

# CITY CLERK ORIGINAL

C-8390  
03/08/2013

## PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement ("Agreement") is entered into and effective between CITY OF GLENDALE, an Arizona municipal corporation ("City") and Mercury Associates, Inc., a Maryland corporation, ("Consultant") as of the 8th day of MARCH, 2013 ("Effective Date").

### RECITALS

- A. City intends to undertake a project for the benefit of the public and with public funds that is more fully set forth in **Exhibit A**, ("Project");
- B. City desires to retain the professional services of Consultant to perform certain specific duties and produce the specific work as set forth in the attached **Exhibit B**, Project Scope of Work ("Scope");
- C. Consultant desires to provide City with professional services ("Services") consistent with best consulting or architectural practices and the standards set forth in this Agreement, in order to complete the Project; and
- D. City and Consultant desire to memorialize their agreement with this document.

### AGREEMENT

The parties hereby agree as follows:

#### 1. Key Personnel; Other Consultants and Subcontractors.

- 1.1 Professional Services. Consultant will provide all Services necessary to assure the Project is completed timely and efficiently consistent within Project requirements, including, but not limited to, working in close interaction and interfacing with City and its designated employees, and working closely with others, including other consultants or contractors, retained by City.
- 1.2 Project Team.
  - a. Project Manager.
    - (1) Consultant will designate an employee as Project Manager with sufficient training, knowledge, and experience to, in the City's opinion, complete the project and handle all aspects of the Project such that the work produced by Consultant is consistent with applicable standards as detailed in this Agreement; and
    - (2) The City must approve the designated Project Manager.
  - b. Project Team.
    - (1) The Project Manager and all other employees assigned to the Project by Consultant will comprise the "Project Team."
    - (2) Project Manager will have responsibility for and will supervise all other employees assigned to the Project by Consultant.
  - c. Discharge, Reassign, Replacement.
    - (1) Consultant acknowledges the Project Team is comprised of the same persons and roles for each as may have been identified in **Exhibit A**.
    - (2) Consultant will not discharge, reassign, replace or diminish the responsibilities of any of the employees assigned to the Project who have been approved by City without City's prior written consent unless that person leaves the employment of Consultant, in which event the substitute must first be approved in writing by City.

- (3) Consultant will change any of the members of the Project Team at the City's request if an employee's performance does not equal or exceed the level of competence that the City may reasonably expect of a person performing those duties, or if the acts or omissions of that person are detrimental to the development of the Project.

d. **Subcontractors.**

- (1) Consultant may engage specific technical contractors (each a "Subcontractor") to furnish certain service functions.
- (2) Consultant will remain fully responsible for Subcontractor's services.
- (3) Subcontractors must be approved by the City.
- (4) Consultant will certify by letter that all contracts with Subcontractors have been executed incorporating requirements and standards as set forth in this Agreement.

2. **Schedule.** The Services will be undertaken in a manner that ensures the Project is completed timely and efficiently in accordance with the Project.

3. **Consultant's Work.**

3.1 **Standard.** Consultant must perform Services in accordance with the standards of due diligence, care, and quality prevailing among consultants having substantial experience with the successful furnishing of Services for projects that are equivalent in size, scope, quality, and other criteria under the Project and identified in this Agreement.

3.2 **Licensing.** Consultant warrants that:

- a. Consultant and its Subconsultants or Subcontractors will hold all appropriate and required licenses, registrations and other approvals necessary for the lawful furnishing of Services ("Approvals"); and
- b. Neither Consultant nor any Subconsultant or Subcontractor has been debarred or otherwise legally excluded from contracting with any federal, state, or local governmental entity ("Debarment").
  - (1) City is under no obligation to ascertain or confirm the existence or issuance of any Approvals or Debarments, or to examine Consultant's contracting ability.
  - (2) Consultant must notify City immediately if any Approvals or Debarment changes during the Agreement's duration. The failure of the Consultant to notify City as required will constitute a material default under the Agreement.

3.3 **Compliance.** Services will be furnished in compliance with applicable federal, state, county and local statutes, rules, regulations, ordinances, building codes, life safety codes, and other standards and criteria designated by City.

3.4 **Coordination; Interaction.**

- a. For projects that the City believes requires the coordination of various professional services, Consultant will work in close consultation with City to proactively interact with any other professionals retained by City on the Project ("Coordinating Project Professionals").
- b. Consultant will meet to review the Project, Schedule and in-progress work with Coordinating Project Professionals and City as often and for durations as City reasonably considers necessary in order to ensure the timely work delivery and Project completion.
- c. For projects not involving Coordinating Project Professionals, Consultant will proactively interact with any other contractors when directed by City to obtain or disseminate timely information for the proper execution of the Project.

3.5 Work Product

- a. Ownership. Upon receipt of payment for Services furnished, Consultant grants to City, and will cause its Subconsultants or Subcontractors to grant to the City, the exclusive ownership of and all copyrights, if any, to evaluations, reports, drawings, specifications, project manuals, surveys, estimates, reviews, minutes, all "architectural work" as defined in the United States Copyright Act, 17 U.S.C § 101, *et seq.*, and other intellectual work product as may be applicable ("Work Product").
  - (1) This grant is effective whether the Work Product is on paper (e.g., a "hard copy"), in electronic format, or in some other form.
  - (2) Consultant warrants, and agrees to indemnify, hold harmless and defend City for, from and against any claim that any Work Product infringes on third-party proprietary interests.
- b. Delivery. Consultant will deliver to City copies of the preliminary and completed Work Product promptly as they are prepared.
- c. City Use.
  - (1) City may reuse the Work Product at its sole discretion.
  - (2) In the event the Work Product is used for another project without further consultations with Consultant, the City agrees to indemnify and hold Consultant harmless from any claim arising out of the Work Product.
  - (3) In such case, City will also remove any seal and title block from the Work Product.

4. **Compensation for the Project.**

- 4.1 Compensation. Consultant's compensation for the Project, including those furnished by its Subconsultants or Subcontractors will not exceed \$39,900.00 as specifically detailed in **Exhibit D** ("Compensation").
- 4.2 Change in Scope of Project. The Compensation may be equitably adjusted if the originally contemplated Scope as outlined in the Project is significantly modified.
  - a. Adjustments to Compensation require a written amendment to this Agreement and may require City Council approval.
  - b. Additional services which are outside the Scope of the Project contained in this Agreement may not be performed by the Consultant without prior written authorization from the City.
  - c. Notwithstanding the incorporation of the Exhibits to this Agreement by reference, should any conflict arise between the provisions of this Agreement and the provisions found in the Exhibits and accompanying attachments, the provisions of this Agreement shall take priority and govern the conduct of the parties.
- 4.3 Allowances. An "Allowance" may be identified in **Exhibit D** only for work that is required by the Scope and the value of which cannot reasonably be quantified at the time of this Agreement.
  - a. As stated in Sec. 4.1 above, the Compensation must incorporate all Allowance amounts identified in **Exhibit D** and any unused allowance at the completion of the Project will remain with City.
  - b. Consultant may not add any mark-up for work identified as an Allowance and which is to be performed by a Subconsultant.
  - c. Consultant will not use any portion of an Allowance without prior written authorization from the City.

- d. Examples of Allowance items include, but are not limited to, subsurface pothole investigations, survey, geotechnical investigations, public participation, radio path studies and material testing.

4.4 Expenses. City will reimburse Consultant for certain out-of-pocket expenses necessarily incurred by Consultant in connection with this Agreement, without mark-up (the "Reimbursable Expenses"), including, but not limited to, document reproduction, materials for book preparation, postage, courier and overnight delivery costs incurred with Federal Express or similar carriers, travel and car mileage, subject to the following:

- a. Mileage, airfare, lodging and other travel expenses will be reimbursable only to the extent these would, if incurred, be reimbursed to City of Glendale personnel under its policies and procedures for business travel expense reimbursement made available to Consultant for review prior to the Agreement's execution, and which policies and procedures will be furnished to Consultant;
- b. The Reimbursable Expenses in this section are approved in advance by City in writing; and
- c. The total of all Reimbursable Expenses paid to Consultant in connection with this Agreement will not exceed the "not to exceed" amount identified for Reimbursable Services in the Compensation.

## 5. **Billings and Payment.**

### 5.1 Applications.

- a. Consultant will submit monthly invoices (each, a "Payment Application") to City's Project Manager and City will remit payments based upon the Payment Application as stated below.
- b. The period covered by each Payment Application will be one calendar month ending on the last day of the month.

