Summary Title: Refuse Fund Cost of Service Study Contract

Title: Approval of Contract Amendment No. 1 to Add $48,510 to Contract No. S11136318 with R3 Consulting Group, Inc. for a Total Amount Not to Exceed $133,190 for Completion of the Refuse Fund Cost of Service Study

From: City Manager

Lead Department: Public Works

**Recommendation**

Staff recommends that Council approve and authorize the City Manager or his designee to execute Amendment No. 1 to Contract No. S11136318 (Attachment A) with R3 Consulting Group, Inc. in the amount of $48,150, for a total contract amount not to exceed $133,190.00 for completion of the Refuse Fund Cost of Service Study.

**Executive Summary**

Staff is seeking approval to add tasks and funding to the existing contract with R3 Consulting Group, Inc. to ensure that the Refuse Fund Cost of Service Study ultimately contains the best data possible and considers all key alternatives.

**Background**

In August 2010, Public Works awarded a contract in the amount of $84,680 to R3 Consulting Group, Inc. to conduct a comprehensive cost of service study for the Refuse Fund that will be instrumental in addressing recent Refuse Fund budget shortfalls, growing the Refuse Rate Stabilization Reserve and ensuring that the refuse rate structure meets Proposition 218 requirements.

**Discussion**

An integral part of the cost of service study is the development and use of a cost of service and forecasting model that can be used to analyze refuse rates and predict revenues. As the cost of service study progressed, staff requested that R3 Consulting Group, Inc. develop a census-based approach for predicting revenues instead of simply relying on actual budget revenues as had been specified in the scope of services. This change was requested to make the model more useful for predicting changes in revenue in response to rate changes. However, reconciling the revenues projected by the cost of service model with actual revenues has been very difficult due to the difficulty in extracting accurate and complete information from the City's SAP system.
The ongoing work on this aspect of the cost of service model has required R3 to spend many hours of additional work on the cost of service model, as well as attending a number of additional meetings with staff. Staff has also requested R3 to account for the Rate Stabilization Reserve in the cost of service model, including accounting for landfill closure and post-closure liabilities and multiple year rate adjustments to build up the Rate Stabilization Reserve. This additional work also necessitated additional hours and meetings with staff.

Due to the extra hours spent on development of the cost of service and forecasting model, additional funding is necessary for completion of the other tasks in the scope of services. The requested funding will also allow R3 to develop multiple Rate Stabilization Reserve funding scenarios, and to develop multiple options for implementing rate adjustments. Each of these additional subtasks entail additional meetings with staff and final adjustment of the cost of service and forecasting model to reflect the option selected by the City. The attached contract amendment adds $48,510 to the contract with R3 Consulting Group, Inc. to allow provision of the services described above.

**Timeline**
The cost of service study, including the additional scope to be funded by the attached contract amendment, will be completed in December 2011.

**Resource Impact**
Funds are available in the Fiscal Year 2011 Refuse Fund operating budget.

**Environmental Review**
This contract amendment approval does not constitute a project under the California Environmental Quality Act and no environmental review was required.

**Attachments:**
- Contract S11136318 R3 Amendment One - CMR(PDF)

Prepared By: Brad Eggleston, Manager, Environmental Control Programs

Department Head: J. Michael Sartor, Interim Director

City Manager Approval: James Keene, City Manager
AMENDMENT NO. 1 TO CONTRACT NO. S11136318 BETWEEN THE CITY OF PALO ALTO AND R3 CONSULTING GROUP, INC.

This Amendment No. 1 to contract No. S11136318 ("Contract") is entered into ____________, 2011, by and between the CITY OF PALO ALTO, a California Charter City ("CITY"), and R3 CONSULTING GROUP, INC., a California corporation, with offices located at 4811 Chippendale Drive, Suite 708, Sacramento, CA 95841 ("CONSULTANT").

RE C ITALS:

WHEREAS, the Contract was entered into between the parties for the provision of professional consulting services to conduct a cost of service study and to prepare an analysis of revenue and cost allocations, cost of service model, and potential rate structure in connection with the Project ("Project"); and

WHEREAS, the parties wish to amend the Contract to increase the scope of services, schedule of performance, and compensation;

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the parties agree:

SECTION 1. Section 1, SCOPE OF SERVICES, is hereby amended to add additional scope as described in Exhibit “A”, as revised.

