



COUNTY OF SAN MATEO
County Manager's Office



DATE: November 8, 2011
BOARD MEETING DATE: November 15, 2011
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Reyna Farrales, Deputy County Manager, Administrative Services
Peggy Jensen, Deputy County Manager, Community Services

SUBJECT: **Agreement with Accenture for Cost Savings Initiatives**

RECOMMENDATION:

Adopt a Resolution:

- A) Waiving the Request for Proposal process and authorizing the President of the Board to execute an Agreement with Accenture LLP to assist the County in identifying and capturing savings and developing a basic benefits tracking program to track Countywide savings for the term of November 15, 2011 through March 31, 2012, for a maximum obligation of \$1,000,000 to be paid over three years based on savings to the County; and.
- B) Authorizing the County Manager or his designee to execute contract amendments which modify the County's maximum fiscal obligation by no more than \$25,000 (in aggregate), and/or modify the contract term and/or services so long as the modified term or services is/are within the current or revised fiscal provisions.

BACKGROUND

In June of 2011 the County entered into a contract with Accenture, a management consulting firm, to complete a detailed spending analysis and identify opportunities to (1) reduce the cost of goods and services purchased and (2) share purchasing practices with the cities. The County contract grew out of initial work Accenture did for the County and cities at no cost, which projected savings of up to \$10 million based on a high-level analysis of spending data and Accenture's public sector experience. Accenture has done similar work for the City of New York, and the states of Ohio, Florida and Pennsylvania. For those clients, the firm reviewed all purchases and identified expenses with realized savings in the range of 10% to 15%.

The Controller's Office provided Accenture with three years of County spending data, which was sorted into supplier categories and reviewed against benchmarks to assess savings potential. Specific contracts and invoices were analyzed, and interviews were conducted with staff from operating departments, Controller's Office and County Manager's Office (Purchasing) to understand purchasing patterns and processes.

Accenture found that the County is currently taking advantage of various opportunities to drive savings. Statewide contracts and agreements with group purchasing organizations (GPOs) are being used to achieve competitive pricing for specific goods and services, including fleet vehicles, office supplies, networking equipment, telecommunications, and prescription drugs. A competitive process has also been implemented to achieve best leasing terms for IT hardware. The assessment also found, however, that the County's procurement practices are transactionally focused and less strategic, and that the current decentralized purchasing structure and reporting tools limit opportunities to achieve savings across all departments.

After focusing its analysis on areas with the highest savings potential, or addressable spend, Accenture identified 21 categories with \$4.2 to \$8.2 million in savings that can be achieved through implementation of best practices and strategic sourcing.

DISCUSSION

Given the potential savings identified, County Manager staff asked Accenture for a proposal to work on implementing recommendations in a number of categories. After further review, it is recommended that the County proceed with working with Accenture to pursue savings in office supplies and equipment, and information technology (IT) hardware. Estimated savings range from \$710,000 to \$1.4 million over one year. Accenture's responsibility will include providing staff expertise and best practices from previous engagements that will result in savings to the County. Accenture will also assist in developing a benefits tracking program to track Countywide savings. Services will be completed by March 31, 2012 so the County can achieve savings in the current fiscal year.

In light of Accenture's prior work for the County in identifying savings opportunities and expertise in implementing similar savings recommendations for other public entities, it is in the County's best interest to waive the request for proposals process.

The Agreement and Resolution have been reviewed and approved by County Counsel. The Contractor's insurance has been reviewed and approved by Risk Management. The Contractor has assured compliance with the County's Contractor Employee Jury Service Ordinance, as well as all other contract provisions that are required by County ordinance and administrative memoranda, including but not limited to insurance, hold harmless, non-discrimination and equal benefits.

The Agreement contributes to the Shared Vision 2025 outcome of a Collaborative Community by pursuing savings through standardization of items purchased and implementation of best practices. The County expects to achieve at least \$1 million in ongoing savings from this effort, with a payback period of less than 2 years.

