purpose:

Article XIII B of the State of California's Constitution allows local agencies to recover costs associated with provision of certain activities that have been mandated by the State. The City has made the determination that provision of the Consultant's services to assist in preparation of mandated cost claims is the most cost effective, economical method to complete this process. The Consultant has knowledge and experience in completion of the data collection, preparation and submission of mandate reimbursement claims to the State of California. The City agrees that Consultant will assist in the preparation, submission and negotiations involving these state mandated programs.

The City and Consultant mutually agree that Consultant will perform the following:

- 1) Scope of Services. Consultant will perform in a professional manner the following services:
  - a) By January 15, 2006, prepare and submit mandate reimbursement claims to the State Controller's Office according to the State Controller's 2005 annual claiming instructions.
  - b) Prepare and submit new mandate reimbursement claims according to claiming instructions issued during the 2005-2006 fiscal year. Claims covered under this section include those for which new claiming instructions are issued with a claim due date other than January 15, 2006.
  - c) Advise the City of issues from the State Controller's Office associated with any mandate reimbursement claims prepared and submitted by the Consultant.
  - d) Both direct and indirect costs may be included in mandate reimbursement claims submitted by the Consultant. The Consultant may choose to use the State Controller's ten percent (10%) indirect cost rate or choose to calculate a higher rate if necessary City records are available.
- 2) Term of Agreement. This Agreement shall become effective immediately and continue in effect until September 30, 2006.
- 3) Staff. "Consultant" includes all staff required in performing this Agreement's services. Services included in this Agreement will be completed by the Consultant or under the

Consultant's supervision. All staff are experienced in the mandate reimbursement process.

- 4) Costs of Agreement and Method of Compensation. In exchange for the Consultant's provision of the above services, the City agrees to compensate the Consultant in a Fixed Fee in the amount of six thousand five hundred dollars (\$6500). This fee will be paid in two equal installments: Fifty percent (50%) or \$3250 will be due and payable on October 1, 2005 and on February 1, 2006.
- 5) City's Provision of Staff and Materials. Consultant will inform City staff of the necessary data for timely claims submission. Consultant will presume that all data provided by the City is correct and complete. There will be no Consultant liability for unfilled claims resulting from insufficient data or data not provided in a timely fashion.

The City and Consultant agree that Consultant requested data must be provided by City staff either within three (3) weeks of the request or three (3) weeks prior to the filing deadline, whichever occurs first. Data not received within this timeframe will not be considered to be provided in a timely fashion.

- 6) Third Party Obligations. The only parties to this Agreement and entitled to enforce the terms of the Agreement are the City and the Consultant. No right or benefit, direct or indirect, is given to any third parties.
- 7) Records and Inspections. In accordance with State law, Consultant will maintain complete, accurate records concerning all matters covered under this Agreement. During normal business hours, the City will have access to these records. A thirty (30) day written notice will be provided by the City when it intends to inspect or audit these records. Prior to being granted such access, any City employee, consultant, subcontractor or agent will execute a non-disclosure agreement.
- 8) Waiver of Submission of Claims. Submission of claims pursuant to Section 1) a) and b) may be waived. If a waiver is exercised by either party, the Consultant will be paid by the City for all work completed prior to and until the waiver's date of effect. The amount paid will not exceed the dollar amount indicated in Section 4). In case of a waiver, the Consultant will be paid based on the percentage of work required to submit the claims that were completed prior to the effective date of the waiver.
  - a) At Option of the City. Pursuant to a specific State claiming instruction, at the City's discretion, it may instruct the Consultant not to file a specific claim or claims. This instruction must be in writing and provided to the Consultant at least thirty (30) days prior to the due date of the claim. The date the Consultant receives the City's written instruction will be the effective date of the City's waiver.
  - b) At Option of the Consultant. At the Consultant's discretion, Consultant may advise the City of the reasons it does not intend to file a specific claim. The date the Consultant mails its notification to the City will be the effective date of the

Consultant's waiver. The City will expect the Consultant to file any pertinent claim that meets the minimum limit set by the State.