SECTION 2. Section 3, SCHEDULE OF PERFORMANCE, first paragraph is hereby amended to add the following:

“The term of this Agreement shall be from the date of its full execution through November 1, 2011 unless terminated earlier pursuant to Section 19 of this Agreement – see revised Exhibit B”

SECTION 3. Section 4, NOT TO EXCEED COMPENSATION, first paragraph is hereby amended to read as follows:

“The compensation to be paid to CONSULTANT for performance of the Services described in Exhibit “A” as revised, including both payment for professional services and reimbursable expenses, shall not exceed one hundred twenty-seven thousand nine hundred fifty-five dollars ($127,955.00). In the event Additional Services are authorized, the total compensation for services and reimbursable expenses shall not exceed one hundred thirty-three thousand one hundred ninety dollars ($133,190.00). The applicable rates and schedule of payment are set out in Exhibit
CITY OF PALO ALTO CONTRACT NO. S11136318

"C-1", entitled "HOURLY RATE SCHEDULE," which is attached to and made a part of this Agreement."

SECTION 4. The following exhibit(s) to the Contract are hereby amended to read as set forth in the attachment(s) to this Amendment, which are incorporated in full by this reference:

EXHIBIT "A": SCOPE OF SERVICES - REVISED
EXHIBIT "B": SCHEDULED OF PERFORMANCE - REVISED
EXHIBIT "C": COMPENSATION - REVISED

SECTION 5. Except as herein modified, all other provisions of the Contract, including any exhibits and subsequent amendments thereto, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have by their duly authorized representatives executed this Amendment on the date first above written.

CITY OF PALO ALTO:

City Manager

APPROVED AS TO FORM:

Sr. Deputy City Attorney

CONSULTANT:

R3 CONSULTING GROUP, INC.

By: _______________________

Name: Rian Hutchinson

Title: Principal
EXHIBIT “A” - REVISED
SCOPE OF SERVICES

Task 1. Document Request
Upon authorization to proceed, R3 will provide the City with a preliminary list of documents in support of the Cost of Service Study. Requested documents may include, but are not necessarily limited to the following:

- List of all services and service levels;
- Updated Form N-1 if available (from initial proposal);
- Operational data from the contracted Collector (e.g., route lists, personnel assignments);
- Approved rate schedules;
- Operational and administrative components of each rate;
- Copy of most recent billing report;
- Customer subscription levels by customer rate class;
- Allocation methodologies;
- City Refuse Fund financial and budgetary reports, including actual revenues and expenses for the most recent fiscal year;
- Contracted Collector financial reports, including actual revenues and expenses for the most recent fiscal year;
- City capital projects expense projections for the five year projection period;
- Contracted Collector capital projects expense projections for the five year projection period;
- Contracted Collector equipment replacement schedules for the five year projection period;
- Projected annual customer growth;
- Relevant City policies (e.g. Zero Waste), procedures, and regulatory requirements; and
- Any other data or information deemed relevant to the project by City staff.

R3 will review the data and information submitted and identify any additional data requirements or issues for discussion at the Kick Off Meeting (Task 2).

Task 2. Kick Off Meeting

Task 2.1 City Staff
A Kick-Off Meeting will be held within two weeks of receipt of authorization to proceed. The purpose of the Kick-Off Meeting will be to review and confirm the following:

- Project communication protocol and contacts;
- Project objectives;
- Data availability;
- Current rate policies and historical rate issues;
- Requirements and coordination of the Proposition 218 compliance process;
- Project management and administration details, including;
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- Timing of regular communications between R3 and the City project manager;
- Schedule of deliverables;
- Project reporting, invoicing, and documentation standards; and
  - Additional data needs and any other key issues.

In addition to the above items, a primary objective of the Kick-Off Meeting will be to review and discuss available data, including but not limited to, the following:

- Current and historical City and contracted Collector revenues and expenses;
- Current City and contracted Collector cost of service expense allocations;
- Growth projections;
- Current services and anticipated new programs and/or changes in operations or service levels.

These discussions will help ensure a successful project by clarifying the objectives and expectations of the City.

Task 2.2 Contracted Collector
Following the initial session of the Kick-Off Meeting, the Contracted Collector staff will join the project team to discuss the project and clarify any questions concerning availability of Contracted Collector data. One of the key items of discussion at this meeting will be the availability of detail data needed to perform the Cost of Service Analysis as discussed in Task 4.

