

EXHIBIT B

SAN MATEO COUNTY PROPOSAL FOR PREPARATION OF SB-90 COST REIMBURSEMENT CLAIMS



SUBMITTED TO:

MS. COLEEN LEONG
OFFICE OF THE CONTROLLER
SAN MATEO COUNTY
555 COUNTY CENTER, 4TH FLOOR

PRESENTED BY:

MGT OF AMERICA, INC.
455 CAPITOL MALL, SUITE 600
SACRAMENTO, CALIFORNIA 95814
916-443-3411

MGT 
OF AMERICA, INC.
COSTING SERVICES DIVISION

PROPOSAL-ORIGINAL

DUE DATE: JULY 8, 2009

5:00 P.M.

SAN MATEO COUNTY

OFFICE OF THE CONTROLLER

RESPONSE TO REQUEST FOR PROPOSALS ("RFP")

Applicant Name: MGT of America, Inc.

Contact Name: Brad Burgess

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Sacramento, California 95814

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July 6, 2009

Ms. Coleen Leong
 Office of the Controller
 San Mateo County
 555 County Center, 4th Floor
 Redwood City, CA 94063

Subject: Proposal to provide State Mandated Cost Claiming Services to the County of San Mateo

Dear Ms. Leong:

MGT of America, Inc. (MGT) is pleased to submit this proposal to provide state mandated reimbursement-claiming services to San Mateo County (County) for the 2009-2010 fiscal year, and potentially for the next two years. We are confident that our firm offers the County the best turn-key approach, experienced consulting team, and level of dedication to ensure all requirements described in the County's RFP are met or exceeded.

California counties are now being asked to provide more services with fewer resources than at any other time. As a result, it is in the best interest of San Mateo County to maximize the opportunities for revenue generation, and retain methods for protecting revenue received. One opportunity for generating general fund revenue is State of California (State) mandated cost claiming or SB 90. Article XIII B, Section 6 of the State Constitution requires the State to reimburse California local agencies for their costs incurred with complying with certain mandates. Our firm's approach is to maximize the amount of state reimbursement your County is owed by the State through SB 90 claiming, while making the entire process simple for you and San Mateo County's departments.

The State's pipeline is full of new reimbursement opportunities for California counties like San Mateo. We anticipate claiming instructions on several new programs in the next several months:

Program	Eligible Department or Agency
Crime Statistic Reports for DOJ	DA, Sheriff
D.V. Background Checks	DA
Identity Theft	Sheriff
Interagency Child Abuse & Neglect Investigation Reports (ICAN)	DA, Probation, Sheriff, Social Services
Local Government Employment Relations	HR, Personnel, County Counsel
Firefighter Bill of Rights	Fire

State Budget Outlook - Mandate Reimbursements for Local Agencies

- ❖ The Governor's Proposed Budget includes \$145.6 million for local agency mandates.

- ❖ Mandate reimbursement for local agency claims is exempt from proposed budget balancing reductions because under Proposition 1A provisions, funding programs at less than the full funding level would result in suspension of the mandate.

Open Meetings Act Program is back in 2009-2010

A major piece of breaking news is that the State has decided not to appeal the 3rd Appellate Court decision that found on the side of local agencies that the legislation and ruling to “set aside” the OMA and MRP programs violated the separation of powers doctrine. The case has been remanded back to the Sacramento Superior Court. The next step will involve the superior court judge either ordering the State Controller’s Office to immediately issue claiming instructions, or she may send it to the Commission first for a ruling before the SCO is notified. This is very exciting news, however, please remember that the Mandate Reimbursement Process was suspended by the State starting in 2005, so there will be no claims to file for that program. We do anticipate that the new reissued Parameter’s and Guideline’s for the Open Meetings Act claim will be the same as the last version. Assuming that OMA does need to go through the Commission first, we anticipate it will be on the July or September agenda.

In the area of State mandate cost claims, MGT offers San Mateo County the best, most experienced consulting staff, as well as the highest level of service available at small firm prices. Going into fiscal year 2009-2010, MGT has six SB 90 consultants with 78 years of combined local government experience. No other firm of any size can match PRM’s individual qualifications in this field. Other firms may claim larger client lists or greater experience in the SB 90 field, but the bulk of that experience is based on consultants no longer employed by those firms. MGT’s experience is current and relevant to San Mateo’s project.

San Mateo’s claiming engagement is important to us. We continue to assign our two most experienced county consultants to this project. **Brad Burgess** has provided claiming assistance to your County for over ten years, while **Patrick Dyer** has been a vital team member for over seven years. Mr. Burgess is the state’s leading expert in county state mandated cost claiming services, and has worked directly with over 100 cities and 20 counties in the SB 90 claiming area. Mr. Dyer has filed hundreds of claims for California cities, counties and special districts. With over 17 years of experience working with San Mateo County, our team will ensure your County’s claims are maximized and documented to the fullest extent possible.

As part of our total commitment to providing excellent client service, MGT has formed a basic approach to state mandate claiming that is based on two decades of experience and hundreds of discussions with California local government officials. Based on what we have been told, we have formed a scope of services that address the most important steps related to the SB 90 process from the local perspective.

- ❖ **Early** pertinent electronic communication on upcoming mandate claims.
- ❖ Assistance setting up relevant, defensible source documentation standards.
- ❖ Individual meetings with departments to discuss all reimbursable mandated activities.
- ❖ Providing perspectives related to how other counties are interpreting and claiming each mandate.
- ❖ Keeping the County’s burden to a minimum. The work should fall on the consultant wherever possible. We agree.
- ❖ Coordination of multi-department claims, as well as the County’s overall claiming process.

- ❖ Coaxing departments to ensure that all eligible claims are filed on time to avoid the new 10% uncapped penalty.
- ❖ Liaison assistance with the State Controller at the desk review and field audit levels.
- ❖ Claims payment tracking.
- ❖ Targeted communication on statewide issues, interpretations and actions at the Capitol.
- ❖ Finally, and most importantly...Service. California counties expect a high degree of consultant availability and responsiveness.

