

**CONTRACT AGREEMENT**

**BETWEEN**

**FINANCIAL CONSULTING  
SOLUTIONS  
GROUP, INC.**  
Redmond Town Center  
7525 – 166<sup>th</sup> Ave. NE, Suite D-215  
Redmond, Washington 98052

**AND**

**City of Langley**  
PO Box 366  
112 Second Street  
Langley, WA 98260-0366

**PROJECT: Indirect Cost Allocation Plan**

**THIS AGREEMENT** combines all understandings between the Parties regarding professional services for the Project named above and supersedes all prior proposals, quotations, solicitations, negotiations, representations, agreements or understandings, whether written or oral.

The performance of the professional services herein described and authorized by **City of Langley**, as well as payment for such services, shall be in accordance with the terms and conditions presented in this Agreement and the following Sections and Exhibits which are attached and incorporated by reference which, taken together, shall constitute the whole Agreement.

- Section I - Relationship of the Parties**
- Section II - Contract Provisions**
- Exhibit A - Scope of Work and Task Plan**
- Exhibit B - Fee Schedule**

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**APPROVED:**  
**FINANCIAL CONSULTING  
SOLUTIONS GROUP, INC.**

**APPROVED:**  
**City of Langley**

\_\_\_\_\_  
**Peter Moy**  
Principal

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

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

**ATTEST:**  
  
\_\_\_\_\_

## **SECTION I: RELATIONSHIP OF THE PARTIES**

The **CITY OF LANGLEY** ("Client"), desires to develop an Indirect Cost Allocation ("Project"). In furtherance of the Project, the Client hereby contracts with **Financial Consulting Solutions Group, Inc.** ("FCS GROUP") to perform the professional services described in Exhibit A of this Agreement. All services shall be performed under the joint supervision of the Client's Representative, Peter Moy, or a designee or designees identified in writing to FCS GROUP by the Client's Representative.

This Agreement shall inure to the benefit of and be binding upon successors, assigns, and legal representatives of each of the Parties hereto. Any assignment or transfer of an interest in this Agreement by either Party without the written consent of the other shall be void.

## **SECTION II: CONTRACT PROVISIONS**

**1. Scope of Work:** FCS GROUP shall perform the service for the Client which as defined in Exhibit A of this Agreement.

**2. Time for Completion:** The Scope of Work for the conduct of the study as set forth above is anticipated to be completed by FCS GROUP within a time frame approximating that shown by the following schedule:

**Notice to Proceed:** On or before August 27, 2012

**Completion of Analysis:** On or before October 31, 2012

**Completion of Project:** December 31, 2012

FCS GROUP agrees to perform the work described in the Scope of Work according to the contract schedule. Any delays shall be agreed upon by FCS GROUP and Client prior to the due date. Changes in the schedule caused by Client delays may require additional compensation and a change order.

If FCS GROUP is delayed in the performance of services by conditions which are beyond their control, or by a change in the scope of work, the schedule showing time of performance may be revised. Any revision thereto shall be submitted in writing to the Client for review and approval by the Client Representative. If FCS GROUP's services are temporarily suspended by the Client in the interest of the Project and with written notice to FCS GROUP, and the suspensions last longer than 90 consecutive days, FCS GROUP shall be compensated for any additional labor and direct expenses incurred due to the interruption and resumption of services.

**3. Payment:** FCS GROUP will be paid by the Client on a time and materials basis as outlined below and in accordance with the standard billing rates attached hereto as Exhibit B. FCS GROUP agrees to perform the services as set forth in Exhibit A at a cost not to exceed \$5,700. It is understood that FCS GROUP will not exceed this amount without the Client's prior written authorization.

Payment to FCS GROUP for services set forth in Exhibit A shall be: an amount equal to FCS GROUP's standard billing rates as set forth in Exhibit B multiplied by the actual hours worked. Should any unforeseen project delays, not caused by FCS GROUP, and/or any requested amendments to the original scope of work, cause this contract to extend more than 90 days past the original contracted schedule date, any work and/or amendments to the work shall be billed at the standard billing rates in effect for the period of time the work is being performed. If said change in billing rates will cause the project to exceed the amount stated in the preceding paragraph, a change order will be prepared and signed by both parties.

Direct expenses will not be charged except as identified in Exhibit B. Payment shall be made monthly upon receipt and approval of FCS GROUP's invoice.