Task 2.3 Proposition 218 Coordination
In conjunction with the Kick-Off Meeting, R3 will facilitate an initial meeting with City staff and the City Attorney to discuss Proposition 218 compliance issues.

Task 3. Develop Cost of Service Model

Task 3.1 Stakeholder Meetings
For this Task R3 will individually meet with each of the groups listed below for approximately one hour to discuss the cost of service study.

- GreenWaste of Palo Alto;
- Administrative Services Department;
- City Public Works Department; and
- City Attorneys Office.

Task 3.2 Review Services and Operational Requirements
As part of the development of the Cost of Service Model, R3 will work with City staff to document the current services provided by the Contracted Collector and City staff and the associated operational requirements for the cost of service base year (“Base Year”). This will include documenting the number of accounts and the associated workloads, routes, staffing levels and other operational factors to the extent this data is available from the Contracted Collector. The data developed as part of this task will, along with the Task 3.3 (Financial Baselines), form the basis for Task 4 (Cost of Service Analysis).
As part of this task, R3 will work closely with City staff to identify the following:

- Any services currently funded by rate revenue that are not actually used by or immediately available to the rate payer; and
- Any services currently funded by rate revenue that are available to the public in substantially the same manner as they are to property owners.

Task 3.3 Document Base Year Financial Baselines
R3 will work with City staff to document the financial baselines for the test year. The most recently completed fiscal year serve as the Base Year and the actual revenues and expenses form the basis for the cost of service analysis (Task 4).

R3 will document all applicable line item revenue and expenses, fund reserves, capital costs and any other relevant data for the Base Year from both the City and the contracted Collector. The documented financial revenue and expense line items will form the “Financial” worksheet of the Cost of Service Model developed in Task 3.4.

R3 will work with the City and the Franchise Collector to develop a methodology to project residential and commercial revenues using the census information provided by the City and the collector. R3 will facilitate up to three meetings with City staff and the Collector to compare and reconcile the customer data used to develop revenue in the model.

R3 will work with City staff to update the budget data in the City’s financial forecasting model. To the extent necessary, this data will be updated once per month during the term of the project.

Task 3.4 Prepare Cost of Service Model
R3 will use the information developed as part of Tasks 3.1, 3.2 and 3.3 to construct a Cost of Service Model that will be used to perform the Task 4, Cost of Service Analysis and develop the revised rate structures (Task 4.3.2). The model will be developed using Microsoft Excel and Visual for Basic Applications (VBA) programming language to enhance its value as a tool for the City. The model will be designed as an interactive module of the City’s current forecasting mode. As such it will include the following:

- Ability to interact directly with the City’s current forecasting model;
- Interactive segments, wherein changes made to financial, operational, or tonnage calculations are automatically updated in linked cells;
- Sensitivity analysis section to allow up to one hundred variables, including solid waste and recyclable tonnage data and customer migration estimates to be analyzed as single and multiple components;
- Imbedded footnotes in cells to identify the sources of data and methodologies used to develop the new data;
- Color-coded fonts to indicate the items that should be periodically modified or updated;
- A cost of service model manual detailing the make up of the model along with operation and simulation protocols; and
- Other components as requested by the City.
The Cost of Service Model will be designed to utilize projected revenues and expenses from the City’s current forecasting model to present cost of service analysis over a five year projection period.

A summary sheet will be incorporated into the Model that will allow the City to set and adjust rates while evaluating the impact in relation to the actual cost of service and compliance with Proposition 218.

Task 3.5 Rate Stabilization Reserve Format
The City accounts for the rate stabilization reserve (RSR) differently for financial statements purposes than it does for budgetary purposes. R3 will work with City staff to modify the rate model to account for the RSR in a manner that is consistent with the budgetary requirements but can be reconciled to the financial statements. As part of this task, R3 will work with City staff to determine the best way to present this data as part of the annual projections. R3 will facilitate up to three meetings with City staff to analyze the current RSR balance and to determine what adjustments, if any need to be made to the City’s financial model to properly account for the RSR.