MGT has designed an approach for San Mateo County that will provide comprehensive and coordinated education for the fiscal and program staff in each claiming department to gather the necessary information and to prepare all eligible claims in a timely and effective fashion.

For years, MGT has serviced SB 90 claiming engagements for your neighboring agencies in Santa Cruz County, Sonoma County, Marin County, Monterey County, and Santa Barbara County, as well as several other cities and special districts nearby. We are excited about the continuing our partnership with San Mateo County on your engagement for the upcoming fiscal year. Please call me at (916) 595-2646 if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Bradley Burgess", with a horizontal line underneath.

J. Bradley Burgess
Senior Partner - Costing Services
MGT of America, Inc.
bburgess@mgtofamerica.com

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SCOPE OF SERVICES

MGT of America, Inc. (MGT) will work directly with the San Mateo County (County) to perform the following services as part of this project. A detailed description of these services can be found in Appendix A.

- ❖ Establish schedule and approach for completion of all new and annual actual cost reimbursement claims (including direct and indirect costs) for fiscal year 2009-10 and 2010-11. Estimated claims have been eliminated by the State.
- ❖ Identify new claims that are expected to become mandated programs, and provide timely descriptions of these claims and data collection needs to the appropriate departments.
- ❖ Prepare and submit claiming plans for each claiming department and the Controller's Office.
- ❖ MGT will complete all claims and assemble required documentation. Our firm will also follow up with each claiming department as needed to complete information for each claim.
- ❖ Perform an internal quality assurance review of all claims. This step will be performed by Mr. Burgess, the project director.
- ❖ Provide the completed claims to the Controller's Office for review and signature at least three weeks prior to the claiming deadline. This step includes timely submittal of annual claims and required documentation with the State Controller's Office.
- ❖ Provide the County with copies of all claim receipts, declarations and summary claiming reports.
- ❖ Monitor status of claims and payments. Provide the County with a list of all eligible claims and reports on the status of those claims and payments.
- ❖ Coordinate the County's overall claiming process.
- ❖ Regularly inform the County's Budget Coordinator and the County's SB-90 Coordinator of the status of the work and of any issues that arise.
- ❖ Provide regular updates to the County's Budget Coordinator and the County's SB 90 Coordinator on changes in claiming rules and procedures.
- ❖ Provide annual on-site training for program and fiscal staff.
- ❖ Assist the County in establishing source documentation standards to support its claims.
- ❖ MGT will serve as the County's liaison with the State Controller's Office or Bureau of State Audits. Assist the County in responding to requests or audits by the State Controller or Bureau of State Audits. Unlike other firms that limit the number of hours they are willing to assist their clients defending claims they prepare, MGT offers full-service, UNLIMITED field audit assistance. Our firm will be there throughout the process if your agency is field audited for no additional charges or fees.

MGT OF AMERICA, INC. EXPERIENCE

MGT is a small, highly specialized national firm. Our consultants focus on our core areas of expertise. It has been said that a consultant's stock in trade is his or her experience and expert advice. Our firm's average level of experience is over 15 years in the local government consulting area. Our clients have always benefited from our counsel and our advice in the state mandated cost-claiming field.

Below is a representative listing of larger SB 90 clients:

MGT Counties: Santa Cruz, Sonoma, Marin, Monterey, Santa Barbara, Orange, Riverside, Stanislaus, Placer, and of course, San Mateo

MGT Cities: Oakland, Glendale, Burbank, Sacramento, Irvine, Anaheim, San Clemente, Oxnard, Santa Barbara

Central to the concept of exceptional service is having an exceptional professional staff that is not overburdened with an excessive workload. Our consultants will always have plenty of capacity to give our clients exceptional response and on-site service because we will not take on more work than we can perform at a high level.

MGT is proud of our California heritage and consulting roots. Our four original consultants started their consulting careers with David M. Griffith and Associates (DMG) during the mid-80s and early 90s. That association formed our professional belief system and approach. Our core values focus around client service, providing excellent technical consulting services, and developing successful long-term relationships with our clients and within our own firm.

In the area of state mandated cost claiming, our firm has over 78 years of combined experience in the SB 90, cost allocation and indirect cost calculation consulting areas. Our predecessors at DMG were originally asked by the State Controller's office to assist in the development of the original indirect cost rate proposal (ICRP) format and methodology. That format is still in use today.

In our various corporate incarnations since 1985, MGT consultants have worked with over 250 cities, all 58 counties, and over a 100 special districts in California.

For the County's review we have included a *SB90 Program* overview and update in located Appendix B. In addition we are providing a List of Currently Eligible Claims, List of Approved New Mandate Claims, and a List of Potential New Mandate Claims, located in Appendix C, D, and E, respectively.

PROPOSED PROJECT TEAM

J. Bradley Burgess is the partner in charge of our firm's SB 90 practice. Prior to joining MGT, he was a founding partner of Public Resource Management Group (PRM). Prior to that, he was a vice president with DMG and MAXIMUS. He was also an associate director with the CSAC and California Cities SB 90 Service. In total, Mr. Burgess has been directly involved with state mandate cost consulting for over 20 years, and personally served over 100 cities and 30 counties in the SB 90 claiming area.

Mr. Burgess will be the Project Director for the San Mateo County engagement. In this capacity, he will conduct all department interviews, plan and conduct training sessions, perform quality assurance checks, and provide representation at all desk review and field audits stages. He will also be responsible for ensuring that all project milestones and goals are comfortably met.

MGT is proposing to make **Patrick Dyer** the Project Manager for the San Mateo County SB 90 engagement. In this role, Mr. Dyer will be directly involved with all facets of service provision described in the previous sections, including site visits, and claim preparation and submission. As Project Manager, Mr. Dyer will be the County's primary contact for official correspondence and interface. In this role, he will be fully involved and completely conversant in the details of this engagement on a day-to-day basis. Mr. Dyer is an extremely detail-conscious person, and will ensure that the objectives of this engagement are met to the letter.