### 5.2 Payment.

- a. After a full and complete Payment Application is received, City will process and remit payment within 30 days.
- b. Payment may be subject to or conditioned upon City's receipt of:
  - (1) Completed work generated by Consultant and its Subconsultants and Subcontractors; and
  - (2) Unconditional waivers and releases on final payment from all Subconsultants and Subcontractors as City may reasonably request to assure the Project will be free of claims arising from required performances under this Agreement.

### 5.3 Review and Withholding. City's Project Manager will timely review and certify Payment Applications.

- a. If the Payment Application is rejected, the Project Manager will issue a written listing of the items not approved for payment.
- b. City may withhold an amount sufficient to pay expenses that City reasonably expects to incur in correcting the deficiency or deficiencies rejected for payment.

## 6. **Termination.**

6.1 For Convenience. City may terminate this Agreement for convenience, without cause, by delivering a written termination notice stating the effective termination date, which may not be less than 15 days following the date of delivery.

- a. Consultant will be equitably compensated for Services furnished prior to receipt of the termination notice and for reasonable costs incurred.

- b. Consultant will also be similarly compensated for any approved effort expended, and approved costs incurred, that are directly associated with Project closeout and delivery of the required items to the City.

6.2 **For Cause.** City may terminate this Agreement for cause if Consultant fails to cure any breach of this Agreement within seven days after receipt of written notice specifying the breach.

- a. Consultant will not be entitled to further payment until after City has determined its damages. If City's damages resulting from the breach, as determined by City, are less than the equitable amount due but not paid Consultant for Services furnished, City will pay the amount due to Consultant, less City's damages, in accordance with the provision of Sec. 5.
- b. If City's direct damages exceed amounts otherwise due to Consultant, Consultant must pay the difference to City immediately upon demand; however, Consultant will not be subject to consequential damages more than \$1,000,000 or the amount of this Agreement, whichever is greater.

7. **Conflict.** Consultant acknowledges this Agreement is subject to A.R.S. § 38-511, which allows for cancellation of this Agreement in the event any person who is significantly involved in initiating, negotiating, securing, drafting, or creating the Agreement on City's behalf is also an employee, agent, or consultant of any other party to this Agreement.

8. **Insurance.**

8.1 **Requirements.** Consultant must obtain and maintain the following insurance ("Required Insurance"):

- a. Consultant and Subconsultants and Subcontractors. Consultant, and each Subconsultant or Subcontractor performing work or providing materials related to this Agreement must procure and maintain the insurance coverages described below (collectively referred to herein as the "Consultant's Policies"), until each Party's obligations under this Agreement are completed:
- b. **General Liability.**
  - (1) Consultant must at all times relevant hereto carry a commercial general liability policy with a combined single limit of at least \$2,000,000 per occurrence and \$4,000,000 annual aggregate limit.
  - (2) Subconsultants and Subcontractors must at all times relevant hereto carry a general commercial liability policy with a combined single limit of at least \$2,000,000 per occurrence.
  - (3) This commercial general liability insurance must include independent contractors' liability, contractual liability, broad form property coverage, XCU hazards if requested by the City, and a separation of insurance provision.
  - (4) These limits may be met through a combination of primary and excess liability coverage.
- c. **Professional Liability.** Consultant must maintain a professional errors and omissions liability policy providing a minimum limit of \$2,000,000 for each claim and a \$2,000,000 annual aggregate limit.
- d. **Auto.** A business auto policy providing a liability limit of at least \$1,000,000 per accident for Consultant and \$1,000,000 per accident for Subconsultants and Subcontractors and covering owned, non-owned and hired automobiles.
- e. **Workers' Compensation and Employer's Liability.** Consultant must also maintain a workers' compensation and employer's liability policy providing at least the minimum benefits required by Arizona law.

- f. Notice of Changes. Consultant's Policies must provide for not less than 30 days' advance written notice to City Representative of:
  - (1) Cancellation or termination of Consultant's Policies;
  - (2) Reduction of the coverage limits of any of Consultant's Policies; and
  - (3) Any other material modification of Consultant's Policies related to this Agreement.
- g. Certificates of Insurance.
  - (1) Within 10 business days after the execution of the Agreement, Consultant must deliver to City Representative certificates of insurance for each of Consultant's Policies, which will confirm the existence or issuance of Consultant's Policies in accordance with the provisions of this section, and copies of the endorsements of Consultant's Policies in accordance with the provisions of this section.
  - (2) City is and will be under no obligation either to ascertain or confirm the existence or issuance of Consultant's Policies, or to examine Consultant's Policies, or to inform Consultant, Subconsultant, or Subcontractor in the event that any coverage does not comply with the requirements of this section.
  - (3) Consultant's failure to secure and maintain Consultant's Policies and to assure Consultant's Policies as required will constitute a material default under the Agreement.
- h. Other Contractors or Vendors.
  - (1) Other contractors or vendors that may be contracted with in connection with the Project must procure and maintain insurance coverage as is appropriate to their particular contract.
  - (2) This insurance coverage must comply with the requirements set forth above for Consultant's Policies (e.g., the requirements pertaining to endorsements to name the parties as additional insured parties and certificates of insurance).
- i. Policies. Except with respect to workers' compensation and Consultant's professional liability coverages, City must be named and properly endorsed as additional insureds on all liability policies required by this section.
  - (1) The coverage extended to additional insureds must be primary and must not contribute with any insurance or self insurance policies or programs maintained by the additional insureds.
  - (2) All insurance policies obtained pursuant to this section must be with companies legally authorized to do business in the State of Arizona and reasonably acceptable to all parties.

8.2 Subconsultants and Subcontractors.

- a. Consultant must also cause its Subconsultants and Subcontractors to obtain and maintain the Required Insurance.
- b. City may consider waiving these insurance requirements for a specific Subconsultant or Subcontractor if City is satisfied the amounts required are not commercially available to the Subconsultant or Subcontractor and the insurance the Subconsultant or Subcontractor does have is appropriate for the Subconsultant or Subcontractor's work under this Agreement.
- c. Consultant and Subcontractors must provide to the City proof of the Required Insurance whenever requested.

8.3 Indemnification.

- a. To the fullest extent permitted by law, Consultant must defend, indemnify, and hold harmless City and its elected officials, officers, employees and agents (each, an "Indemnified Party," collectively, the "Indemnified Parties") for, from, and against any and all claims, demands, actions, damages, judgments, settlements, personal injury (including sickness, disease, death, and bodily harm), property damage (including loss of use), infringement, governmental action and all other losses and expenses, including attorneys' fees and litigation expenses (each, a "Demand or Expense" collectively "Demands or Expenses") asserted by a third-party (i.e. a person or entity other than City or Consultant) and that arises out of or results from the breach of this Agreement by the Consultant or the Consultant's negligent actions, errors or omissions (including any Subconsultant or Subcontractor or other person or firm employed by Consultant), whether sustained before or after completion of the Project.
- b. This indemnity and hold harmless provision applies even if a Demand or Expense is in part due to the Indemnified Party's negligence or breach of a responsibility under this Agreement, but in that event, Consultant will be liable only to the extent the Demand or Expense results from the negligence or breach of a responsibility of Consultant or of any person or entity for whom Consultant is responsible.
- c. Consultant is not required to indemnify any Indemnified Parties for, from, or against any Demand or Expense resulting from the Indemnified Party's sole negligence or other fault solely attributable to the Indemnified Party.

9. **Immigration Law Compliance.**

- 9.1 Consultant, and on behalf of any Subconsultant or Subcontractor, warrants, to the extent applicable under A.R.S. § 41-4401, compliance with all federal immigration laws and regulations that relate to their employees as well as compliance with A.R.S. § 23-214(A) which requires registration and participation with the E-Verify Program.
- 9.2 Any breach of warranty under this section is considered a material breach of this Agreement and is subject to penalties up to and including termination of this Agreement.
- 9.3 City retains the legal right to inspect the papers of any Consultant, Subconsultant, or Subcontractor employee who performs work under this Agreement to ensure that the Consultant, Subconsultant or any Subcontractor is compliant with the warranty under this section.
- 9.4 City may conduct random inspections, and upon request of City, Consultant will provide copies of papers and records of Consultant demonstrating continued compliance with the warranty under this section. Consultant agrees to keep papers and records available for inspection by the City during normal business hours and will cooperate with City in exercise of its statutory duties and not deny access to its business premises or applicable papers or records for the purposes of enforcement of this section.
- 9.5 Consultant agrees to incorporate into any subcontracts under this Agreement the same obligations imposed upon Consultant and expressly accrue those obligations directly to the benefit of the City. Consultant also agrees to require any Subconsultant or Subcontractor to incorporate into each of its own subcontracts under this Agreement the same obligations above and expressly accrue those obligations to the benefit of the City.
- 9.6 Consultant's warranty and obligations under this section to the City is continuing throughout the term of this Agreement or until such time as the City determines, in its sole discretion, that Arizona law has been modified in that compliance with this section is no longer a requirement.
- 9.7 The "E-Verify Program" above means the employment verification program administered by the United States Department of Homeland Security, the Social Security Administration, or any successor program.