Task 3.6 Rate Stabilization Reserve Funding Scenarios
R3 will modify the financial model to assist the City in developing up to three rate stabilization reserve funding scenarios. These scenarios will focus on the development of the timing of the rate adjustments needed to bring the rate stabilization reserve to an appropriate balance using the three timelines proposed by the City.
The results of this analysis will be presented to City staff for evaluation and review. R3 will also present the scenarios at two additional meetings with senior staff and/or City Council committees. Based on input from the City, the financial model and the Cost of Service Model will be modified to incorporate the rate stabilization reserve funding into the annual rate projections.

Task 4. Cost of Service Analysis
The financial baselines, operation requirements, reserve requirements and other data developed in Task 3 will form the basis for the cost of service analysis. The cost of service allocations will be developed based on a combination of specific assignment of direct expenses (e.g., labor and collection vehicle costs associated with each collection service, disposal and processing expenses, etc.) and allocation of indirect expenses (e.g., management and administrative overhead) using appropriate allocation factors. The actual cost of service analysis will be conducted using the Cost of Service Model developed in Task 3.4.

It should be noted that cost of service analysis can be conducted on the following two levels:

- **Level 1 – Line of Business Cost of Service Analysis.** The analysis of revenues and expenses among lines of business segment (e.g., residential, commercial, industrial) with the intent of balancing revenues and expenses to eliminate any subsidies that may exist across lines of business (e.g., commercial rates subsidizing residential rates), and
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- **Level 2 – Service Type and Level Cost of Service Analysis.** The analysis of costs and rates for each service type and service level within a line of business to determine the extent to which an individual rate reflects the cost of the associated service level (e.g., the cost to provide refuse service (a service type) using a four yard container one time per week (a service level) compared to the cost to provide refuse service using a one yard container four times per week). R3 is aware that the costs of providing multiple types of service are funded through a single rate. For example, the cost of providing residential refuse, recycling and green waste collection may be funded through a single rate. However, in performing this analysis R3 will, to the extent possible, develop costs for each of the service types regardless of how each one is funded.

In order to meet the goals of the City R3 will conduct the analysis in two phases.

**Task 4.1 Cost of Service by Line Business**
In Task 4.1, R3 will perform a cost of service analysis at the line of business level to determine overall compliance with Proposition 218 for each line of business segment. Proposition 218 includes the following **substantive** requirements:

- The revenues generated may not exceed the cost of the service for which the fee is charged;
- No property owner’s fee may exceed his or her proportionate share of costs for the property related service;
- Local governments may not divert property-related fee revenues to pay for other governmental programs; and
- Local governments may not impose a property-related fee for a service not immediately available to the property owner.

This will entail working with the Contracted Collector and the City to determine the costs associated with each of the line of business segments. R3 will utilize the financial and operational records of the Contracted Collector and the City to the extent that those records segregate expenses by line of business segment. For those expenses that are shared between line of business segments or not segregated in the financial and operational records R3 will work with the City and the Contracted Collector to develop appropriate methods of allocating each item.

Based on the results of the initial analysis, adjustments will be proposed to the costs associated with each line of business segment to eliminate any subsidies that may exist between any of the line of business segments and to properly balance each segment.

Once each line of business segment is properly balanced R3 will evaluate the cost of service of each service type and service level within each line of business segment as part of Task 4.2.

**Task 4.2 Cost of Service by Service Type and Service Level**
Once again, this will entail working with the Contracted Collector and the City to determine the costs associated with each of the service types and levels within each line of business segment. Based on R3’s review of the City’s financial records and prior experience with the Contracted...
Collector, R3 does not anticipate that the financial records will be segregated between service types and levels. Instead, R3 will work with the City and the Contracted Collector to develop allocation factors for the various cost components of each service level. For example, in developing the costs of service for residential refuse service R3 will be able to obtain the actual costs for the different sizes of containers. However, to obtain the cost of disposal, R3 will need to allocate all disposal costs to each service level. One way of doing this would be to:

- Determine the total available capacity for each service level, by multiplying the number of customers subscribing to each service level by the capacity in gallons of that service level, (e.g., 20, 32, 64, 96);
- Determine the total available capacity of all the service levels;
- Calculate what percentage of total capacity each service level represents; and
- Multiply the total residential disposal costs by the percentage of capacity of each service level.

This methodology assumes that the City or the Contracted Collector can provide an accurate customer census by service level.