Along with his 10+ years of local government accounting experience, Mr. Dyer is also one of our firm's foremost authorities on indirect costing methodology, which will result in excellent, defensible Indirect Cost Rate Proposals (ICRPs) that will be used to accompany the County's claims. Mr. Dyer is a partner with MGT. Prior to joining MGT, he was a senior manager with PRM and MAXIMUS. Mr. Dyer has prepared hundreds of SB 90 claims and ICRPs for California agencies over the past ten years. His professional client list ranges from large counties such as Santa Clara, Sacramento, Alameda and Riverside, to very small agencies. His breadth and depth of experience are virtually unmatched in the local government cost accounting field.

The hallmarks of a MGT engagement are experienced staff, a quality product, and long-term relationships with our clients. We will not use any junior staff members, subcontractors, or part-time help on this engagement.

Dedicated Time: The RFP requested an estimate of time being dedicated by our staff for San Mateo's engagement. The table below describes our expectation of time needed, on average, to successfully fulfill the scope of services described in this proposal:

Staff Member	Hrs per Week	# of Weeks	Total Dedicated Time
Brad Burgess	9	41	21%
Patrick Dyer	12	50	33%

Detailed project consultant resumes are located in Appendix F.

REFERENCES

In the table on the following page we have included a small sample of other municipalities for which Mr. Burgess and Mr. Dyer have recently provided SB 90 claiming services. We have included agencies from all parts of the State with differing sizes and demographics. With the exception of Orange County, our staff served the other agencies listed below since the 2002-2003 fiscal year.

Local Agency	Contact Person	Phone Number	Consultant
Riverside County	Michael Alexander Asst. Auditor Controller, Auditor- Controller's Office	909.955.3866	Burgess/Dyer
Monterey County	Michael Miller Auditor-Controller	831.755.5040	Burgess/Dyer
Santa Cruz County	Susan Pearlman SB 90 Coordinator	831.454.3402	Dyer
Santa Barbara County	LeAnne Hagerty SB 90 Coordinator	805.568.2180	Burgess
Marin County	Bryon Karrow Auditor-Controller	415.499.6154	Burgess

Since our firm has a 100% satisfaction rate with our clients, we are happy to provide additional references if requested.

PROFESSIONAL FEES

Fees

One of the attractive aspects of hiring a consulting firm to prepare and file the County's SB 90 claims is that the State has historically reimbursed local agencies for the full amount of the professional claiming services, as well as the County staff's time for participating in this process. MGT can offer a lower fee structure because our firm is not burdened with high overhead charges found at other firms.

MGT would like to offer the County of San Mateo the following fee arrangement:

Annual Claims & New Claims

MGT will complete all aspects of this proposal related to the annual claims that are due on January 15, 2010, and all aspects of this proposal related to all new, or first-time claims for which claiming instructions are issued during the 2009-2010 fiscal year, and all related services for a deferred fee of Forty Three Thousand, Five Hundred Dollars (\$43,500).

Summary Fee Table

Task/Item	2009-2010 Fee	2010-2011 Fee
Annual Claims	\$19,000	\$19,000
Departmental Interviews	\$5,000	\$5,000
Indirect Cost Rates	\$7,500	\$7,500
New Claims	\$5,000	\$5,000
Travel/Expenses	\$3,100	\$3,100
Updates/Legislation	\$3,900	\$3,900
TOTAL	\$43,500	\$43,500

It is understood by both parties that this compensation is deferred until either the County receives payment from the State for SB 90 claims filed by MGT, or alternatively, if the County makes a deal with the State for another benefit in lieu of actual payments for claims filed under this agreement the deferred compensation maximum cap shown on this schedule would be due to MGT at the time the County receives the alternative compensation/benefit.

Other Payment Options & "Pain-Free" Contract Approval Process

If the County prefers any other contract arrangement, please let us know. We can structure a percentage-basis contract payment basis as well. The decision rests with the County. MGT simply desires to work with San Mateo County to find a payment arrangement that works best for the County.

MGT wants to make the contracting process as easy as possible on County staff. We promise the County a quick, painless contract approval process. We typically provide certificates of insurance and signed contracts within one to two days.

Term

MGT acknowledges the County's desire for a two-year engagement. Proposal details services to be provided from July 1, 2009 to June 30, 2010. All scope, task and service items will remain the same for the following 2010-2011 fiscal year and price will remain the same for the subsequent July 1 to June 30.

Payment Schedule

MGT acknowledges the County's desire to compensate the chosen consulting company on a "not-to-exceed" deferred basis. Our firm is pleased to offer that payment arrangement to the County of San Mateo in compensation for the services described in this proposal.

The payment schedule is straightforward. When the State pays the County for claims covered by the scope of services in this proposal, MGT will invoice for the full-deferred fee amount. Once again, our firm is flexible and open to alternatives suggested by the County.


ACCEPTANCE OF CONDITIONS

MGT affirms the acceptance of the terms and conditions contained in the RFP. Furthermore, our firm understands that if we are the successful bidder for this engagement, our firm will enter into the County's Independent Contractor Agreement in the form attached to the referenced RFP.

The bottom line is that we want to continue our extremely successful relationship with San Mateo County. We thank the County very much for the opportunity to submit this proposal to provide state mandate claiming services.

COST OF SERVICE CONSULTING IS OUR FOCUS

Many firms in this business provide a laundry list of other services to local government, listing pages of former and current clients. However, MGT's references are current clients who are receiving SB 90 claiming services from consultants who are employed by our firm. In the table below we list some key factors that we believe are part of successful consulting engagements.

	Wall Street Firms	Individual or Small Firms	
Are company decisions and compensation driven by happy clients and long term relationships rather than quarterly financial results and Wall Street expectations?	✓		✓
Are the majority of the firm's revenues from comprehensive cost consulting projects?	✓		✓
If the schedule changes or project manager is unavailable, are others ready to step in?	✓	✓	
Has the firm completed over 20+ county SB 90 projects like the RFP describes?	✓	✓	
Have these 200 or more costing projects been completed in the past 12 months?	✓	✓	
Are there six current staff members who have managed a county SB 90 engagement San Mateo's size or larger?	✓		
Does the firm provide UNLIMITED field audit assistance and protection for all SB 90 claims filed on behalf of San Mateo County?	✓		
Are the firm's references current and projects performed by consultants currently on?	✓		
Total number of attributes that lead to successful engagements	8	3	2

ADDITIONAL INFORMATION

For the County's reference, we have attached three different schedules and detailed resumes of proposed project staff.