Performance Measure:

Measure	Year 1	Year 2	Year 3	Year 4	Year 5	5-Yr Total
Est. Annual savings	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$5,000,000
Cost	(500,000)	(250,000)	(250,000)			(1,000,000)
Net savings	\$500,000	\$750,000	\$750,000	\$1,000,000	\$1,000,000	\$4,000,000

FISCAL IMPACT

The term of this Agreement is November 15, 2011 to March 31, 2012. Accenture will be paid from savings achieved, with a maximum one-time obligation of \$1 million paid over three years. The County will keep any savings over \$1 million and will benefit from ongoing savings.

RESOLUTION NO. _____
BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA
* * * * *

RESOLUTION: A) WAIVING THE REQUEST FOR PROPOSAL PROCESS AND AUTHORIZING THE PRESIDENT OF THE BOARD TO EXECUTE AN AGREEMENT WITH ACCENTURE LLP TO ASSIST THE COUNTY IN IDENTIFYING AND CAPTURING SAVINGS AND DEVELOPING A BASIC BENEFITS TRACKING SYSTEM TO TRACK COUNTYWIDE SAVINGS FOR THE TERM OF NOVEMBER 15, 2011 THROUGH MARCH 31, 2012, FOR A MAXIMUM OBLIGATION OF \$1,000,000 TO BE PAID OVER THREE YEARS BASED ON SAVINGS TO THE COUNTY; AND B) AUTHORIZING THE COUNTY MANAGER OR HIS DESIGNEE TO EXECUTE CONTRACT AMENDMENTS WHICH MODIFY THE COUNTY'S MAXIMUM FISCAL OBLIGATION BY NO MORE THAN \$25,000 (IN AGGREGATE), AND/OR MODIFY THE CONTRACT TERM AND/OR SERVICES SO LONG AS THE MODIFIED TERM OR SERVICES IS/ARE WITHIN THE CURRENT OR REVISED FISCAL PROVISIONS

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, Ordinance Code Section 2.83.170 authorizes the Board of Supervisors to waive the Request for Proposals process in any situation where the Board of Supervisors determines that the best interest of the County could be served without the necessity of proposals; and,

WHEREAS, in light of Accenture's prior work for the County in identifying savings opportunities and expertise in implementing similar savings recommendations for other public entities, this Board has been asked to waive the Request for Proposals process in order to contract with Accenture LLP for consulting services; and,

WHEREAS, this Board has determined that it is in the best interest of the County to waive the Request for Proposals process; and

WHEREAS, there has been presented to this Board of Supervisors for its consideration and acceptance an Agreement, reference to which is hereby made for further particulars, whereby Accenture LLP shall provide consulting services to assist the County in identifying and capturing savings and develop a basic benefits tracking program to track Countywide savings for the term of November 15, 2011 through March 31, 2012, for a maximum obligation of \$1,000,000;

WHEREAS, this Board has been presented with a form of the Agreement and has examined and approved it as to both form and content and desires to enter into the Agreement;

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the County requirement for the Request for Proposals process for consulting services for said Agreement is hereby waived.

BE IT FURTHER RESOLVED that the President of this Board of Supervisors be and is hereby authorized and directed to execute said Agreement for and on behalf of the County of San Mateo, and the Clerk of this Board shall attest the President's signature thereto.

BE IT FURTHER RESOLVED that the County Manager or his designee is authorized to execute contract amendments which modify the County's maximum fiscal obligation by no more than \$25,000 (in aggregate), and/or modify the contract term

and/or services so long as the modified term or services is/are within the current or revised fiscal provisions.

* * *

**AGREEMENT BETWEEN THE COUNTY OF SAN MATEO
AND ACCENTURE LLP**

THIS AGREEMENT, entered into this 15th day of November, 2011, by and between the COUNTY OF SAN MATEO, hereinafter called "County," and Accenture LLP, hereinafter called "Contractor" or "Accenture";

W I T N E S S E T H:

WHEREAS, pursuant to Government Code, Section 31000, County may contract with independent contractors for the furnishing of such services to or for County or any Department thereof; and

WHEREAS, the County and Accenture previously entered into an Agreement for services on May 18, 2011, pursuant to which Accenture gathered quantitative and qualitative data regarding County expenditures for goods and services entered into the County's accounts payable system, and analyzed and evaluated said data to identify potential procurement savings opportunities across indirect spend categories and developed strategy recommendations (the "Initial Strategic Sourcing Assessment Phase"); and

WHEREAS, it is necessary and desirable that Contractor be retained for the purpose of pursuing opportunities identified by Accenture during the Initial Strategic Sourcing Assessment Phase and to assist the County in identifying and capturing savings and developing a basic benefits tracking program regarding the same.

NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES HERETO AS FOLLOWS:

1. Exhibits and Attachments

The following exhibits and attachments are included hereto and incorporated by reference herein:

Exhibit A – Services
Exhibit B – Payments and rates
Attachment I – §504 Compliance

2. Services to be performed by Contractor

In consideration of the payments set forth herein and in Exhibit "B," Contractor shall perform services for County in accordance with the terms, conditions and specifications set forth herein and in Exhibit "A."

3. Payments

In consideration of the services provided by Contractor in accordance with all terms, conditions and specifications set forth herein and in Exhibit "A," County shall make payment to Contractor based on the rates and in the manner specified in Exhibit "B." The County reserves the right to withhold payment if the County determines that the quantity or quality of the work performed does not conform to the terms, conditions, and specifications set forth in this Agreement. In no event shall the County's total fiscal obligation under this Agreement exceed One Million dollars (\$1,000,000).

4. Term and Termination

Subject to compliance with all terms and conditions, the term of this Agreement shall be from November 15, 2011, through March 31, 2012.

The County may terminate this contract for convenience upon 30 days written notice at any time. If the County terminates this contract without cause, Accenture shall invoice the County of San Mateo for Value Based Fees earned against Value Committed Milestones through the effective date of termination. Payment shall be due according to the schedule described in the invoicing section above.

Accenture shall be entitled to terminate this contract without cause upon 30 days written notice at any time. If Accenture terminates this contract without cause, Accenture shall invoice the County of San Mateo for Value Based Fees earned against Value Committed Milestones through the effective date of termination. Payment shall be due according to the schedule described in the invoicing section above.

In the event of termination, all finished or unfinished documents, data, studies, maps, photographs, reports, and materials (hereafter referred to as materials) prepared by Contractor under this Agreement shall become the property of the County and shall be promptly delivered to the County. Upon termination, the Contractor may make and retain a copy of such materials. Contractor shall be entitled to receive payment for work/services provided prior to termination of the Agreement. Such payment shall be that portion of the full payment which is determined in accordance with the Value Based Fees earned against Value Committed Milestones and the Schedule set forth in Exhibit B.

5. Availability of Funds

The County may terminate this Agreement or a portion of the services referenced in the Attachments and Exhibits based upon unavailability of Federal, State, or County funds, by providing written notice to Contractor as soon as is reasonably possible after the County learns of said unavailability of outside funding.

6. Relationship of Parties

Contractor agrees and understands that the work/services performed under this Agreement are performed as an independent Contractor and not as an employee of the County and that Contractor acquires none of the rights, privileges, powers, or advantages of County employees.

7. Hold Harmless

Contractor agrees to indemnify and defend the County, its employees, and agents from all third party claims, damages, and liability due to the injury or death of any individual, or the loss and damage to any real or tangible personal property arising out of the negligence of the contractor in the performance of this agreement, including any damages resulting from Contractor's failure to comply with the requirements set forth in the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended. With regard to claims other than third party claims, the sole liability of either party to the other (whether in contract, tort, negligence, strict liability in tort, by statute or otherwise) for any and all claims in any manner related to this Agreement will be the payment of direct damages, not to exceed (in the aggregate) the fees received by Accenture under this Agreement. In no event will either party be liable for consequential, incidental, indirect, special or punitive damage, loss or expenses (including, but not limited to, business interruption, lost business, lost profits or lost savings), even it has been advised of their possible existence.

8. Assignability and Subcontracting

Contractor shall not assign this Agreement or any portion thereof to a third party or subcontract with a third party to provide services required by contractor under this Agreement without the prior written consent of County. Any such assignment or subcontract without the County's prior written consent shall give County the right to automatically and immediately terminate this Agreement.