- 9) No Waiver of Rights and Remedies. In no event will any City payment to Consultant constitute a waiver by the City of any breach of covenant or any default that may exist on the part of the Consultant. Payment made by the City while any such breach or default does not impair or prejudice any City right or remedy in respect to such breach or default.
- 10) Consultant Audit Liability. Consultant will presume that all statistical and financial data provided by the City is correct and complete. Consultant will provide workpapers and records to State Auditors if an audit should occur. Any State disallowance of amounts paid to the City under the claim or claims for whatever reason will be solely the City's responsibility. If the City so requests, Consultant will assist the City in defending claims at the desk audit level, provided such a disallowance amounts to at least ten percent (10%). No contest by the Consultant for reductions of less than 10 percent (10%) will be made. Incorrect Reduction Claims preparation is not included in any part of this Agreement.
- 11) Independent Contractor. In performing the scope of services of this Agreement, the City and Consultant agree that Consultant is an independent contractor with complete control of the work and manner in which it is performed. For no purposes are the Consultant or Consultant's employees considered agents or employees of the City.
- 12) Insurance. Appropriate general liability, workers' compensation, automobile and professional liability insurances will be maintained by the Consultant.
- 13) Limitation of Liability. Consultant will not be liable for consequential, special, indirect, or punitive damages. For any reason whatsoever, foreseeable or not, will the Consultant's liability exceed the total amount paid to the Consultant under this Agreement.
- 14) Changes. If either the City or the Consultant requires changes in the scope of services included in this Agreement, they must be mutually agreed upon by and between the City and the Consultant. Any changes will be included in a written and duly executed amendment to this Agreement
- 15) Notices. Under this Agreement, any signatures, reports, bills or notices required will be adequate if sent by either the City or the Consultant via postage paid USPS mail to the address noted below:

**Contact Name:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Phone #:** \_\_\_\_\_ **Fax #:** \_\_\_\_\_

**Email Address:** \_\_\_\_\_

**AK & COMPANY**  
3531 Kersey Lane, Suite M  
Sacramento, CA 95864

**Phone #: 916.972.1666**  
**Fax #: 916.972.1666**  
**email: neat@sbcuc.net**

Any notices will be considered delivered after five (5) days of being deposited in a USPS mailbox.

- 16) Agreement Complete. The City and Consultant agree that this Agreement and any subsequent documents incorporated by specific reference contain all the terms and conditions previously agreed upon. No other agreements regarding this Agreement will bind either the City or the Consultant in any way.
- 17) Severability. If any portion, section, provision, part, or term of this Agreement are found to be in conflict with either a law of the United States of America or the State of California, or otherwise be unenforceable, the remaining portions, sections, provisions, parts or terms will be deemed severable and shall remain in full force and effect.
- 18) Receipt of Agreement. Consultant must receive a signed copy of this Agreement by October 1, 2005 in order to warrant that claims will be submitted in a timely fashion.
- 19) Signature Authority. Individuals signing this Agreement certify to the following:
- a) He or she is authorized to sign this Agreement on behalf of the City;
  - b) The City has all approvals necessary to enter into this Agreement;
  - c) This Agreement is a valid, enforceable obligation of the City upon execution.

**THEREFORE,** The City and the Consultant execute this Agreement as of the date below.

**ATTEST:**

**By:** \_\_\_\_\_  
(City Official)

**Date:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**AK & COMPANY**

**By:** \_\_\_\_\_  
Anita K. Worlow, Principal

**Date:** \_\_\_\_\_

## INTRODUCTION

The City of Paso Robles can benefit financially from the experience of AK & COMPANY in the preparation of mandated cost claims. The Company thoroughly understands the need to "make a plan" and "work a plan". A well thought-out process to enlist the assistance of the City's employees will yield more valid data, elicit improved cooperation from City staff members, and produce defensible claims at the highest dollar amount.

AK & COMPANY presents this proposal as a company organized in July, 2005. The principal, ANITA K. WORLOW, has over twenty-three years of City, County and Special District experience. Most significantly, for the past eight years Ms. Worlow has been responsible for the timely submission of local government mandated cost reimbursement claims and new market development. Other relevant experience includes employment as a: contract lobbyist representing City and County interests; Controller for the CSAC Excess Insurance Authority; and Legislative Analyst with the California State of Association of Counties.