- Appendix A:** Detailed Description of Services
- Appendix B:** SB90 Background and Update
- Appendix C:** List of Currently Eligible Claims
- Appendix D:** List of Approved New Mandate Claims
- Appendix E:** List of Potential New Mandate Claims
- Appendix F:** Resumes

APPENDIX A

DETAILED DESCRIPTION OF SCOPE OF SERVICES

DETAILED DESCRIPTION OF SCOPE OF SERVICES

Our firm's proposed work plan for San Mateo County's engagement is designed to be primarily a front-loaded system. Based on our years of experience in this area, we have found that agencies that identify their mandated costs early in the process and set up systems to ensure that all eligible costs are tracked and reported, receive larger reimbursements and fewer calls from the State Controller's office. From the State Controller's perspective, showing up in the fall and asking counties to estimate their time spent on mandated activities will no longer be sufficient.

Upon award of this engagement, MGT will meet with the Controller's staff to jointly map out a timeline of for all of the tasks described below. Without knowing the schedule and constraints on the County's staff, it is meaningless to construct a detailed calendar at this time based on assumptions.

MGT has designed the following turn-key approach for San Mateo County's engagement:

The SB 90 Workplan

Many steps go into the SB 90 Work plan for a County with the size and complexity of San Mateo. However, MGT has identified the following order of activities as the most important landmark events that must occur for the County to have a successful SB 90 claiming engagement during the 2009-2010 fiscal year.

- ❖ Quick and painless contract negotiations and approval.
- ❖ Initial kick-off meeting with the County.
- ❖ Identify department fiscal and program contacts within San Mateo County.
 - Develop written claiming plan for each department
 - Distribute claiming plans
 - Review claiming plan with departments
- ❖ Review copies of last fiscal year's claims.
- ❖ Discuss each department's time tracking, mandate documentation, records retention procedures, and recommend improvements that will assist in defending claimed costs.

New Claims: First & Second Quarter of FY 2009-2010

- ❖ Establish schedule and approach needed to complete all new, or first-time claims due within the first quarter and second quarters of fiscal 2009-2010.
 - Direct cost program data needs
 - Indirect cost rate proposal data needs
- ❖ Complete all claims and ICRPs.
- ❖ Perform an internal quality assurance review of these claims and ICRPs.
- ❖ Provide the completed claims and ICRPs to the County for review and signature at least two weeks prior to the claiming deadline. This step assumes all data has been provided

to MGT in a timely manner by the County's departments. Every effort will be made by our firm to ensure this happens, but occasionally, the County's SB 90 Coordinator will need to provide some additional encouragement to the departments as well.

Annual Claims: Due to the State by January 15, 2010

- ❖ Establish schedule and approach needed to complete all annual claims due to the State by January 15th, 2010.
 - Direct cost program data needs
 - Indirect cost rate proposal data needs
- ❖ Complete all claims and ICRPs.
- ❖ Perform an internal quality assurance review of these claims and ICRPs.
- ❖ Provide the completed claims and ICRPs to the County for review and signature at least two weeks prior to the claiming deadline. This step assumes all data has been provided to MGT in a timely manner by the County's departments. Every effort will be made by our firm to ensure this happens, but occasionally, the County's SB 90 Coordinator will need to provide some additional encouragement to the departments as well.

New Claims: Third & Fourth Quarter of FY 2009-2010

- ❖ Identify new claims that are going to become mandated programs during fiscal 2009-2010 and what departments will likely be affected by these claims. As part of this step, MGT will provide early claim summaries and data collection needs to these departments so they can start formulating documentation strategies.
- ❖ As new claiming instructions are issued by the State Controller, MGT will work with the County to establish schedules and approaches needed to complete all new or first-time claims due during the second two quarters of fiscal 2009-2010.
 - Direct cost program data needs
 - Indirect cost rate proposal data needs
- ❖ Complete all claims and ICRPs.
- ❖ Perform an internal quality assurance review of these claims and ICRPs.
- ❖ Provide the completed claims and ICRPs to the County for review and signature at least two weeks prior to the claiming deadline. This step assumes all data has been provided to MGT in a timely manner by the County's departments. Every effort will be made by our firm to ensure this happens, but occasionally, the County's SB 90 Coordinator will need to provide some additional encouragement to the departments as well.

Project Coordination

MGT views the SB 90 process as a partnership between the County and our firm. With that said, we also recognize the County's preference to have minimal involvement in this process to conserve internal resources. Our firm will always approach the County's SB 90 engagement from that perspective. We will keep the Controller's office apprised of everything we are doing, but will take care of all aspects of project coordination. MGT will:

- ❖ Provide the County with a list of all eligible claims, as well as Claim Summary sheets and Data Collection forms.

- ❖ Work in concert with San Mateo County's SB 90 Coordinator to coordinate the County's overall claiming process. Once again, minimal reliance will be placed on the County's SB 90 Coordinator in this process.
- ❖ Coax departments to ensure that all eligible claims are filed on time to avoid the new 10% uncapped penalty. As discussed in the New Operating Environment section of the *Introduction*, late claims no longer have a \$1,000 cap. It is critical to work with the departments after the on-site interviews to ensure that all questions are answered and deadlines will be met.
- ❖ Ensure that all eligible claims are filed on time, and provide the County with written documentation describing why San Mateo County will not file certain claims.

Data Collection

The three components of data collection related to this engagement include: direct cost program data, indirect cost data, and supporting documentation.

Direct Cost Program Data Collection

- ❖ Conduct individual meetings with departments to discuss all reimbursable mandated activities, and to develop a schedule and plan for providing the claim data to MGT so claims can be completed well before the claiming deadlines.