Based on R3’s meeting with the Contracted Collector as part of Task 2.2, R3 will develop an allocation matrix that sets forth the major cost categories (e.g., labor, benefits, fleet costs, fuel, depreciation, disposal, etc.) and the methodology to allocate those costs. R3 will then meet with the City and the Contracted Collector to discuss the methodologies and confirm the availability of the required data.

As part of this task, R3 proposes to specifically address the following questions:

- What is the total cost of services provided to the customers of each line of business segment, each service type within the line of business segment, each service level within each service type, and the total revenue required to cover each set of costs?
- What services are funded by rate revenue received from the customers of each line of business segment?
- What services are being funded by revenues received from fees not paid directly by the customer (e.g., at the landfill)?
- Is each rate proportional to the cost of service attributable to the parcel to which the service is provided?

Task 4.3 Evaluate Fees and Develop Revised Fee Structure

4.3.1 Evaluate Fees
R3 will use the cost of service data developed as part of Tasks 4.1 and 4.2 to evaluate the fees listed in Utility Rate Schedules R-1, R-2 and R-3. As part of the evaluation, R3 will review the components of each fee and work with City staff and the City Attorney to determine the applicability of each component and the fee as a whole to meet the requirements of Proposition 218. As part of this task R3 will also work with the City to explore alternatives to the existing rate structures, such as offering an optional "package" of services to residential customers, unbundling rates and providing additional incentives for recycling.
4.3.2 Develop Revised Rate Structure Options

Based on the results of R3’s rate stabilization reserve analysis (Tasks 3.5 and 3.6), cost of service analysis (Task 4.1 and 4.2) and the evaluation of utility fees (Task 4.3.1) R3 will make recommendations for specific revisions to the City’s existing rate structure to assure compliance with Proposition 218.

This task will include recommendations based on the results of the line of business cost of service study (Task 4.1), and more detailed recommendations and options based on the results of the service type and service level cost of service study (Task 4.2). The recommendations related to the results of the service type and service level cost of service study (Task 4.2) will include options that focus on two major areas: compliance with Proposition 218 and encourage Zero Waste goals by incentivizing diversion.

R3 will also conduct a review of the current commercial account distribution by service level and make an assessment of that distribution in light of the relative rate relationships. Ideally, from an operational efficiency standpoint, each account would be provided with appropriate storage volume in order to limit service frequency to one time per week. This would allow the City to meet the weekly service volume requirements with the least amount of resources at the lowest possible cost to the system users.

As part of this task, R3 will review the “Volume-Frequency” commercial rate relationships to determine if they provide sufficient incentives to reduce frequency. In addition, R3 will review the current commercial account distribution profile to determine if accounts appear to be responding to any existing rate incentives. R3 will also provide a comparison of the existing “Volume-Frequency” relationship and other aspects of the City’s commercial rate structure to the rate structures of other similar municipal operations in California.

4.3.3 Develop Rate Implementation Options

R3 will work with City staff to develop options to implementing the required rate adjustments developed as part of this subtask. Those options will include implementation over either a single year or multiple years. As part of this task R3 will develop up to three funding scenarios for discussion with City staff and presentation to other City officials.

Task 5. Establish Service / Rate Benchmarks

R3 will survey at least five local municipal government agencies that provide municipal solid waste and recycling services to establish collection service and service rate benchmarks. The list of agencies to be surveyed will be developed in conjunction with the City.

The survey will review cans or carts, bin, and drop-boxes for residential, multi-family and commercial customers. The survey will also include other questions the City identifies as valuable to comparing the refuse rate and services. Information requested may include:

- Rates;
- Services;
- Date of last rate revision;
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- Date of next rate increase;
- Community size (accounts);
- Special pick-up charges (e.g., surcharge specials, hourly rates, lock fees);
- Disposal fees;
- HHW fees;
- Other services included in the rates;
- Governmental and regulatory fees;
- Rate setting methodology;
- Applicability of Proposition 218; and
- Other questions identified by the City.

**Task 6. Meetings and Reports**

**Task 6.1 Meetings**
During the project, R3 will hold weekly teleconferences with City staff to discuss progress. In addition, R3 will attend up to nine meetings as follows:

- One Kick-Off Meeting (Task 2);
- Four stakeholder meetings (Task 3.1);
- Three staff and Franchise Contractor meetings (Task 3.3)
- Three rate stabilization reserve meetings (Task 3.5)
- Three rate stabilization reserve funding meetings (Task 3.6)
- Two City Council meetings; and
- Two additional meetings as determined by City staff.