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AK & COMPANY is located in Sacramento, California's capital city. Ms. Worlow is familiar with the State's legislative processes and will provide timely transmission of information relevant to the City of Paso Robles. She will also attend the bi-monthly meetings of the Commission on State Mandates and keep the City informed of upcoming mandates and new test claims pertinent to the City of Paso Robles.

As the Consultant filing claims on behalf of the City of Paso Robles for the past eight years, Ms. Worlow has the benefit of already being acquainted with the City's staff involved in this process. She and staff from each department affected by a mandate eligible for reimbursement have developed an efficient plan for relevant data collection in a timely manner.

### 2004-2005: A Review

Several significant aspects pertaining to mandate reimbursement occurred in the 2004-2005 fiscal year.

- **Mandate Funding** - For the first time in three years, a mandate was funded. Estimated 2004-2005 Animal Adoption claims filed by January 15, 2005 were reimbursed Statewide at a record 99.389% rate.

- **Proposition 1A** - The voters of California overwhelmingly passed the local government initiative known as Proposition 1A.
    - Provisions of this proposition were intended to stabilize local government revenues in future years.
    - The Legislature was directed to fund, suspend or repeal state mandated programs and to avoid deferrals of mandate payments in future years.
    - The backlog of unpaid mandates was scheduled to be repaid to cities and counties over a 5-year period, beginning with the 2006-2007 fiscal year.
  - **State Controller's Field Audits** – The State Controller's Office (SCO) continued to perform field audits typically targeted toward larger local agencies with higher dollar mandates.
  - **State Controller Time Study Methodology** – The State Controller's Office approved the *Time-Study Guidelines (TSG)* appropriate for use when an activity is a task repetitive in nature.
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## **PRODUCTS AND SERVICES INCLUDED IN THIS PROPOSAL**

The primary focus of AK & COMPANY is the timely filing of equitable state mandated cost reimbursement claims on behalf of the City of Paso Robles. This timely filing will benefit the City by eliminating any "late" assessments against the claims submitted. AK & COMPANY will file all eligible mandated cost reimbursement claims included in claiming instructions issued during Fiscal Year 2005-2006. These include the annual claims, new claims (if any, for all eligible years) and claims in need of amendment

## **LOCATION AND DELIVERY OF SERVICES**

When a contractual agreement has been reached, Ms. Worlow and the SB 90 coordinator will devise a mutually agreeable date and time for an on-site visit to discuss the mandates with appropriate departmental staff and establish a timeframe within which to obtain pertinent data. If the coordinator so desires, Ms. Worlow will then work directly with staff within each department and continue to apprise the SB 90 coordinator of progress made. Once the data has been collected, the actual work itself will be completed in Sacramento, California, with necessary telephone, e-mail and fax correspondence with City staff.

Upon completion of SB 90 claims for the City of Paso Robles, Ms. Worlow will forward the claims to the City for review and signature. A copy of each claim will be included for the City's files. When the FAM-27 signature pages are returned, Ms. Worlow will hand deliver the signed claims to the State Controller's Office to



ensure timely delivery. Once she has received the claims receipt from the State Controller's Office, Ms. Worlow will forward the receipt to the City's SB 90 Coordinator to evidence submission of the City's claims.

## **PROPOSED WORK PLAN**

AK & COMPANY'S proposed work plan for the City of Paso Robles is intended to be proactive and methodical. It has been Ms. Worlow's experience that cities that identify and track their mandated activities throughout the fiscal year receive fewer claim reductions and inquiries from the State. AK & COMPANY'S approach to all claims included in the proposed Agreement is as follows:

- Schedule at least one site visit per year to conduct meetings with individual departments affected by each mandate
- Establish a workable timeframe and plan for Staff collection of data to be submitted to the Consultant in order for the Consultant to submit the claims prior to the claiming deadline
- Review the timeframe according to the agreed upon schedule, and, if necessary, revise to accommodate City staff's timetables
- Advise the City's staff regarding reliable and defensible types of source documentation
- Provide insight as to how other cities are interpreting and claiming each mandate to ensure that nothing is overlooked
- Collect relevant financial expenditure data to prepare an Indirect Cost Rate Proposal (ICRP) for all departments included in the City's claims
- Complete all applicable claims and provide the City with hard copies of the claims submitted
- Hand deliver all signed claims to the State Controller's Office
- Forward to the City a copy of the Claims Receipt signed by the State Controller's Office
- If necessary, act as a liaison with the State Controller's Office in desk reviews or actual field audits.