Indirect Cost Data Collection

- ❖ Gather salary and benefit data from the Controller's office, or the individual departments for all required fiscal years.
- ❖ Collect certain pages from the County's cost allocation plan.
- ❖ In concert with other department interviews, MGT's staff will also gather required information required to prepare OMB A-87 compliant Indirect Cost Rate Proposals (ICRPs). It is important for this step to occur each year because departments reorganize, assignments shift, new personnel are hired or retire, etc.

Supporting Documentation Collection

- ❖ MGT will work with San Mateo County's departments to determine what types of documentation must be submitted to the State as attachments to the claims, and what types of documentation should be maintained in the County's files in case of State Controller inquiry or field audit. MGT will then collect only the documentation that the State Controller requires to be submitted with each claim.

Orientation and Training for County Department Staff

MGT believes that there is no cookie cutter approach to successful orientation and training. Some of San Mateo County's department personnel are extremely savvy and experienced in the SB 90 process, while others are virtual neophytes. MGT will tailor its level of training to meet the needs of each department. As we have noted several times in this proposal, early communication is the most important aspect of this component. MGT will:

- ❖ Provide electronic notification on upcoming mandate claims as soon as the Parameters and Guidelines for these programs are approved. This will be done primarily via e-mail and will provide both the key department personnel, as well as the County's SB 90 Coordinator, the earliest complete view of the upcoming mandated programs.

- ❖ Provide on-site training for both program and fiscal staff. It is important that both parts of each affected department understand the State's requirements and any specific issues related to the particular mandate from a programmatic and fiscal standpoint. We will also gladly provide a history and overview of the SB 90 program to any of the department staff who are relatively new to the process.
- ❖ Assist the County to establish relevant, defensible source documentation standards for each claim within each of San Mateo County's claiming departments. MGT's goal for each of the County's claims is clear documentation showing the mandate was performed, and the associated personnel costs.
- ❖ Provide perspectives related to how other counties are interpreting and claiming each mandate to ensure nothing is missed. Provide guidance on the current acceptable range of costs being claimed by similar agencies so San Mateo County will be aware of any foreseeable exposures existing at the claiming stage. Since the proposed consultants have worked directly with 18 of the State's 20 largest counties in the past, their perspectives will be of great assistance to the County in this area.

Claim Preparation

Once data has been received from the County, MGT will prepare all eligible claims on behalf of the County on the required State Controller claim forms.

Direct Costs

- ❖ Prepare all claims that apply to single departments. Once again, MGT's experience will ensure that the no cost components are misinterpreted or omitted.
- ❖ Coordinate and prepare all multi-department claims such as Sexually Violent Predators, Not Guilty By Reason of Insanity, Mentally Disordered Offenders, and Peace Officer Bill of Rights. Simply gathering data for mandates that span different departments is not enough. The data must be cross-referenced and analyzed to ensure that each department is capturing cost data for the same cases and are not misclassifying certain cases, a very common occurrence.

Indirect Costs

- ❖ Prepare indirect cost rate proposals (ICRPs) for all claiming departments. ICRPs provide an approved method for claiming departmental indirect costs. This ratio can then be applied to direct salaries, or salaries and benefits, often increasing claims by 25% to 50%, or even more in some cases.

Filing Procedures

MGT will provide the Controller's office with a clear, understandable process for receiving data and signed claims. There will be no points of confusion as to where the completed claims should be mailed, or who is responsible for making sure the claims are received and filed with the State Controller on time.

- ❖ MGT will perform one final quality control check to ensure that the County has signed two (2) original coversheets, all parts of the claim are included, and all required documentation is attached.
- ❖ MGT will hand deliver all signed claims received from San Mateo County to the State Controller's office on or before the stated deadline. Our firm will also provide the

- State Controller with a Declaration of Service form, as well as blank Claims Receipts for their staff to sign and return.
- ❖ Our firm will also provide hard copies of all claims submitted, as well as electronic versions of the claims in Adobe .pdf format if requested by San Mateo County.

Remittance Tracking

MGT will assist the County with all aspects of remittance tracking throughout the entire fiscal year. MGT will:

- ❖ Provide copies of all claims receipts, declarations and summary claiming reports. MGT has developed full-color summary claiming reports that break down the annual claiming cycle into graphic images. In past reports, we have displayed the following comparisons:
 - Dollars claimed per department
 - Total claims per department
- ❖ Dollars claimed for the current fiscal year compared to the past year
- ❖ If there are some additional ways that the County would like to see their claim information depicted, we will certainly provide those in the report as well.
- ❖ Assist County with tracking claim payments made by the State. Obviously, the State has not made any SB 90 payments to local agencies for about a year now. However, when the County resumes this function, MGT will assist the County with this sometimes-confusing process.

On-Going Support and Status Updates

The claiming process is obviously the key aspect of this engagement, but the on-going support services that MGT offers are important complimentary services to continuously upgrading the County's knowledge base, relations and communications with the State and contract agencies, and anticipating changes to the claiming process.

Liaison Assistance

- ❖ MGT will assist the County to provide any eligible cost data related to mandated contract services to Special Districts or Cities that have contractual relationships with the County. It is important to note that the State Controller has determined that counties may no longer claim costs on behalf of contract cities or special districts.
- ❖ MGT will also provide liaison assistance with the State Controller at the desk review level. The State Controller may call requesting additional information, or duplicate documentation that may have gotten lost in their offices. MGT will field these calls and fulfill all appropriate requests without the County needing to get involved.

Audit Assistance and Protection

- ❖ Nobody wants to see the State Controller auditing their claims, but higher levels of scrutiny are a fact of life now. Our proposed project consultants have extensive experience preparing local agencies for field audits and assisting in their representation through the exit conference. In fact, Mr. Burgess, the proposed partner-in-charge, spent an extensive amount of time with San Mateo County's Mental Health Department's field audit related to the Handicapped and Disabled Student claim. The response jointly developed by county staff and Mr. Burgess became the boilerplate response for the

majority of counties in the State of California who had audit disallowances related to this program. Mr. Dyer, the proposed project manager, has worked on numerous field audits, responses and incorrect reduction claims.