**4. Supplemental Agreements:** Supplemental Agreements may be entered into upon mutual written agreement that would increase or decrease the scope and associated costs and payment.

**5. Work to be Accomplished:** All work accomplished will be performed under the direction of the Client Representative or his/her Designee.

**6. Termination:** This contract may be terminated by the Client by giving FCS GROUP written notice of such termination no fewer than fifteen (15) days in advance of the effective date of said termination. FCS GROUP shall be entitled to terminate this agreement only in the case of a material breach by the Client, and upon failure of the Client to remedy said breach within fifteen (15) days of said notice. In the event that the contract is terminated before completion, FCS GROUP shall be paid for the services to date on the basis set forth in Paragraph 3, plus 10% of the total compensation earned to time of termination to compensate for FCS GROUP's rescheduling adjustments, reassignment of personnel, and related costs incurred due to termination. The Client shall notify FCS of termination or abandonment in writing.

**7. Indemnity:** FCS GROUP shall comply with all Federal Government, State and local laws and ordinances applicable to the work to be done under this Agreement.

FCS GROUP hereby agrees to hold the Client harmless from and shall process and defend at its own expense, specific claims, demands or suits at law or equity, arising from FCS GROUP's negligent performance of the provisions of this Agreement; provided that if the Client and FCS GROUP are concurrently negligent, FCS GROUP shall be required to indemnify and defend only in proportion to negligence of FCS GROUP. These indemnity provisions shall not require FCS GROUP to defend or indemnify the Client against any action based solely on the alleged negligence of the Client.

**8. All Work Produced is Joint Property of FCS GROUP and the Client:** The materials, computer programs, reports, calculations, analyses, etc., generated by FCS GROUP under this contract including the final report shall be the joint property of the Client and FCS GROUP. FCS GROUP may retain copies thereof for work paper documentation and their own use unless specifically restricted in writing by the Client as to use.

Computer models use generally available software, such as Microsoft Excel (TM), and FCS GROUP does not intend or imply any warranty of those programs.

**9. Financial Forecasts:** Neither FCS GROUP's name nor the report and its financial projections may be referred to or included in any prospectus or as a part of any offering or representation made in connection with the sale of securities or participation interests to the public, whether through a public or private offering.

The information used in developing the forecast assumptions will be derived from published information and other sources FCS GROUP considers appropriate. However, FCS GROUP cannot assume responsibility for the accuracy of such material. Moreover, forecasts are subject to many uncertainties as to the future; therefore, FCS GROUP cannot represent that the projected financial statements will be representative of the results that actually occur. FCS GROUP will endeavor to include appropriate comments drawing the readers' attention to these matters.

**10. Integrated Agreement:** This agreement together with attachments or addenda, represents the entire and integrated agreement between the Client and FCS GROUP supersedes all prior negotiations, representations, or agreements written or oral. This agreement may be amended by written instrument signed by both the Client and FCS GROUP.

**11. Independent Contractor:** The parties intend that an independent Contractor/Client relationship will be created by this agreement. No agent, employee, or representative of FCS GROUP shall be deemed to be an agent, employee, or representative of the Client for any purpose. FCS GROUP shall be solely responsible for all acts of its agents, employees, representatives, and subcontractors during the performance of this contract.

**12. Equal Opportunity:** FCS GROUP is committed to the principles of providing equal employment opportunities for all employees. The performance and diversity of our employees will help us meet the challenges of the present and the future in serving our clients. This policy statement is a reaffirmation of our long-standing commitment to provide equal opportunity on the basis of individual merit and personal qualifications to employees and applicants for employment without regard to race, color, religious creed, sex, sexual orientation or preference, gender identity, genetic characteristics or information of employee or family, age, national origin, ancestry, marital status, citizenship, the presence of sensory, mental, or physical disability, pregnancy/childbirth or related condition, medical condition, membership in the military service, veteran's status, political ideology or any other basis protected by applicable federal, state, or local laws.