9. Insurance

The Contractor shall not commence work or be required to commence work under this Agreement unless and until all insurance required under this paragraph has been obtained and such insurance has been approved by Risk Management, and Contractor shall use diligence to obtain such insurance and to obtain such approval. The Contractor shall furnish the County with certificates of insurance evidencing the required coverage, and there shall be a specific contractual liability endorsement extending the Contractor's coverage to include the contractual liability assumed by the Contractor pursuant to this Agreement. These certificates shall specify or be endorsed to provide that thirty (30) days' notice must be given, in writing, to the County of any pending change in the limits of liability or of any cancellation or modification of the policy.

- (1) **Worker's Compensation and Employer's Liability Insurance** The Contractor shall have in effect during the entire life of this Agreement Workers' Compensation and Employer's Liability Insurance providing full statutory coverage. In signing this Agreement, the Contractor certifies, as required by Section 1861 of the California Labor Code, that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions of the Code, and I will comply with such provisions before commencing the performance of the work of this Agreement.

- (2) **Liability Insurance** The Contractor shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect him/her while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all claims for property damage which may arise from contractors operations under this Agreement, whether such operations be by himself/herself or by any sub-contractor or by anyone directly or indirectly employed by either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall be not less than the amount specified below.

Such insurance shall include:

- | | |
|---|-------------|
| (a) Comprehensive General Liability | \$1,000,000 |
| (b) Motor Vehicle Liability Insurance | \$1,000,000 |
| (c) Professional Liability | \$1,000,000 |

County and its officers, agents, employees and servants shall be named as additional insured on any such policies of insurance, which shall also contain a provision that the insurance afforded thereby to the County, its officers, agents, employees and servants shall be primary insurance to the full limits of liability of the policy, and that if the County or its officers and employees have other insurance against the loss covered by such a policy, such other insurance shall be excess insurance only.

In the event of the breach of any provision of this section, or in the event any notice is received which indicates any required insurance coverage will be diminished or canceled, the County of San Mateo at its option, may, notwithstanding any other provision of this Agreement to the contrary, immediately declare a material breach of this Agreement and suspend all further work pursuant to this Agreement.

10. Compliance with laws; Payment of Permits/Licenses

All services to be performed by Contractor pursuant to this Agreement shall be performed in accordance with all applicable Federal, State, County, and municipal laws, including, but not limited to, Health Insurance Portability and Accountability Act of 1996 (HIPAA) and all Federal regulations promulgated thereunder, as amended, and the Americans with Disabilities Act of 1990, as amended, and Section 504 of the Rehabilitation Act of 1973, as amended and attached hereto and incorporated by reference herein as Attachment "I," which prohibits discrimination on the basis of handicap in programs and activities receiving any Federal or County financial assistance. Such services shall also be performed in accordance with all applicable ordinances and regulations, including, but not limited to, appropriate licensure, certification regulations, provisions pertaining to confidentiality of records, and applicable quality assurance regulations. Further, Contractor certifies that the Contractor and all of its subcontractors will adhere to all applicable provisions of Chapter 4.106 of the San Mateo County Ordinance Code, which regulates the use of disposable food service ware.

In the event of a conflict between the terms of this agreement and State, Federal, County, or municipal law or regulations, the requirements of the applicable law will take precedence over the requirements set forth in this Agreement.

Contractor will timely and accurately complete, sign, and submit all necessary documentation of compliance.

11. Non-Discrimination and Other Requirements

- A. *Section 504 applies only to Contractor who are providing services to members of the public.* Contractor shall comply with § 504 of the Rehabilitation Act of 1973, which provides that no otherwise qualified handicapped individual shall, solely by reason of a disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination in the performance of this Agreement.
- B. *General non-discrimination.* No person shall, on the grounds of race, color, religion, ancestry, gender, age (over 40), national origin, medical condition (cancer), physical or mental disability, sexual orientation, pregnancy, childbirth or related medical condition, marital status, or political affiliation be denied any benefits or subject to discrimination under this Agreement.
- C. *Equal employment opportunity.* Contractor shall ensure equal employment opportunity based on objective standards of recruitment, classification, selection, promotion, compensation, performance evaluation, and management relations for all employees under this Agreement. Contractor's equal employment policies shall be made available to County of San Mateo upon request.
- D. *Violation of Non-discrimination provisions.* Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement and subject the Contractor to penalties, to be determined by the County Manager, including but not limited to
 - i) termination of this Agreement;
 - ii) disqualification of the Contractor from bidding on or being awarded a County contract for a period of up to 3 years;
 - iii) liquidated damages of \$2,500 per violation;
 - iv) imposition of other appropriate contractual and civil remedies and sanctions, as determined by the County Manager.