Status Updates

- ❖ MGT will provide targeted, relevant communication on statewide issues, interpretations and actions at the State Capital relating to the SB 90 process throughout the fiscal year. The SB 90 process is constantly changing and evolving. On virtually a weekly basis new test claims are filed, the State Controller issues new interpretations, and new players from the State get involved in the process. MGT will sift through all of this activity to provide San Mateo County with the most relevant information throughout the year, saving the County time and resources.

Other Services

While it is unclear if San Mateo County will require assistance filing and defending Incorrect Reduction Claims, MGT does offer this service. Because this is a service only periodically requested by counties, it has not been included in the price shown in this proposal, but may be secured through a separate agreement.

APPENDIX B

SB90 PROGRAM INFORMATION

SB90 Program Information

Straight Talk on the California Budget & the Future of the SB 90 Program

The State of California's (State) historic budget deficits of the past and current fiscal years have produced a record amount of SB 90 claim payment deferrals. We estimate that local agencies, excluding school districts, will be owed over \$2 billion in SB 90 payment deferrals by the time the current budget is passed.

While this funding shortfall presents real cash flow issues for local agencies, this is not the first time local governments have faced tough times with this program.

During the recession of the late 1980s and early 1990s, the State of California defunded 24 mandated programs by making them "optional." They did this by putting a zero dollar appropriation in the State budget, without repealing the original operative mandate statute. These optional programs left locals between a rock and a hard place because one part of the law said that they were required to perform the mandate, while another part of statute said that they "didn't have to give effect" to those requirements.

During the mid-1990s, the State Controller held up payments for the Open Meetings Act claim for over five years due to a dispute over documentation and certain eligibility issues. Several other examples could be cited where SB 90 has not worked as it was originally intended.

However, through all of the difficult times, one constant has always remained: those agencies that continued to file their SB 90 claims have always been rewarded.

The 24 mandates that were suspended in the early 1990s were quickly replaced with more eligible mandate reimbursement claims. The once disputed Open Meeting claims were eventually paid after the Commission found that the State Controller had exercised "underground rule making" in denying payment. Once again, locals that continued to file claims were richly rewarded.

Article XIII B, Section 6 of the State Constitution guarantees local protection from the State in the mandated area. Is it a perfect system? No, far from it. However, this process annually protects locals from hundreds of mandates that would otherwise come down from the State.

There are currently close to 50 eligible county claims, and more than 30 new test claims currently working their way through the Commission on State Mandates process. Also, all eligible claimed amounts that have been deferred by the State are due in full from the State plus interest. The State cannot legislate away this obligation. History has shown and the Constitution guarantees that local agencies that continue to track their eligible mandated costs and file their SB 90 claims will reap the rewards. Those that do not file their claims will likely continue performing the State's mandates, but will never see a nickel for their efforts.

For the 2009-10 budget, the Governor has recommended suspension of Prop IA of 2004, the non-law enforcement SB 90 mandates, and Handicapped & Disabled Students. While we believe it is unlikely that all of these programs will be suspended, all of the 2008-09 mandates are available for claiming, as well as a stuffed pipeline of new mandates.

As we indicated in our cover letter, the Open Meetings Act claim is back this year, and there are at least four years worth of claims to file for that program. Including all years, this claim alone should produce close to \$400,000 for San Mateo County (County). There will also be four to six new claims to file this fiscal year, so it is time for the County and MGT to roll up our sleeves and maximize these opportunities.

Source Documentation

Source Documentation has become the key phrase used by the State Controller relating to local agencies supporting their state mandate cost claims. Because it is of vital importance to the County's cognizant agency, it is also of equal importance to San Mateo County.

The two major areas of documentation that define source documents are as follows:

- ❖ Evidence that the mandate was performed by the County agency
- ❖ Substantiation of direct labor hours and other direct services claimed

MGT is uniquely qualified to work with each of San Mateo County's departments to establish realistic and defensible source documentation standards. Our consultants have assisted more medium and large counties in preparing and defending claims before the State Controller than any other firm.

SB 90 field audits have occurred regularly throughout the State over the past three years. It is not just Los Angeles County that has drawn the State Controller's scrutiny; counties with populations as small as 170,000 have recently been field audited by the State. It is essential to partner with a firm focused on mitigating any future State Controller's field audits or desk reviews.

Our consultants' experience defending counties in these audits has allowed us to understand the potential pitfalls and red flags associated with the following target areas:

- ❖ High dollar claims
- ❖ Indirect cost calculations
- ❖ Productive hourly rate calculations
- ❖ Proper documentation: what should be attached to the actual claim vs. what should be held in the County's working papers
- ❖ Benefit rate calculations
- ❖ Off-setting revenues
- ❖ Effectively supporting back year claims for new programs

We understand that different counties and different departments within a given county have varying tolerance for risk vs. reward. MGT views our role as an advisor in assisting San Mateo County in making the most prudent choices in the gray areas of the state mandates process. In the event of a field audit, MGT will provide unlimited audit protection to the County for claims our firm has filed.

APPENDIX C

LIST OF CURRENTLY ELIGIBLE CLAIMS

LIST OF CURRENTLY ELIGIBLE CLAIMS

This is the complete list of currently eligible state mandated cost claims for which counties may file reimbursement claims. The appropriation amount shown is for fiscal year 2007-2008, and is displayed purely for illustrative purposes only. At the time of this document's preparation, several lists of proposed program suspensions were being circulated for 2009-2010. Because a state budget for 2009-2010 has yet to be signed into law, we will assume for the time being that the list below will be the eligible list of programs for both 2008-2009 & the proposed 2009-2010 fiscal years.