10. **Prohibitions.** Consultant certifies under A.R.S. §§ 35-391 *et seq.* and 35-393 *et seq.*, that it does not have, and during the term of this Agreement will not have, "scrutinized" business operations, as defined in the preceding statutory sections, in the countries of Sudan or Iran.

11. **Notices.**

11.1 A notice, request or other communication that is required or permitted under this Agreement (each a "Notice") will be effective only if.

- a. The Notice is in writing; and
- b. Delivered in person or by overnight courier service (delivery charges prepaid), certified or registered mail (return receipt requested).
- c. Notice will be deemed to have been delivered to the person to whom it is addressed as of the date of receipt, if:
  - (1) Received on a business day before 5:00 p.m. at the address for Notices identified for the Party in this Agreement by U.S. Mail, hand delivery, or overnight courier service; or
  - (2) As of the next business day after receipt, if received after 5:00 p.m.
- d. The burden of proof of the place and time of delivery is upon the Party giving the Notice.
- c. Digitalized signatures and copies of signatures will have the same effect as original signatures.

11.2 Representatives.

- a. Consultant. Consultant's representative (the "Consultant's Representative") authorized to act on Consultant's behalf with respect to the Project, and his or her address for Notice delivery is:

Randall G. Owen.  
Mercury Associates, Inc  
16051 Comprint Circle  
Gaithersburg, Maryland 20877

- b. City. City's representative ("City's Representative") authorized to act on City's behalf, and his or her address for Notice delivery is:

City of Glendale  
c/o Frank Lomeli  
6210 West Myrtle Avenue, Suite 111  
Glendale, Arizona 85301

With required copy to:

City Manager  
City of Glendale  
5850 West Glendale Avenue  
Glendale, Arizona 85301

City Attorney  
City of Glendale  
5850 West Glendale Avenue  
Glendale, Arizona 85301

- c. Concurrent Notices.
  - (1) All notices to City's representative must be given concurrently to City Manager and City Attorney.
  - (2) A notice will not be deemed to have been received by City's representative until the time that it has also been received by the City Manager and the City Attorney.

(3) City may appoint one or more designees for the purpose of receiving notice by delivery of a written notice to Consultant identifying the designee(s) and their respective addresses for notices.

d. Changes. Consultant or City may change its representative or information on Notice, by giving Notice of the change in accordance with this section at least ten days prior to the change.

**12. Financing Assignment.** City may assign this Agreement to any City-affiliated entity, including a non-profit corporation or other entity whose primary purpose is to own or manage the Project.

**13. Entire Agreement; Survival; Counterparts; Signatures.**

13.1 Integration. This Agreement contains, except as stated below, the entire agreement between City and Consultant and supersedes all prior conversations and negotiations between the parties regarding the Project or this Agreement.

- a. Neither Party has made any representations, warranties or agreements as to any matters concerning the Agreement's subject matter.
- b. Representations, statements, conditions, or warranties not contained in this Agreement will not be binding on the parties.
- c. Inconsistencies between the solicitation, any addenda attached to the solicitation, the response or any excerpts attached as **Exhibit A**, and this Agreement, will be resolved by the terms and conditions stated in this Agreement.

13.2 Interpretation.

- a. The parties fairly negotiated the Agreement's provisions to the extent they believed necessary and with the legal representation they deemed appropriate.
- b. The parties are of equal bargaining position and this Agreement must be construed equally between the parties without consideration of which of the parties may have drafted this Agreement.
- c. The Agreement will be interpreted in accordance with the laws of the State of Arizona.

13.3 Survival. Except as specifically provided otherwise in this Agreement, each warranty, representation, indemnification and hold harmless provision, insurance requirement, and every other right, remedy and responsibility of a Party, will survive completion of the Project, or the earlier termination of this Agreement.

13.4 Amendment. No amendment to this Agreement will be binding unless in writing and executed by the parties. Electronic signature blocks do not constitute execution for purposes of this Agreement. Any amendment may be subject to City Council approval.

13.5 Remedies. All rights and remedies provided in this Agreement are cumulative and the exercise of any one or more right or remedy will not affect any other rights or remedies under this Agreement or applicable law.

13.6 Severability. If any provision of this Agreement is voided or found unenforceable, that determination will not affect the validity of the other provisions, and the voided or unenforceable provision will be reformed to conform with applicable law.

13.7 Counterparts. This Agreement may be executed in counterparts, and all counterparts will together comprise one instrument.

**14. Term.** The term of this Agreement commences upon the Effective Date and continues for a one-year, although the parties anticipate completion of all tasks sixteen (16) weeks from the Effective Date. The City may, at its sole option, extend the term of this Agreement for an additional six (6) months to allow the Consultant to complete otherwise untimely work. Consultant will be notified in writing by the City of its

intent to extend the Agreement period at least 30 calendar days prior to the expiration of the original period. There are no automatic renewals of this Agreement.

15. **Dispute Resolution.** Each claim, controversy and dispute (each a "Dispute") between Consultant and City will be resolved in accordance with **Exhibit E**. The final determination will be made by the City.
16. **Exhibits.** The following exhibits, with reference to the term in which they are first referenced, are incorporated by this reference.

Exhibit A	Project
Exhibit B	Scope of Work
Exhibit C	Schedule
Exhibit D	Compensation
Exhibit E	Dispute Resolution

(Signatures appear on the following page.)

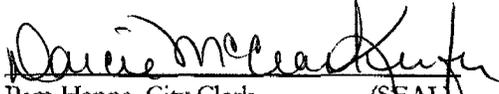
The parties enter into this Agreement effective as of the date shown above.

City of Glendale,  
an Arizona municipal corporation

for 

By: Horatio Skeete  
Its: Acting City Manager

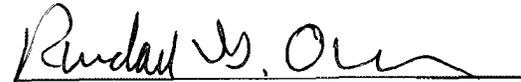
ATTEST:

  
Pam Hanna, City Clerk (SEAL)

APPROVED AS TO FORM:

  
City Attorney

Mercury Associates, Inc.,  
a Maryland corporation,



By: Randall G. Owen  
Its: Senior Vice President

**EXHIBIT A**  
**Professional Services Agreement**

PROJECT

The Consultant will perform a study and review of the City's Fleet Service Operations to determine the costs and benefits of either continuing to provide its own fleet service, or use some other alternative service delivery model to optimize efficiency and reduce costs.

**EXHIBIT B**  
**Professional Services Agreement**

SCOPE OF WORK

Consultant will perform a fleet study/review of the City's fleet services operations, all as set forth in RFP 13-20 and in Section 3.4 of the Consultant's response thereto.



### 3.4 WORK PLAN

#### OUR UNDERSTANDING OF THE SITUATION

We understand the purpose for undertaking an organizational review is to review the services that the City of Glendale Fleet provides to determine optimal staffing levels and services, to evaluate the current trends and challenges in the municipal Fleet services industry now and in the future to ensure that the City Fleet is appropriately positioned to meet those challenges and to determine if the City of Glendale should continue to have a City owned and operated Fleet services operation or use some other alternative service delivery model to optimize resource efficiencies and effectiveness (i.e., staffing and budgetary expenditures) that offers quality Fleet services to the organization. We further understand the City wants to know if City Fleet is positioned correctly to be appropriately innovative and effectively and efficiently use state-of-the art technology applications to serve its customers. We understand the organizational review will need to assess current City Fleet services, and determine how to best deliver required services to customers in the most fiscally responsible way.

We understand some key questions the review should answer include the following:

- What are the services the City Fleet currently provides to the organization?
- What are the current City Fleet efficiencies and inefficiencies?
- Are the services currently delivered valued by customers?
- What services do customers want that are not currently being offered?
- Is current staffing optimal to support current services? If additional services were desired what additional resources would be needed to deliver them?
- How do the services delivered by the City Fleet and staffing levels in place to deliver the services, compare to other organizations of similar size providing similar services? Staff expects that industry accepted benchmarks will be provided to quantify the response to this question.
- Which services should be provided internally versus externally? For example, are there services that are currently provided that should be outsourced to other agencies or private providers (e.g., purchase and maintenance of vehicles, fuel services)?
- Are there opportunities to hire external expertise that could save money? There should be a discussion on the advantages and disadvantages of various alternative service delivery methods and costs.