R3 will be responsible for preparing any necessary agenda and meeting summaries for all meetings except the City Council meetings. R3 will assist City staff in preparing the staff report and PowerPoint presentations for the City Council Meetings.

**Task 6.2 Reports**

6.2.1 Draft Cost of Service Analysis Report
Findings and recommendations will be organized in a Draft Report and submitted to City staff in an electronic format for review and comment.

6.2.2 Final Cost of Service Analysis Report
The City will provide one electronic copy of the Draft Report reflecting all the City’s comments which R3 will incorporate into a Final Report. R3 will then provide one electronic copy of the Final Report to the City.
EXHIBIT “B” – REVISED  
SCHEDULE OF PERFORMANCE  

CONSULTANT shall perform the Services so as to complete each milestone within the number of weeks specified below. The time to complete each milestone may be increased or decreased by mutual written agreement of the project managers for CONSULTANT and CITY so long as all work is completed within the term of the Agreement. CONSULTANT shall provide a detailed schedule of work consistent with the schedule below within 2 weeks of receipt of the notice to proceed.

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<tr>
<th>Milestones</th>
<th>Completion No. of Weeks From NTP</th>
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<tbody>
<tr>
<td>1. Kick Off Meeting</td>
<td>2</td>
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<td>2. Develop Cost of Service Model</td>
<td>58</td>
</tr>
<tr>
<td>3. Cost of Service Analysis and Rate Structures</td>
<td>63</td>
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<tr>
<td>4. Reports</td>
<td>63</td>
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</table>
EXHIBIT “C” – REVISED COMPENSATION

The CITY agrees to compensate the CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement, and as set forth in the budget schedule below. Compensation shall be calculated based on the hourly rate schedule attached as exhibit C-1 up to the not to exceed budget amount for each task set forth below.

The compensation to be paid to CONSULTANT under this Agreement for all services described in Exhibit “A” (“Basic Services”) and reimbursable expenses shall not exceed $127,955.00. CONSULTANT agrees to complete all Basic Services, including reimbursable expenses, within this amount. In the event CITY authorizes any Additional Services, the maximum compensation shall not exceed $133,190.00. Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth herein shall be at no cost to the CITY.

CONSULTANT shall perform the tasks and categories of work as outlined and budgeted below. The CITY’s project manager may approve in writing the transfer of budget amounts between any of the tasks or categories listed below provided the total compensation for Basic Services, including reimbursable expenses, does not exceed $127,955.00 and the total compensation for Additional Services does not exceed $5,235.00.

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<tr>
<th>BUDGET SCHEDULE</th>
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<tbody>
<tr>
<td>Task 1</td>
<td>$2,950</td>
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<td>(Information and Data Review)</td>
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<td>Task 2</td>
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<td>Task 4</td>
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<td>(Establish Service/Rate Benchmarks)</td>
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<td>Task 6</td>
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<td>(Meetings and Reports)</td>
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<td>Sub-total Basic Services</td>
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</table>
Total Basic Services and Reimbursable expenses $127,955
Additional Services (Not to Exceed) $5,235
Maximum Total Compensation $133,190

REIMBURSABLE EXPENSES
The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, insurance and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses. CITY shall reimburse CONSULTANT for the following reimbursable expenses at cost. Expenses for which CONSULTANT shall be reimbursed are:

A. Travel outside the San Francisco Bay area, including transportation and meals, will be reimbursed at actual cost subject to the City of Palo Alto’s policy for reimbursement of travel and meal expenses for City of Palo Alto employees.

B. Long distance telephone cellular phone, facsimile transmission and postage charges are reimbursable at actual cost.

All requests for payment of expenses shall be accompanied by appropriate backup information. Any expense anticipated to be more than $100.00 shall be approved in advance by the CITY’s project manager.

ADDITIONAL SERVICES
The CONSULTANT shall provide additional services only by advanced, written authorization from the CITY. The CONSULTANT, at the CITY’s project manager’s request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT’s proposed maximum compensation, including reimbursable expense, for such services based on the rates set forth in Exhibit C-1. The additional services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by the CITY’s project manager and CONSULTANT prior to commencement of the services. Payment for additional services is subject to all requirements and restrictions in this Agreement.