Program Name
Child Abduction & Recovery
Stolen Vehicles Notification
Domestic Violence Arrests and Victim Assistance
Voter Registration Procedures
Absentee Ballots
Permanent Absent Voters
Brendon Maguire Act
IHSS II
Peace Officer Bill of Rights
Racial Profiling: Law Enforcement Training
Fire Safety Inspections of Care Facilities
Pesticide Use Reports
Binding Arbitration
Post Conviction DNA Court Proceedings
Medi-Cal Beneficiary Death Notices
Search Warrants: AIDS
CA Fire Incident Reporting System
15-day Close of Voter Registration
Pacific Beach Safety: Beach Closures
Firearm Hearings for Discharged Inpatients
Perinatal Services
Attorney Services for Dev. Disabled Adults
MDO: Treatment as a Condition of Parole
Mentally Retarded Defendants
Conservatorships: Dev. Disabled Adults
Coroner's Responsibilities
SED: Out of State Placement
MDSO Recommendations
Services to Handicapped Students

*San Mateo County
Proposal for Preparation of SB-90 Cost Reimbursement Claims*

Not Guilty by Reason of Insanity
Sexually Violent Predators
Domestic Violence Treatment Approvals
Threats Against Peace Officers
Crime Victims' Rights
Domestic Violence Arrest Policies
Firefighters' Cancer Presumption
Peace Officers' Cancer Presumption
Senior Citizens' Property Tax Deferral
Countywide Tax Rates
ERAF: Allocation of Tax Revenue
Rape Counseling Center Notices
Photographic Record of Evidence
Animal Adoption
Photographic Record of Evidence
Child Abuse Treatment Services
Mentally Disordered Offenders
Health Benefits for Survivors of Pos
Sex Crime Confidentiality

APPENDIX D

LIST OF APPROVED NEW MANDATE CLAIMS

LIST OF APPROVED NEW MANDATE CLAIMS

This is the current list of new or first-time state mandated cost claims for which counties may file reimbursement claims for the first time during fiscal year 2009-2010. All of these programs are at the Parameters and Guidelines development stage, and there have been no statewide appropriations made for these claims yet.

Pertinent Statutes	Program Name	Eligible Claim Years
Penal Code Sections 273a, 11164, 11165, 11165.1, 11165.2, 11165.3, 11165.4, 11165.5, 11165.6, 11165.7, 11165.9, 11165.12, 11165.14, 11166, 11166.2, 11166.5, 11168, 11169, 11170, and 11174.3	Child Abuse & Neglect Reporting	2001-2002 to present
Penal Code Sections 12025, 12031, 13012, 13014, 13020, 13021, 13023 and 13730	Crime Statistics Reports for the Department of Justice	2001-2002 to present
Penal Code Section 13519.7 Statutes 1993, Chapter 126 (SB 459)	Law Enforcement Sexual Harassment Complaint Procedures and Training	2004-2005 to present
Chapter 906 of 2000	Local Government Employment Relations (PERB)	2000-2001 to present
Chapter 591 of 2007, Section 3250 of Gov't Code	Firefighters Procedural Bill of Rights	2007-2008 to present
Chapters 572 and 713 of 2001	Domestic Violence Background Checks	2002-2003 to present
641 of 1986	Open Meetings Act-Reissued	2005-2006 to present

APPENDIX E

LIST OF POTENTIAL NEW MANDATE CLAIMS

LIST OF POTENTIAL NEW MANDATE CLAIMS

This is a list of potential new or first-time county state mandated cost claims that have not been heard before the Commission on State Mandates. However, all of these claims are far enough along in the process that the Commission could hear them, approve the test claims, and claiming instructions could be issued during or shortly after the 2009-2010 fiscal year.

Pertinent Statutes	Program Name	Year Filed with Commission
Penal Code 273.75	Domestic Violence Defendant Investigations	2005
Penal Code Section 530.6, subdivision (a) Statutes 2000, Chapter 956 (AB 1897)	Identity Theft	2003
Govt Code 56326.5, 56381, 56001, 56425	Local Agency Formation Commissions (LAFCO)	2002
Exec Order No. 01-182	Municipal Storm Water and Urban Runoff Discharges	2003
Statutes 2001, Chapter 348 (AB 632)	Re-Districting Senate and Congressional Districts	2002
Election Codes 3200-3206	Permanent Absent Voter (amd)	2003
Chapter 898 of 2000	Modified Primary Election	2001
Government Code Sections 17553, 17557, and 17564; Statutes 2004, Chapter 890 (AB 2856) and 486 of 1975	Mandate Reimbursement-Reissued	1975, 2005, lawsuit 2009

APPENDIX F

RESUMES

RANGE OF EXPERIENCE

Consulting Background. Mr. Burgess has performed cost-of-service studies for California local governments since 1990. Over the past 18 years, he has developed a broad background in local government consulting, with a primary focus on state mandate cost reimbursement consulting and indirect cost rate proposal development. On August 1st, 2007, Mr. Burgess merged Public Resource Management Group, LLC (PRM) into MGT of America, Inc. (MGT). In 2003, Mr. Burgess became one of the three founding partners of Public Resource Management Group, LLC. Prior to joining PRM, he was a vice president at Maximus Inc., DMG-Maximus, and David M. Griffith and Associates, Ltd. (DMG).

Mr. Burgess has personally served over 100 cities and 24 counties within the state of California during his 18-year consulting career. He has also personally provided consulting services to 17 of the California's 20 largest counties.

Education. Mr. Burgess received a Bachelor of journalism degree from the University of Missouri at Columbia, and a Masters in public policy studies from the University of Chicago.

Professional Leadership. Mr. Burgess is the Managing Partner for all West Cost projects conducted by MGT's Cost Services Division. At PRM, Mr. Burgess was the director for the firm's Claims & Grants Division. During his tenure with DMG and Maximus, Mr. Burgess was one of two vice presidents responsible for the \$5 million local government consulting practice, with 30 professional consultants, and over 400 clients served per year. In addition to SB 90 claiming, additional representative consulting studies include appropriation limitation studies, Southwest Border Prosecution Initiative applications, Office of Management and Budget A-87 cost allocation plans, user fee studies, development impact fee analysis, and legislative analysis.

Pertinent Statewide Experience. Mr. Burgess served as the Associate Director of the California Cities SB 90 Service and the CSAC SB 90 Service. In this capacity, Mr. Burgess worked on behalf of all California local agencies to reach resolution on statewide issues such as the Open Meetings Act impasse; developing unit costs for several current mandates; and has assisted agencies such as San Francisco, Santa Barbara County, Orange County, Santa Clara County, Sacramento County, Monterey County, Marin County and San Mateo County with state controller field audit defense related to SB 90 claiming issues. Mr. Burgess has also represented clients in matters related to California's Commission on State Mandates and the Bureau of State Audits. Mr. Burgess has also provided over 30 statewide training sessions on SB 90 and cost accounting issues over the past 18 years.