Pursuant to these objectives and initiatives, the City is seeking to engage a qualified fleet management consulting firm to conduct a comprehensive analysis of the City's fleet management organization, programs, and practices. The analyses, findings and conclusions, recommendations, and action plans resulting from this study will identify



**Proposal to Complete a  
Fleet Operations Review  
RFP 13-20**

and prioritize opportunities to improve current practices, reduce fleet costs, and identify the feasibility of alternative service delivery models.

The City's Request for Proposal outlines in some detail a Scope of Work that proposers are to use as a general guide in preparing their proposals. The key work tasks the Department assumes to be necessary to prepare the analyses, reports, recommendations, and action plans it is seeking include the following:

**Project Organization and Startup:**

Immediately upon receiving authorization to proceed, Consultant will meet with City management and the Project team to kick-off the City Fleet services Organizational Review. Consultant will facilitate this one to two-day meeting and prepare a working record of matters discussed and decisions made by the group.

The City and Consultant team will establish all critical components to a successful engagement during the kick-off meetings. These components include:

- Any revisions to the project scope presented in Consultant's proposal document
- An appropriate "screening" process to prioritize scope and issues described in sufficient detail to allow City project management to direct Consultant's efforts at the most critical subjects or topics.
- Although Consultant's review will be fully objective, some further definition of the areas for investigation will be necessary to insure the most cost effective application of the Consultant's review.
- Discussion and understanding of the Consultant's initial Request for Information
- Final fee estimate
- Roles and responsibilities, and communication and reporting protocols
- Time commitments and other resource requirements from City staff
- Consultant's request, provided prior to the kick-off meetings, will specify particular types of information and documents that are relevant to the goals of the initiative and the specific requirements of the work plan. Scheduled dates for on-site visits and personnel interviews, status meetings (or conference calls) with City Fleet and City staff, delivery of interim memoranda of findings, draft final report, final report, and presentations.

***Deliverables:***

- Written record of kick-off meeting discussions and decisions on project components, and revisions to Consultant's proposed work plan as necessary.



**Task 1A:**

Assess organizational needs, current organizational structure, and evaluate service delivery:

- Identify City Fleet services and how those services are organized
- Identify City Fleet services the organization needs and values (e.g. reliable maintenance services, efficient turnaround times and efficient use of resources)
- Evaluate City Fleet organizational structure, functional responsibilities, and alignment for delivering efficient and effective Fleet services
- Determine the best way to deliver City Fleet services and how the organization might change to provide those services
- Evaluate City Fleet services including an evaluation of alternative service delivery models with costs and benefits identified

***Deliverables:***

- An electronic draft report listing current City Fleet services, organizational structure, and services desired by the organization
- Draft recommendations on the optimal City Fleet services organization and services. A final report after City review will be required with fourteen (14) hardcopies

**Task 1B:**

Assess the external environment in which the City Fleet operates, and evaluate work accomplished to date to respond to future trends in service delivery:

- Assess the external environment in which the City Fleet operates, and evaluate work accomplished to date to respond to future trends in service delivery
- Assess the current regulatory environment. Evaluate the adequacy of the City Fleet to fulfill and meet these requirements. Provide a list of current regulatory requirements, with current and recommended staffing levels
- Evaluate the adequacy of the current organization to support these future services and identify deficiencies and make recommendations on organizational changes required to meet future needs
- Evaluate the flexibility of the City Fleet culture to change, and make recommendations on change management strategies to implement organizational changes
- Assess what skills will be required to meet identified future needs. Compare the skills required with current Staff credentials. Make recommendations on rectifying



deficiencies through the use of internal and external resources. For internal resources, assess the competitiveness of City compensation to attract qualified personnel

***Deliverables:***

- Report outlining external regulatory and business environment
- Report outlining future trends and technologies expected to influence the provision of Fleet services in the next 5-10 years
- Review of skills required to meet current and future utilities business needs
- Draft recommendations on the organizational changes desired to optimally meet the needs of the current and future Fleet business and the customer service environment

**Task 1C:**

Determine the cost to deliver services provided by the City Fleet, and compare City Fleet costs to deliver services to other similar agencies:

- Analyze the cost of delivery for each service currently provided, including operating and capital improvement costs
- Benchmark, and analyze results, on the cost of providing services to other similar agencies (and, if available, industry standards)
- Evaluate the efficiency of the City Fleet service delivery, and compare the efficiency of the service delivery to other public agencies and private entities
- Determine staffing levels and compensation levels, and compare the levels to similar organizations delivering similar services and private entities
- Compare customer satisfaction survey results to other similar agencies and private entities
- Provide recommendations on the adequacy of current staffing levels
- Provide recommendations on the use of internal versus external service delivery

***Deliverables:***

- Report outlining the current cost of service delivery by function or service
- Benchmark results comparing City Fleet to public organizations providing similar services and to private entities providing said services
- Report providing a comparison of customer satisfaction for COG versus similar public organizations and private entities



- Draft recommendations for the adequacy of current staffing and the use of internal versus external service delivery mechanisms including alternative service delivery providers

**Task 1D:**

- Identify and evaluate alternative service delivery methods.
- Identify alternative ways to deliver Fleet services, and identify services that should be discontinued
- Identify services not currently provided, and identify alternatives for the provision of those services
- Determine the cost for each alternative service delivery method, and provide a list of the pros and cons of the current method and each alternative delivery method identified
- Make recommendations on the best way to provide each service identified, including an analysis of potential privatization/outsourcing options

***Deliverables:***

- Draft Report listing alternative service delivery mechanisms, services that should be discontinued, and services that should be added. Sixteen (16) hardcopies of the Final Report
- Draft recommendations on the optimal service delivery mechanism for the delivery of each service identified and provide sixteen (16) copies of the Final recommendations

**Task 1E:**

Make recommendations on the best way to organize and staff City Fleet services.

- Identify alternative ways to organize the City Fleet services, including alternative staffing levels
- Provide recommendations for organizational changes that would reduce cost, improve service delivery, and increase customer satisfaction
- Develop a road map for enhancing the City Fleet organization over the next three years

***Deliverables:***

- Report, including the following recommendations
  - Set of services valued by the organization;



- Key features of the external environment that will influence organizational structure and the delivery of services;
- Appropriate staffing and use of external resources and services;
- The best way to provide services;
- Organizational changes needed to support the provision of the recommended services; and
- A plan to implement the organizational changes over the next three years.

### Project Deliverables

#### A. The Final Report will include:

- An executive summary of key findings and conclusions
- A comprehensive analysis of the City Fleet current effectiveness and efficiency in the delivery of services
- Recommendations on areas where efficiency and effectiveness can be improved. The report should identify recommendations in order of priority and should consider:
  - Alternative staffing strategies
  - Alternative or modified service delivery methods including, the costs and benefits of privatization options and alternatives;
  - Alternative organizational structures and functional relationships within Fleet operations, and possible changes to this structure and with third party organizations; and
  - Alternative or modified work methods and protocols
- Recommendations on changes to the organizational structure to enhance the cost effectiveness and quality of service delivery in the future. Recommendation should analyze:
  - Steps needed to implement the organizational structure
  - Options for phasing in the recommendation
  - Costs for implementation
  - Staffing and additional resources required to implement the changes
  - Changes required in existing policy
  - Impacts to existing employees

#### B. Execution of plan and strategy. The plan will consider and address anticipated policy issues, challenges, and phasing recommendations.



- C. Provide a comprehensive set of recommendations for recommended actions ranked by priority, resource plan needed to execute (e.g., staff, budget, outside resources), success criteria, work plan and schedule, and issues and policy implications.
- D. Presentation of the Final Report and findings to the Public Works Executive Director, City Manager, City Finance Committee and the City Council. In addition to meeting as needed with staff, meetings that shall be incorporated into ~~the~~ project budget include:
  - 1) City Council meetings - One (1)
  - 2) City Manager/Public Works Executive Director meetings - Two (2)

*(Presentation materials for these meetings shall be included in the Consultant fee for this item)*

Our proposed study approach and work plan do not exactly mirror the organization and content of this list of study activities. However, rest assured that we will employ methodologies and work plans for addressing all of the City's objectives for this study that we have developed and refined over a period of more than 20 years. Accordingly, rather than simply regurgitate the contents of the list in a work plan (which, we believe, would make it difficult for the City's proposal evaluation team to objectively assess our firm's understanding of the activities required to conduct a successful study), we describe our approach and work plan in detail in the following sections.

## OVERVIEW OF OUR APPROACH

### Guiding Principles

In evaluating the City's fleet management practices and identifying opportunities to reduce costs and improve business practices, our project team will be guided by four key principles that we have found to be critical to managing and operating a fleet of any size and composition effectively and efficiently. Each of these is discussed briefly below.