**13. Notices:** Notices to the Client shall be sent to the following address:

**City of Langley**  
Attention: Debbie Mahler  
Director of Finance/City Clerk  
112 Second Street  
PO Box 366  
Langley, WA 98260-0366

Notices to FCS GROUP shall be sent to the following address:

**Financial Consulting Solutions Group, Inc.**  
Attention: Peter Moy, Principal  
Redmond Town Center  
7525 – 166<sup>th</sup> Ave. NE, Suite D-215  
Redmond, Washington 98052

## **EXHIBIT A: SCOPE OF WORK AND TASK PLAN**

### ***Task 1 – Establish Cost Allocation Methodology and Coordinate Data Collection:***

This task encompasses the steps necessary to collect the information needed for the indirect cost allocation. FCS GROUP will assist the City in establishing the methodology and identifying appropriate allocation factors. The City will be responsible for collecting all cost and allocation factor data needed to update the allocation. Specific consultant subtasks are listed below:

*1.A. Facilitate Project Kick-Off Meeting:* Consultants will conduct a project kick-off meeting with City staff who will serve as the primary contacts with FCS GROUP in model development and data analysis. The agenda of this meeting will include the coordination of data collection by City staff, a discussion of project goals and parameters, formulation of the project schedule, and discussion of other coordination issues.

*1.B. Identify Indirect Services and Direct Service Departments:* Using the City's current indirect cost allocation as a starting point, FCS GROUP will work with City staff to identify the citywide indirect (i.e. overhead) services and those direct service (i.e. operating) departments which benefit from them.

*1.C. Update Costs for Allocation:* FCS GROUP will support City staff as they identify and calculate the costs for each of the citywide indirect services. These costs will then be reviewed by FCS GROUP and any costs not appropriate for allocation identified for removal.

*1.D. Identify and Compile Allocation Factors:* FCS GROUP will work with City staff to identify data sets and workload measures to serve as allocation factors for indirect costs. City staff will then be responsible for compiling this information, with the support of FCS GROUP. Examples of common allocation factors include number of full-time equivalent employees; operating budgets; reported labor time; workload factors such as number of invoices processed and number of workstations; and square footage of building space used. It is recommended that allocation factors be obtained from existing and available data sources maintained by the City. (In order to assist the City in creating a cost allocation that is defensible and sustainable in future budget cycles, it is important to develop allocation methodologies that are relatively simple to update using available data sets that are consistently tracked by current City processes.)

***Task 2 – Set Up and Implement Model /Calculate Indirect Cost Allocation:*** This task encompasses the work necessary to construct an allocation model reflective of the City's organization, cost structure, and allocation factors identified in Task 1. This model will then be used to calculate the City's indirect cost allocation. To keep the cost of the project low, this task relies on the City staff to use the model and to collect and enter the City data into the model rather than FCS GROUP. Specific tasks FCS GROUP will perform are listed below:

*2.A. Update Allocation Model and Deliver it to the City:* FCS GROUP will provide a Microsoft Excel-based allocation model for the City. Major elements of the model include data entry for allocation factors, data entry and modification of costs, allocation of costs to indirect cost pools, selection of effective allocation factors, primary and secondary cost allocation steps, and relevant summaries. The model is constructed with extra fields to accommodate future changes in the organization or cost reporting. The model is also "dynamic," in that changes to data entry fields will cause calculations to update without manual reformulation.

*2.B. Train City Staff to Use Allocation Model:* In order to facilitate the use of the model by City staff, FCS GROUP will provide initial model training as well as support to City staff as they work with the model to calculate the indirect cost allocation.

*2.B. Support City Staff with Cost Allocation Steps:* Based on the cost pools and selected allocation factors from Task 1, FCS GROUP will support City staff as they input cost and allocation factor data into the model to complete the primary and secondary allocation steps that would fully distribute Citywide and departmental overhead to direct, public service departments.

*2.C. Validate Allocations with City Staff:* FCS GROUP will review the allocation model and preliminary outputs with City staff. Based on this feedback, the City will be responsible for revising costs and allocation factors as appropriate.

***Deliverables:*** As a result of the above work plan, the City will receive the following products:

- ◆ An electronic copy of the Indirect Cost Allocation (model) on compact disc, built in the Microsoft Excel platform.

In addition to the above hard products, FCS GROUP consultants will participate in the following onsite meetings with City staff and leaders:

- ◆ One project kick-off meeting with staff followed by model training.

**EXHIBIT B: FINANCIAL CONSULTING SOLUTIONS GROUP, INC. FEE SCHEDULE****LABOR**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Billing Rate</u></b>
Peter Moy	Principal	\$200
Nathan Reese	Project Consultant	\$140
To be Determined	Analyst	\$100
Support staff		\$70

Direct Expenses will be charged for ordinary project-related expenses (e.g. Ferry fares). For any client-requested extraordinary expenses, specific terms will be established prior to expenditure and billing.