Professional History. Mr. Burgess has a broad background in government, public policy, and journalism. For three years, he edited and published a monthly professional magazine for the University of Missouri. Prior to joining DMG, Mr. Burgess was the transportation budget analyst for Governor Jim Thompson's staff in the State of Illinois. During this time, he was hired as a contract consultant for Continental Illinois National Bank in Chicago. Prior to his time in Illinois, Mr. Burgess was a working journalist for a daily metro newspaper in Kansas City. He also worked on several professional projects in Egypt, Israel, and Saudi Arabia.

YEARS OF EXPERIENCE: 18

MGT of America, Inc.
Partner
August 2007 – Present

*Public Resource
Management Group LLC*
Director

MAXIMUS, Inc.
Vice President

DMG-Maximus, Inc.
Vice President

*David M. Griffith and
Associates, Ltd..*
Vice President

EDUCATION/ CERTIFICATIONS

BA, Journalism,
University of Missouri

MPP, University of
Chicago

RANGE OF EXPERIENCE

Patrick Dyer has over ten years of professional experience in government operations. He has worked with city, county, state, special district, joint powers authority government agencies on cost accounting and state mandated cost claiming projects during his four-year consulting tenure. His range of experience includes the following:

- ❖ Reimbursable California State Mandated Programs
- ❖ Government Budgeting
- ❖ Government Cost Allocation Plans (OMB Circular A-87)
- ❖ Indirect Cost Rate Proposals
- ❖ Cost Analysis
- ❖ California Legislative Process and Bill Analysis
- ❖ Mental Health Program Details and Funding Sources (AB 3632)
- ❖ Daily Jail Rate Analysis

Mr. Dyer received a Bachelor of Science degree in Business Administration, with a concentration in Finance, from California State University, Sacramento. Prior to obtaining a degree, he attended the University of California, Davis, where he studied physiology and premed subjects for over three years.

PROFESSIONAL AND BUSINESS EXPERIENCE

Consulting Experience

California State Mandated Cost Claiming Services: As a Senior Consultant for MGT, Mr. Dyer is responsible for marketing, writing proposals and performing cost consulting services to city and county governments. His consulting practice services cover the following activities: detailed cost accounting, cost allocation, indirect cost rate proposal calculations, workshops, training, legislative analysis, report writing and audit defense. Mr. Dyer is the project manager directly responsible for the claims of over a dozen local agencies, which file for over \$10 million in reimbursed costs from the State of California. In addition to his direct work on the numerous consulting engagements, Mr. Dyer has some management responsibilities including but not limited to: designing and maintaining the corporate Web site, tracking detailed contingency bills to clients and co-authoring the practice's electronic mandate newsletter titled "MGT Instant Update." Some of Mr. Dyer's current clients in this area include the City of Anaheim, City of La Habra, City of San Clemente, City of Burbank, and City of Riverside.

YEARS OF EXPERIENCE: 10

MGT of America, Inc.
Senior Consultant
August 2007 – Present

*Public Resource
Management Group LLC*
Senior Consulting
Manager
October 2003 – August
2007

MAXIMUS, Inc.
Project Manager
April 2001 – October
2003

City of Davis, California
Revenue Collections
Customer Service
Coordinator
June 1998 – March 2001

Registrar and
Purchasing Coordinator
December 1996 – June
1998

EDUCATION/ CERTIFICATIONS

BS, Business, California
State University
Sacramento

PROFESSIONAL AND BUSINESS EXPERIENCE (Continued)

User Fee or Cost of Service Analysis: As a Senior Consultant with MGT/PRM, Mr. Dyer is responsible for several cost analysis projects for city government. As project manager for these engagements, Mr. Dyer handled data collection, cost accounting and financial analysis of client City government operations. Activities that provide a community-wide benefit, such as Police Patrol and Fire Suppression are typically supported by taxes. However, if a service provided by a government agency benefits primarily an individual rather than the entire community, those activities are supported by a user fee. Mr. Dyer's work for City government agency in this area entails a detailed bound report which analyzes costs and legally supports fees charged to the public.

Cost Allocation: As a Senior Consultant with MGT/PRM, Mr. Dyer is responsible for several cost allocation projects for city government. As project manager for these engagements, Mr. Dyer is responsible for data collection, cost accounting and financial analysis of client City government operations. Most projects involve cost allocation which is a comprehensive distribution of agency-wide administrative costs to all departments that benefit or receive services. Central service departments such as General Administration, Human Resources, and Payroll and Purchasing costs are distributed to all departments that benefit from service from them by unique, fair and equitable allocation bases.

Government Experience

Prior to joining beginning his consulting career, Mr. Dyer spent over ten years with the City of Davis, most recently holding the position of SB 90 Coordinator for the City, as well as supervising Finance Department staff handling the City revenue collection, loans, parking citation billing, 15,000 utility billing accounts and the City's 5,000 business licenses. Mr. Dyer also completed a successful pilot data capture program between the City of Davis and the State of California Department of Motor Vehicles to develop a virtual private network to exchange vehicle owner information and streamline parking citation collection processes for local government.

Also while at the City of Davis, Mr. Dyer was held the position of President with the Davis City Employees Association, a labor union for approximately 300 of the City's miscellaneous employees. While holding that position, Mr. Dyer gained valuable experience related to employer-employee contracts (MOUs), labor relations law, collective bargaining, comparable worth studies and compensation analysis.

Project Manager Experience Pertinent to Irvine's Project

- City of Anaheim** - State mandated cost reimbursement project, 2004 to present.
- City of Glendale** – State mandated cost reimbursement project, 2003 to present.
- City of Burbank** – State mandated cost reimbursement project, 2003 to present.
- City of Riverside** – State mandated cost reimbursement project, 2003 to present.
- City of Sacramento** – State mandated cost reimbursement project, 2004 to present.
- City of La Habra** – State mandated cost reimbursement project, 2005 to present.