**Quality Matters.** The quality of the services provided by fleet management organizations such as the City Fleet is of paramount importance because, without vehicle and equipment users, there would be no need for such organizations. In a word, meeting the needs of City agencies for vehicles and equipment is the *raison d'être* of the organization. Thus, the most important indicators of its performance pertain to the results or *outputs* of its fleet management efforts, namely, the safety, availability, suitability, reliability, efficiency, and environmental soundness of the vehicles, equipment, and related goods and services City agencies use to perform *their* missions. We recognize the potential risk of emphasizing the importance of asset and service quality in a proposal to perform a study whose major goals include reducing fleet costs, but the single-minded pursuit of cost savings absent a full understanding of the impact of cost reductions on fleet quality would not only ignore the fundamental purpose of a



fleet management organization such as Central Shops/Fleet Management, but run the risk of *actually* increasing the overall costs of the City's fleet. Low-quality fleet assets and services directly affect the cost *and* quality of services that City agencies provide to the residents, businesses, and taxpayers in Glendale.

**Costs Must be Controlled.** Any organization can provide high-quality goods and services if cost control is no object. Few of us, alas, have the luxury of working for organizations – whether in the public or private sectors – in which this is the case. Managing the costs of the vehicles and services provided by an organization such as the City Fleet is important for two reasons. First, all public-sector organizations have a fundamental fiduciary responsibility to use taxpayers' money wisely, regardless of whether they deliver a high-profile, "front-line" service such as law enforcement, or a behind-the-scenes, "support" service such as fleet management. Second, in contrast to a lot of the activities performed by City employees, many fleet management activities are capable of being outsourced to the private sector if they cannot be performed cost effectively in house. Consequently, the need to provide services that are competitive in cost as well as quality with those offered by contractors and vendors is an inescapable reality of public-sector fleet management today. This is not an endorsement of outsourcing; simply a recognition of the fact that the private sector is a ready source of fleet management services and, hence, cost benchmarks which many taxpayers and elected officials will not hesitate to use to judge the performance of an in-house fleet management program.

**Fleet Management is Not Just About the Vehicles.** Fleet management organizations have always had to perform many different *asset management* activities: specifying and acquiring vehicles; scheduling vehicles for maintenance and repair services, assigning work orders to mechanics, farming out certain vehicle repair jobs to vendors, ordering parts, replenishing fuel stocks, submitting warranty claims, and so forth. Over the last 20 years, however, technological, regulatory, environmental, and other developments and trends have steadily increased the complexity of fleet management endeavors – especially in areas that have nothing to do with vehicles and equipment *per se*. Effective fleet management organizations are multi-faceted and multi-talented; fully conversant with political objectives, regulations, policies, and procedures associated not only with acquiring, caring for, and disposing of vehicles and equipment, but with sourcing and supply chain management, risk management, human resources management, facility management, information management, customer relationship management, and financial management. For this reason, an effective fleet management evaluation and reengineering study such as this one must examine a large number and broad array of *enterprise management* practices that extend well beyond the realm of what many "lay persons" might consider to be fleet-related functions and practices.

**A Strategic Approach is Essential to Success.** A strategic approach to fleet management is one in which the interrelationships among and between the many asset management and enterprise management functions that the City of Glendale must perform to optimize fleet performance and costs is both understood and managed. For



example, optimizing fleet performance requires effective vehicle acquisition, operation, maintenance, and replacement processes. Deficiencies in any one of these areas can undermine fleet performance no matter how good an organization's practices are in the other areas. Moreover, effective performance in each of these areas requires collaboration or, at a minimum, coordination with non-fleet management organizations. It is difficult to maximize mechanic performance, for instance, if a fleet maintenance organization is hamstrung by employee classification, compensation, evaluation, and other policies and procedures that create disincentives for employees to seek out opportunities for training and professional advancement. Similarly, it is difficult to ensure a high degree of vehicle reliability or availability, no matter how skilled or motivated mechanics are, if budget and finance organizations cannot ensure that there is sufficient funding to replace all vehicles in a timely manner. A strategic perspective is critical for tying together the myriad, interdisciplinary and inter-departmental responsibilities, authority, policies, and procedures that collectively determine the efficiency and effectiveness of a large municipal fleet operation.

### **Information Gathering and Evaluation Techniques**

In formulating findings and recommendations, Mercury Associates utilizes information collection and analysis techniques that fall into two broad categories: quantitative performance measurement and benchmarking, and business process mapping and gap analysis. Having conducted best management practices evaluations for literally hundreds of fleet operations, our project team members understand both the importance of, and the best techniques for, collecting information efficiently and with minimal disruption to day-to-day client work activities. The primary techniques we will use in this project are the following:

**Written Information Request.** We begin all program evaluation projects like this one by providing the client with a detailed checklist specifying the types of *documentary material* (e.g., organization charts, policy and procedure statements, etc.) and *quantitative data* (e.g., work order and parts transaction data, vehicle meter readings, revolving fund revenues and expenditures, etc.) we would like to review in evaluating fleet management practices and costs. This request will serve as an initial blueprint for Central Shops and other General Services Agency staff to follow in assembling information for our review before we commence site visits and interviews; this allows our project team to "hit the ground running." It also will give us some initial insights into the soundness of the City's fleet management practices. For example, an organization that cannot provide any documentation of its maintenance quality assurance program probably does not have a very good one.

**Questionnaires.** In evaluating fleet management practices, we believe it is essential to incorporate input from many different stakeholders. Since it would be prohibitively expensive to interview every individual involved in some aspect of the City's fleet operation, we often employ surveys to gather certain types of information from certain groups of employees. We have conducted surveys of literally tens of thousands of vehicle operators and mechanics over the years. Such surveys not



only serve as an efficient means of collecting information from large numbers of individuals, but also help minimize opposition to recommended changes that can arise when certain groups of stakeholders feel that they have not been afforded the opportunity to make their needs, objectives, and concerns known. We also use surveys, where appropriate, to gather information from peer organizations, such as other municipal fleet management programs.

**Interviews and Focus Group Sessions.** While surveys are a valuable tool for gathering information from large groups of people, largely quantitative survey data lack the details, anecdotes, and individual perspectives that can only be gleaned from face-to-face conversation. For this reason, employee interviews and focus group discussions are staples of our consulting approach. Even in the case of employee groups that complete questionnaires, we often conduct follow-up interviews in order to help interpret and flesh out survey results.

**Site Visits.** No amount of second-hand information can substitute for first-hand inspection of facilities and vehicles, and observation of day-to-day work activities. Simply walking through maintenance facilities and yards and observing the number, condition, and appearance of vehicles waiting for service and/or waiting to be picked up by customers; the layout, age, condition, orderliness, and cleanliness of the facility; and the general level of employee activity all provide clues about the performance of a fleet management organization that give direction to our interviews, process mapping, and data analysis efforts.

**Performance Measurement and Benchmarking.** Data availability permitting, we employ quantitative performance measurement techniques in every best management practices assessment we conduct, interpreting the resulting performance statistics using suitable internal and industry benchmarks. In addition to serving as a valuable diagnostic tool that helps us home in on potential problem areas and avoid devoting unnecessary scrutiny to areas in which current practices are strong, performance measurement adds objectivity and consistency to our evaluation, and hence, credibility to our findings and conclusions.

**Business Process Mapping and Gap Analysis.** The other key method we use to evaluate fleet management practices and identify opportunities to improve quality and lower costs is process mapping and gap analysis. This involves ascertaining 1) if and how specific management and operating processes are formally *defined*; 2) the soundness of their *design* – e.g., their logic, thoroughness, compliance with applicable regulations, responsibility and authority for execution, and so forth; 3) their *consistency* with industry best practices; and 4) the nature of their actual *execution*, which is a function of how they are communicated (e.g., through a policy and procedure manual) and how employees are held accountable for using them.

We gain these insights primarily from the review of documentary material such as policy and procedure statements and the conduct of interviews and focus group sessions with employees of the fleet management, fleet user, and associated support (e.g., budget and finance, risk management, IT, etc.) organizations. In order



to ensure that we cover each functional area of vehicle and business management thoroughly, we employ a detailed, 40-page *Process and Practice Review Checklist* that allows us to gauge the soundness of current practices in each area of endeavor. This typically is the most labor-intensive, but also the most revealing, aspect of any fleet management program review or efficiency study.