To effectuate the provisions of this section, the County Manager shall have the authority to examine Contractor's employment records necessary to confirm compliance with this paragraph at reasonable times and with prior written notice and/or to set off all or any portion of the amount described in this paragraph against amounts due to Contractor under the Contract.

Contractor shall report to the County Manager the filing by any person in any court of any complaint of discrimination or the filing by any person of any and all charges with the Equal Employment Opportunity Commission, the Fair Employment and Housing Commission or any other entity charged with the investigation of allegations within 30 days of such filing, provided that within such 30 days such entity has not notified Contractor that such charges are dismissed or otherwise unfounded. Such notification shall include the name of the complainant, a copy of such complaint, and a description of the circumstance. Contractor shall provide County with a copy of their response to the Complaint when filed.

- E. *Compliance with Equal Benefits Ordinance.* With respect to the provision of employee benefits, Contractor shall comply with the County Ordinance which prohibits contractors from discriminating in the provision of employee benefits between an employee with a domestic partner and an employee with a spouse.
- F. The Contractor shall comply fully with the non-discrimination requirements required by 41 CFR 60-741.5(a), which is incorporated herein as if fully set forth.

12. Compliance with Contractor Employee Jury Service Ordinance

Contractor shall comply with the County Ordinance with respect to provision of jury duty pay to employees and have and adhere to a written policy that provides that its employees shall receive from the Contractor, on an annual basis, no less than five days of regular pay for actual jury service in San Mateo County. The policy may provide that employees deposit any fees received for such jury service with the Contractor or that the Contractor deduct from the employees' regular pay the fees received for jury service.

13. Retention of Records, Right to Monitor and Audit

(a) CONTRACTOR shall maintain all records necessary to confirm the amounts invoiced under this Agreement for three (3) years after the COUNTY makes final payment and all other pending matters are closed, and shall be subject to the examination and/or audit of the County, a Federal grantor agency, and the State of California.

(b) Reporting and Record Keeping: CONTRACTOR shall comply with all applicable program and fiscal reporting requirements set forth by appropriate Federal, State and local agencies, and as required by the COUNTY.

(c) CONTRACTOR agrees to provide to COUNTY, to any Federal or State department having monitoring or review authority, to COUNTY's authorized representatives, and/or their appropriate audit agencies upon reasonable notice, access to and the right to examine all records and documents necessary to determine compliance with applicable Federal, State, and local statutes, rules and regulations, and this Agreement.

14. Merger Clause

This Agreement, including the Exhibits attached hereto and incorporated herein by reference, constitutes the sole Agreement of the parties hereto and correctly states the rights, duties, and obligations of each party as of this document's date. In the event that any term, condition, provision, requirement or specification set forth in this body of the agreement conflicts with or is inconsistent with any term, condition, provision, requirement or specification in any exhibit and/or attachment to this agreement, the provisions of this body of the agreement shall prevail. Any prior agreement, promises, negotiations, or representations between the parties not expressly stated in this document are not binding. All subsequent modifications shall be in writing and signed by the parties.

15. Controlling Law and Venue

The validity of this Agreement and of its terms or provisions, as well as the rights and duties of the parties hereunder, the interpretation, and performance of this Agreement shall be governed by the laws of the State of California. Any dispute arising out of this Agreement shall be venued either in the San Mateo County Superior Court or the United States District Court for the Northern District of California.