AK & COMPANY'S approach to any New Claims will involve this same process, with additional initial steps:

- Immediate notification to both the SB 90 Coordinator and affected departmental personnel once Parameters and Guidelines have been approved by the Commission on State Mandates
- Subsequent notification to these individuals once the State Controller's Office has issued claiming instructions.

## **PROFESSIONAL FEES**

### **COST FOR ANNUAL, NEW AND AMENDED CLAIMS**

AK & COMPANY will complete each element of this proposal as it relates to the Annual Claims due on January 15, 2006, New Claims for which Claiming Instructions are issued during the 2005-2006 fiscal year, and Claims Requiring Amendment for a Fixed Fee of six thousand five hundred dollars (\$6500). This includes all fees and expenses incurred in the claim preparation process.

### **METHOD OF PAYMENT**

AK & COMPANY will invoice the City of Paso Robles for all work proposed in two equal installments: The first in August, 2005 upon approval of the Agreement and the second in February, 2006 following the timely filing of the Annual Claims.

Thank you for your acceptance and consideration of this proposal to the City of Paso Robles.

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If this proposal and terms of the Agreement are acceptable to the City of Paso Robles, please sign and return one copy of the enclosed Agreement to ANITA K. WORLOW at AK & COMPANY.

AK & COMPANY  
3531 Kersey Lane, Suite M  
Sacramento, CA 95864

Phone: 916.972.1666  
Fax: 916.972.1666  
Email: neat@sbcuc.net

## ***MEMORANDUM***

**Date:** September 14, 2005  
**To:** Mike Compton  
**From:** Jennifer Sorenson  
**Subject:** Proposals for State Mandated Cost Claiming Services

As you know we have contracted with Maximus for State Mandated Cost Claiming Services for many years and have been satisfied with their customer service, project management, and fee structure.

This year, we received two proposals for State Mandated Cost Claiming Services. One proposal is from Maximus and the other proposal from AK & Company. In June 2005, Anita Worlow resigned from her position of Project Manager with Maximus to establish AK & Company, her own consulting business.

I have reviewed both proposals and would recommend the City contract with AK & Company for the following reasons:

- AK & Company's fee structure of \$6,500 is \$150 less than Maximus' proposal of \$6,650
- Ms. Worlow has for the past 8 years has been responsible for mandated cost reimbursement claims for the City
- AK & Company is already acquainted with City staff involved in the process
- Ms. Worlow attends the bi-monthly meetings of the Commission on State Mandates
- AK & Company will hand deliver the signed claims to the State Controller's Office to ensure timely delivery
- If necessary, act as a liaison with the State Controller's office in desk reviews or actual field audits

Let me know if you would like to discuss in more detail, or need any additional information. If you need a copy of last years staff report and resolution I'll get you a copy.

RESOLUTION NO. 05-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
APPROVING A PROFESSIONAL CONSULTING SERVICES AGREEMENT  
WITH AK & COMPANY TO PROVIDE STATE MANDATED  
COST CLAIMING SERVICES

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WHEREAS, the filing of State mandated cost claims is of financial benefit to the City of Paso Robles; and

WHEREAS, the City for many years has engaged the services of an outside expert to maximize reimbursement claims; and

WHEREAS, Anita Worlow, formally with Maximus, Inc. and now as AK & Company, has been performing said claiming services on the behalf of the City; and

WHEREAS, the fee paid for providing this service to the City of Paso Robles is recoverable as a State mandated cost.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that the contract attached herewith as Exhibit "A" is hereby approved and the Director of Administrative Services is authorized to execute said contract.

ADOPTED by the City Council of the City of El Paso de Robles at a regular meeting of said Council held on the 4<sup>th</sup> day of October 2005 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Frank R. Mecham, Mayor

ATTEST:

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Sharilyn M. Ryan, Deputy City Clerk