### **An Interactive, Results-Oriented Approach**

Mercury's approach to conducting all of our consulting engagements is highly *inclusive, interactive, and results oriented*. Whether we are conducting a comprehensive review of a fleet operation or a tightly focused analysis of a single issue or problem, our ultimate goal as management consultants is for our clients to implement our recommendations. This requires that the organizations with which we work not only understand the analytical results and reasoning behind these recommendations, but actually *take ownership* of proposed organizational, business process, and other changes. This requires, in turn, that we work closely with various stakeholder groups in the City of Glendale from the outset of the study.

One way to ensure that the individual (and potentially conflicting) perspectives of stakeholder groups are not only taken into account in developing findings and recommendations but, to the fullest extent possible, reconciled with one another is for the City to create a steering committee with which Mercury project team members can meet regularly during the course of this study. We have used such committees to great effect on many large fleet management reviews and strategic planning projects. Steering committee meetings, which we recommend be conducted every four to six weeks, provide a forum for 1) confirming agreement on study objectives, deliverable, timelines, and so forth; 2) explaining study methodologies (e.g., in the area of quantitative data collection and benchmarking) and securing cooperation in their execution; 3) exploring areas of agreement and disagreement regarding how the City should manage its fleet and ways of overcoming the latter; 4) communicating project progress so as to avoid confusion or surprises as to when key milestones will be reached or the nature of key deliverables; 5) educating City officials regarding industry best practices and their applicability in Glendale; 6) previewing our findings and recommendations and identifying potential opposition and/or needed modifications to them; and 7) inculcating an overall sense of ownership in the study that will help build "grass roots" support for the implementation of study recommendations.

### **Project Tasks**

#### ***Task 1: Initiate and Manage the Project***

We will participate in a project kick-off meeting within two weeks of executing a contract. The primary objectives of this meeting will be to introduce the key members of the City and Mercury Associates project teams to one another and to confirm both parties' understanding of key study parameters such as scope, deliverables, and timelines. We recommend that specific agenda items for this meeting include the following:



- Introductions of team members and discussion of specific roles and responsibilities on the project;
- Review and discussion of the project approach, methodologies, work plan, deliverables, schedules, and critical success factors;
- Review and discussion of a draft information request, which we will prepare and submit beforehand;
- Discussion of the merits of, and proposed approach for, involving, and the recommended composition of, an inter-agency project steering committee;
- Establishment of agreement on project progress reporting frequency and format;
- Determination of project logistical procedures, including points of contact; protocols for scheduling meetings, arranging site visits, setting up focus group sessions, etc.; work space for Mercury team members when in Glendale; and
- Resolution of any other outstanding contractual or administrative matters relating to the conduct of the study.

In order to ensure a productive meeting, we will prepare a *PowerPoint* presentation beforehand that provides an overview of the project approach, work plan, critical success factors, and other pertinent information.

As discussed earlier, we believe that the involvement of a steering committee composed of a cross-section of fleet-related stakeholders will help ensure the success of this study. If GSA is comfortable involving such a group in the project, we would expect it to consist of 10 to 15 individuals representing the following organizations:

- Central Shops/Fleet Management Department, including both top management and one or two supervisor and trades worker (mechanics and parts workers) representatives;
- Department of Public Works;
- City Manager's Office;
- Budget/Finance (fiscal analyst-type support staff member); and
- Selected large and small fleet user departments

To the extent that the City anticipates that study results might affect or be affected to any significant degree by the City's capabilities and obligations under current collective bargaining agreements, it might also be beneficial to include on the steering committee a representative of the labor union(s) representing those employees most likely to be affected.

The most important reason for involving a steering committee in this study is to build consensus for organizational and business process *changes* that will improve fleet



quality and efficiency. Our experience suggests that the best-written consulting report in the world cannot do this by itself because some of the changes needed in the City may be painful to implement. Steering committee meetings are a good way to get stakeholders to buy in to the need for *specific* changes; first by ensuring that they understand the analytical techniques and results that underpin recommendations for change; second by assuring them that neither the problems identified nor the solutions to them proposed during the study are unique to Glendale; and third, by allowing stakeholders to “warm up” to the less pleasant conclusions or more daunting recommendations through a process of continuous give and take with the consultants. In a word, effective steering committee meetings will make the study’s results more *trustworthy* and thus more acceptable to the stakeholders who, after all, must live with the results of this study long after Mercury Associates has departed the scene.

The final key ingredient of an effective project management approach is periodic written progress reports. We will submit a brief report on a monthly basis, reviewing work accomplished to date, adherence to the project schedule and budget, any significant obstacles to study progress or desired outcomes encountered, and preliminary findings and recommendations being considered. These reports will be integrated with our monthly invoices inasmuch as we propose to invoice by work plan task based on the estimated percentage of the task completed through the end of the prior month.

***Task 2: Collect and Analyze Fleet Cost and Performance Data***

During the project kick-off meeting, we will review with City Fleet a draft information request which identifies the quantitative data and documentary material pertaining to the City’s fleet and fleet management practices that we would like to obtain to conduct our evaluation. We will submit this request approximately one week prior to the kick-off meeting. We will then use the quantitative information collected via this request to analyze the condition, utilization, cost, and other performance attributes of both the vehicles and equipment in the fleet and the practices that the organization uses to manage and maintain them.

The information request will be organized by functional area of vehicle and enterprise management covered in the study, e.g., Vehicle Acquisition, Fleet Utilization Management, Vehicle Maintenance, Parts Management, Fuel Management, Financial Management, Information Management, Customer Relationship Management, etc. It will be written in the form of a checklist that City Fleet and other City agencies (if appropriate) can fill out and return along with available data and documents. This way, we will have a clear record of what types of information were – or were not – available for our use in conducting the study.

Examples of the quantitative data we will request include:

- A fleet inventory containing information such as the following on each vehicle/piece of equipment: year, make, model, serial number (VIN), license plate number class code, user agency name and code, vehicle in-service date, original



purchase price and/or current book value, life-to-date maintenance and repair cost, current meter reading, utilization during a recent 12-month period, maintenance and repair costs during a recent 12-month period (broken out by labor, parts, and subcontractor charges), type of fuel used, and gallons (or gallon equivalents) of fuel consumed in a recent 12-month period.

- An inventory of motor pool vehicles, by pool location, and the number of rental hours or days, by vehicle, in a recent 12-month period;
- A mechanic roster showing, by mechanic, hours charged to work orders, overtime hours worked, hours of training received, and hours of paid leave, all in a recent 12-month period; and current certifications held;
- The dollar value of parts in inventory, of parts issued from stock in a recent 12-month period; and of parts purchased on an as-needed basis (direct buys) in the same period;
- Number of vehicle accidents and accident repair costs by vehicle in a recent 12-month period; and
- An inventory of bulk fueling facilities, and the number and capacity of storage tanks and gallons of fuel dispensed, by product type, in a recent 12-month period.

We realize that some of the quantitative data we will request may not be readily available or may not be very reliable. Where it makes sense to expend extra effort to obtain critical information or to develop it from scratch, we will work with Central Shops City Fleet to do so. We fully understand the importance of being able to back up findings and conclusions with hard numbers. However, we do not believe in analyzing data as an end in itself, and there will be certain areas in which data quality is such that the "juice" simply isn't worth the "squeeze"; that is, where the level of effort required to quantify certain things will not measurably add to our understanding of performance levels or savings opportunities.

The information request also will identify a wide array of documentary material that we would like to obtain that will assist us in developing an understanding of City ordinances, regulations, plans, policies, procedures, and practices in the fleet management area. Examples of the materials we will request include:

- City ordinances, administrative code sections, executive orders, and other documentation of fleet management responsibilities and authority;
- Central Shops operating and capital budgets;
- Charge-back rate model, rate schedules, and YTD and two to three prior years' income statements and balance sheets;
- City Fleet organization charts and personnel rosters;
- Position descriptions;



- City Fleet mission statement and annual reports;
- Policy and procedure statements;
- Commonly used recordkeeping forms and management reports;
- Sample customer invoices;
- Employee training manuals;
- Sample vehicle and parts purchase specifications, contracts, purchase orders, and vendor invoices; and
- Any previously prepared consulting or internal audit reports on fleet management practices.

We will use this material in mapping and evaluating fleet management regulations, policies, procedures, and practices in several later study tasks. This information will also be used to assess the competitiveness of current fleet operations both in terms of cost and meeting service level benchmarks.

We will use the quantitative data collected in this task to begin the process of analyzing fleet-related conditions, costs, and performance levels. Analysis results will help us identify specific fleet management activities in which opportunities for cost reduction and/or performance improvement appear to exist, which we can then scrutinize during the process mapping and evaluation tasks of the study.

Subject to the availability of reliable data, we will calculate statistics for the City's fleet for several key performance indicators (KPIs) of efficiency and effectiveness. We will interpret these statistics by comparing them against established industry standards, benchmarks, and/or peer survey results, where available, or against internal benchmarks such as averages by vehicle, vehicle class, employee, facility, and agency.

Examples of the performance measures we will use in this task include the following:

- Average annual maintenance and repair cost per vehicle equivalent unit (VEU);
- Ratio of VEUs to mechanics;
- Preventive maintenance schedule compliance rate;
- Ratio of scheduled to unscheduled repairs;
- Vehicle availability percentage by vehicle class;
- Mechanic to supervisor ratio;
- Mechanic to parts worker ratio;
- Average annual mechanic productivity rate;
- Average fully loaded and avoidable cost per mechanic labor hour;



- Maintenance overhead rate;
- Parts management cost as a percentage of the cost of parts issued to work orders;
- Parts inventory turnover rate;
- Parts order fill rate;
- Average annual parts expenditures per VEU;
- Average vehicle age by class;
- Weighted average replacement cycle guideline; and
- Vehicle replacement backlog as a percentage of average annual replacement cost.

The results of our analyses will be incorporated in the development of findings and recommendations in specific areas of fleet management practice in subsequent tasks. Although we will not document these results in a separate report or final report section, we will summarize our performance measurement findings in tabular form, review and discuss them with the City in a steering committee meeting, and include them in the appendix of the final report.

### ***Task 3: Evaluate Fleet Management Practices***

In this task we will review and assess the soundness of the City's fleet management regulations, policies, procedures, and practices in all key functional areas of fleet management and operation. The results of this evaluation will serve as the foundation for developing specific recommendations for modifying or reengineering current organizational structures; staffing levels; facility numbers, locations, and activities; and business processes so as to reduce the costs and/or improve the quality and effectiveness of both fleet management activities and the vehicles and equipment themselves that comprise the City's fleet.

As discussed earlier, we will evaluate current practices using process mapping and gap analysis techniques aimed at first defining and then identifying strengths and weaknesses in specific functional areas of endeavor. We will utilize detailed process evaluation checklists and interview guides to ensure the thoroughness of our review and consistency in the level of detail of evaluation applied to all practice areas examined in the study

We will determine *how* processes currently are performed through a combination of documentation review, employee interview, focus group meeting, and site visit activities. In doing this, we fully understand that the way City employees are *supposed* to perform certain activities and the way they *actually* do so are not necessarily same. Thus, we will assess the adequacy of both the *definition*, as expressed in statutes, regulations, rules, policies, and procedures, and the *execution* of fleet management and operating



processes

We will determine *how well* these processes are defined and executed by assessing:

1. Their *intrinsic soundness* (e.g., the clarity and logic with which they are documented, the way they are communicated to employees, and the manner in which they are enforced);
2. Their *consistency with industry best practices* which we have observed, and in many cases defined, through our project team's combined decades of professional fleet management, consulting, public speaking, writing, and training experience; and
3. Their *results*, as reflected in the quantitative measurement of costs and performance levels in the previous task, and in the satisfaction levels of management officials, fleet management employees, and fleet users.

In evaluating the strengths and weaknesses of current fleet management practices, our ultimate objective will be to advise the City as to *how these practices can be improved*. Consequently, our evaluation approach will not seek to merely differentiate good practices from bad, but to identify the factors unique to the City of Glendale, the Department of Field Operations, the City Fleet, and so forth – whether political, managerial, administrative, fiscal, technological, educational, or other – that explain why some practices are strong and others weak. This will allow us to develop recommendations for improvement that are not generic or academic in nature, but of *direct applicability* to the needs, objectives, conditions, and capabilities of the City and its fleet management and fleet user organizations.

The specific fleet management practices we will evaluate in this task include, by functional area, the following:

#### **Vehicle Assignment**

1. Vehicle assignment policy development
2. Vehicle business need definition
3. Vehicle provision alternatives analysis (e.g., rent v. own v. reimburse)
4. Take-home use management
5. Management of personally owned vehicle use on City business

#### **Vehicle Acquisition and Disposal**

6. Vehicle specifications development and selection
7. ~~Purch~~ Purchase contract establishment and management
8. Management of ad hoc purchases
9. Vehicle acceptance, preparation, and delivery



10. Commercial vehicle rental and use of car sharing services
11. Vehicle lease contract establishment and management
12. Vehicle decommissioning
13. Used vehicle remarketing

#### **Vehicle Operation Management**

14. Driver/operator certification and record keeping
15. Driver/operator training
16. Pre-trip inspection and record keeping
17. Vehicle misuse/abuse management
18. Accident reporting and investigation
19. Accident repair management
20. Accident repair claim management, including subrogation

#### **Assigned Vehicle Utilization Management**

21. Establishment of utilization guidelines/criteria
22. Vehicle utilization data capture
23. Fleet utilization analysis and management reporting
24. Identification and investigation of utilization "anomalies"
25. Reassignment or disposal of under-utilized vehicles

#### **Short-term Rental Vehicle Provision**

26. Motor pool site selection
27. Motor pool sizing and composition
28. Motor pool service delivery (e.g., reservations, vehicle check out/in, etc.)
29. Motor pool management and operation

#### **Vehicle Maintenance and Repair**

30. Operator pre-trip inspection
31. Preventive maintenance program development
32. Work planning and scheduling
33. Defect reporting and service writing
34. Work estimation and work order assignment
35. Maintenance and repair service delivery
36. Mechanic supervision



37. Road call/roadside assistance provision
38. Vehicle field service (e.g., mobile lube) management
39. Vehicle and component warranty management
40. Quality assurance

#### **Vehicle Maintenance and Repair Vendor Management**

41. Vendor certification / pre-qualification
42. Service contract establishment and management
43. Outsourcing benefits determination
44. Ad hoc purchasing of services
45. Service expenditure authorization
46. Service transaction administration (e.g., vendor payment, data capture, etc.)
47. Vendor performance management

#### **Fleet Maintenance Parts Provisioning**

48. Parts contract establishment and management
49. Management of ad hoc parts purchases
50. Vendor transaction administration
51. Parts inventory sizing, composition, management, and control
52. Parts disbursement (i.e., counter service)
53. Disposal of surplus parts
54. Parts provisioning performance management

#### **Vehicle Fueling**

55. Bulk fuel contract establishment and management
56. Bulk fuel inventory management and control
57. Commercial fuel card program management
58. Commercial fuel transaction management and administration
59. Vendor payment

#### **Vehicle Replacement**

60. Replacement cycle guideline/policy development
61. Long-term fleet replacement planning
62. Vehicle replacement earmarking and budgeting
63. Fleet replacement financing alternatives analysis (e.g., lease versus buy)



- 64. Fleet replacement funding levels

**Customer (Fleet User) Relationship Management**

- 65. Transaction-based communication
- 66. Customer satisfaction measurement
- 67. Ongoing relationship management

**Fleet Financial Management**

- 68. City Fleet budget development
- 69. City Fleet cost management and control
- 70. Cost charge-back rate base content
- 71. Cost charge-back rate structure
- 72. Service activity and vehicle class cost allocation/determination
- 73. Charge-back rate computation and updating
- 74. Customer billing
- 75. Cost management-related analysis and reporting

**Human Resources Management**

- 76. Organization structure
- 77. Staff assignment and utilization management
- 78. Employee classification and compensation
- 79. Employee training and professional development and certification
- 80. Employee performance management

**Information Management**

- 81. Management information system availability and functionality
- 82. System configuration and data codification
- 83. System deployment, accessibility, and use
- 84. Development, management, and use of system interfaces and EDI processes
- 85. Management analysis and report development
- 86. IT infrastructure acquisition, upgrading, maintenance, and user support
- 87. Data security and disaster recovery/business continuity management

**Fleet Management Infrastructure Management**

- 88. Maintenance and fuel facility location analysis and site selection



- 89 Facility design, construction, condition assessment, and maintenance
- 90 Facility housekeeping
91. Capital equipment testing and replacement
92. Shop safety management
93. Shop equipment asset inventory management

#### **Regulatory Compliance**

94. Occupational safety and health
95. Highway safety (DOT)
96. Accounting and financial reporting
97. Alternative fuels/emission control
98. Environmental protection (e.g., shop and fuel facility leak prevention/waste management)

Our findings in each of the above areas will identify opportunities to reduce service costs and/or to improve service quality, as appropriate. We will make specific recommendations for improving policies, procedures, organizational structures, staffing levels, data processing systems, and/or physical infrastructure, as appropriate, and provide best practice examples or models in those areas identified in the City's RFP

During this phase of the project we will assess alternatives to the current fleet business model including outsourcing, insourcing, leasing, and regional cooperation. We will begin the process of describing the "future state" of the City's fleet management program required to transition the City to a best-in-class fleet management program.

#### ***Task 4: Present Study Results***

We will document our findings and recommendations in a formal written report. The report will document how we conducted the study, what we found, and what we recommend the City do to improve fleet efficiency and fleet management effectiveness. We anticipate that the report will include major sections such as the following:

- Executive Summary
  - Key Findings
  - Key Recommendations
  - Key Business Process Improvement and Cost Savings Opportunities
- Introduction
  - Study Objectives and Scope
  - Study Approach and Methodologies



- Obstacles Encountered and Overcome
- Overview of the City Fleet Operation
  - Fleet Size and Composition
  - Fleet Ownership and Operating Costs
  - Organization of Fleet Management Responsibilities
  - Key Performance Indicators
  - Charts and tables specified in the City's RFP
- Findings and Recommendations
  - Fleet Management Practices
  - Assessment of Alternative Service Models
  - Recommended "Future State" for the City's Fleet Program
- Implementation Plan
  - Recommended actions ranked by priority
  - Resource plan needed to execute (e.g., staff, budget, outside resources)
  - Success criteria,
  - High-level work plan and schedule
  - Issues and policy implications.
- Appendices
  - Quantitative Costs and Performance Analysis Exhibits
  - Benchmarking Results

We will submit this report to the City in draft form for review and comment and make revisions, as necessary, based on written feedback received. While we are not in any way opposed to receiving feedback on the draft report from the members of a project steering committee, we would expect the City to consolidate all comments, questions, and suggestions generated by such a group in a single document for our review. We will provide the City with any reasonable number of bound copies of the final report, along with one copy in electronic form.

In addition to documenting our findings in a final report, we will conduct up to two formal presentations of study progress and/or results to the City Council, City Manager, and Field Operations senior management.

**EXHIBIT C**  
**Professional Services Agreement**

SCHEDULE

Consultant will timely complete the City Fleet Operations study/review twelve (12) to sixteen (16) weeks from the Effective Date of this Agreement.

**EXHIBIT D**  
**Professional Services Agreement**

COMPENSATION

**METHOD AND AMOUNT OF COMPENSATION**

In response to RFP 13-20, the City awarded the Proposal for the study to Mercury Associates Inc. over all other submitters. Mercury shall invoice the City upon completion of its tasks.

**NOT-TO-EXCEED AMOUNT**

The total amount of compensation paid to Consultant for full completion of all work required by the Project during the entire term of the Project must not exceed \$39,900.

**DETAILED PROJECT COMPENSATION**

See attached.



Solicitation Number: RFP 13-20

**CONSULTANT SERVICES FOR  
FLEET OPERATIONS REVIEW**

**SECTION 5 – PRICE SHEET**

**CITY OF GLENDALE  
Materials Management  
5850 West Glendale  
Avenue, Suite 317  
Glendale, Arizona 85301**

**5.0**

**PRICE SHEET**

It is anticipated that the agreement resulting from this solicitation, if awarded, will be a not-to-exceed budget per fixed fee form of contract (see Section 2 18)

<b>Fixed Fee Project Cost</b>
Amount not to Exceed:
\$ 39,900.00

The proposal must also include an hourly rate that will apply should the City pursue work within the scope of the solicitation that extends beyond the proposed project amount indicated

Hourly Rate		
Staff Member (see Section 3.6)	Title	Cost of Service (per hours)
Randy Owen	Senior Vice President	\$ 210
Tony Yankovich	Senior Manager	\$ 190
Ralph Filicko	Manager	\$ 180
Richard Simon	Senior Associate	\$ 170
		\$
		\$

5.1 **DISCOUNT/PAYMENT TERMS:** The City standard is 2% 20 days

Comply. YES  NO

If your answer is NO, please state terms offered \_\_\_\_\_

5.2 **TAX AMOUNT** Do not include any use tax or federal tax in your proposal. The City is exempt from the payment of federal excise tax and will add use tax as applicable

Company Name MERCURY ASSOCIATES, INC.

**EXHIBIT E**  
**Professional Services Agreement**

**DISPUTE RESOLUTION**

**1. Disputes.**

- 1.1 Commitment. The parties commit to resolving all disputes promptly, equitably, and in a good-faith, cost-effective manner.
- 1.2 Application. The provisions of this Exhibit will be used by the parties to resolve all controversies, claims, or disputes ("Dispute") arising out of or related to this Agreement-including Disputes regarding any alleged breaches of this Agreement.
- 1.3 Initiation. A party may initiate a Dispute by delivery of written notice of the Dispute, including the specifics of the Dispute, to the Representative of the other party as required in this Agreement.
- 1.4 Informal Resolution. When a Dispute notice is given, the parties will designate a member of their senior management who will be authorized to expeditiously resolve the Dispute.
- a. The parties will provide each other with reasonable access during normal business hours to any and all non-privileged records, information and data pertaining to any Dispute in order to assist in resolving the Dispute as expeditiously and cost effectively as possible;
  - b. The parties' senior managers will meet within 10 business days to discuss and attempt to resolve the Dispute promptly, equitably, and in a good faith manner, and
  - c. The Senior Managers will agree to subsequent meetings if both parties agree that further meetings are necessary to reach a resolution of the Dispute.

**2. Arbitration.**

- 2.1 Rules. If the parties are unable to resolve the Dispute by negotiation within 30 days from the Dispute notice, and unless otherwise informal discussions are extended by the mutual agreement, the Dispute will be decided by binding arbitration in accordance with Construction Industry Rules of the AAA, as amended herein. Although the arbitration will be conducted in accordance with AAA Rules, it will not be administered by the AAA, but will be heard independently.
- a. The parties will exercise best efforts to select an arbitrator within five business days after agreement for arbitration. If the parties have not agreed upon an arbitrator within this period, the parties will submit the selection of the arbitrator to one of the principals of the mediation firm of Scott & Skelly, LLC, who will then select the arbitrator. The parties will equally share the fees and costs incurred in the selection of the arbitrator.
  - b. The arbitrator selected must be an attorney with at least 15 years' experience with commercial construction legal matters in Maricopa County, Arizona, be independent, impartial, and not have engaged in any business for or adverse to either Party for at least 10 years.
- 2.2 Discovery. The extent and the time set for discovery will be as determined by the arbitrator. Each Party must, however, within 10 days of selection of an arbitrator deliver to the other Party copies of all documents in the delivering party's possession that are relevant to the dispute.

- 2.3 **Hearing.** The arbitration hearing will be held within 90 days of the appointment of the arbitrator. The arbitration hearing, all proceedings, and all discovery will be conducted in Glendale, Arizona unless otherwise agreed by the parties or required as a result of witness location. Telephonic hearings and other reasonable arrangements may be used to minimize costs.
- 2.4 **Award.** At the arbitration hearing, each Party will submit its position to the arbitrator, evidence to support that position, and the exact award sought in this matter with specificity. The arbitrator must select the award sought by one of the parties as the final judgment and may not independently alter or modify the awards sought by the parties, fashion any remedy, or make any equitable order. The arbitrator has no authority to consider or award punitive damages.
- 2.5 **Final Decision.** The Arbitrator's decision should be rendered within 15 days after the arbitration hearing is concluded. This decision will be final and binding on the Parties.
- 2.6 **Costs.** The prevailing party may enter the arbitration in any court having jurisdiction in order to convert it to a judgment. The non-prevailing party will pay all of the prevailing party's arbitration costs and expenses, including reasonable attorney's fees and costs.

3. **Services to Continue Pending Dispute.** Unless otherwise agreed to in writing, Consultant must continue to perform and maintain progress of required Services during any Dispute resolution or arbitration proceedings, and City will continue to make payment to Consultant in accordance with this Agreement.

4. **Exceptions.**

- 4.1 **Third Party Claims.** City and Consultant are not required to arbitrate any third-party claim, cross-claim, counter claim, or other claim or defense of a third party who is not obligated by contract to arbitrate disputes with City and Consultant.
- 4.2 **Liens.** City or Consultant may commence and prosecute a civil action to contest a lien or stop notice, or enforce any lien or stop notice, but only to the extent the lien or stop notice the Party seeks to enforce is enforceable under Arizona Law, including, without limitation, an action under A.R.S. § 33-420, without the necessity of initiating or exhausting the procedures of this Exhibit.
- 4.3 **Governmental Actions.** This Exhibit does not apply to, and must not be construed to require arbitration of, any claims, actions or other process filed or issued by City of Glendale Building Safety Department or any other agency of City acting in its governmental permitting or other regulatory capacity.