16. Notices

Any notice, request, demand, or other communication required or permitted hereunder shall be deemed to be properly given when both (1) transmitted via facsimile to the telephone number listed below and (2) either deposited in the United States mail, postage prepaid, or when deposited for overnight delivery with an established overnight courier that provides a tracking number showing confirmation of receipt for transmittal, charges prepaid, addressed to:

In the case of County, to:

Reyna Farrales
County Manager
County of San Mateo
400 County Center, 1st Floor
Redwood City, CA 94063
Fax No.: (650) 363-1916

In the case of Contractor, to:

Owen B. Davies
1800 3rd Street
Suite 215
Sacramento, CA 95811
Phone: 916-557-2211
owen.b.davies@accenture.com

In the event that the facsimile transmission is not possible, notice shall be given both by United States mail and an overnight courier as outlined above.

17. Warranty

Contractor warrants its deliverable items, services and other work will be performed in a professional and workmanlike manner in accordance with applicable professional standards. Except for the warranties contained in this paragraph there are no other warranties, express or implied, that apply to the deliverable items, services and other work performed under this Agreement.

18. Confidentiality

The County cannot represent or guarantee that any documents or data produced or compiled by Contractor will be shielded from disclosure under the Public Records Act (Cal. Govt Code §§ 6250 *et. seq.*) (the "PRA"). If the County receives a PRA request for any documents or data produced or compiled by Contractor, it will not assert any privileges that may exist on Contractor's behalf. Rather, the County will provide reasonable notification to

Contractor, who has the sole responsibility to assert any applicable privileges or reasons why such documents should not be produced, and to obtain a court order prohibiting disclosure. All financial, statistical, personal, technical, and other data and information relating to the County's operations which is made available to the Contractor in order to carry out this Agreement shall be presumed to be confidential. Contractor shall protect said data and information from unauthorized use and disclosure by the observance of the same or more effective procedures as the County requires of its own personnel. The Contractor shall not, however, be required by this paragraph to keep confidential any data or information which is or becomes publicly available, is already rightfully in the Contractor's possession, is independently developed by the Contractor outside the scope of the Agreement or is rightfully obtained from third parties. Subject to these obligations of confidentiality, each party will be free to use the concepts, techniques and know-how used and developed on the Project. In no event will Accenture be precluded from independently developing for itself, or for others, anything, whether in tangible or non-tangible form, which is competitive with, or similar to, the Deliverables. In addition, Accenture will be free to use its general knowledge, skills and experience, and any ideas, concepts, know-how, and techniques that are acquired or used in the course of providing the Services.

19. Force Majeure

Neither party will be liable for any delays or failures to perform due to causes beyond that party's control.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have affixed their hands.

COUNTY OF SAN MATEO

By: _____
President, Board of Supervisors, San Mateo County

Date: _____

ATTEST:

By: _____
Clerk of Said Board

Accenture LLP

Contractor's Signature

Date: _____

Exhibit A

In consideration of the payments set forth in Exhibit “B”, Contractor shall provide the following services:

1. Strategic Sourcing Project Objective

Accenture will, as described more fully in this Agreement, work with San Mateo County to:

- Assist the County to identify and capture savings by executing the defined sourcing categories listed below identified opportunities, and
- Assist in developing a basic benefits tracking program.

2. Project Scope

Accenture will assist the County with conducting sourcing events against the identified categories listed below by implementing several qualified indirect savings opportunities. To be clear, “qualified” refers to projects that have been identified and are actively supported by the County Purchasing team business units and senior management. The preliminary list of categories includes:

Table 1: Target Categories and Preliminary Estimated of Addressable Spend

Category	Estimated Total Spend (\$M)	Estimated Annual Addressable Spend (\$M)	Estimated Savings Range	
Office Supplies and Equipment	\$5.08	\$4.58	10 - 18%	\$0.46 - \$0.82
IT Hardware	\$7.00	\$4.90	5 - 12%	\$0.25 - \$0.59

The following services will be performed:

- San Mateo County and Accenture will strategically source the aforementioned categories.
- Apply Accenture’s 7-Step Strategic Sourcing Methodology to identify and gain supplier commitment that will deliver the County lower “Total Cost of Ownership” against the categories listed.
- Support the County to develop a benefits tracking tool that will support the County’s longer-term Purchasing function.

3. Tasks and Deliverables

During the course of this engagement, the team composed of both San Mateo County and Accenture resources will perform the following tasks.

Table 2: Tasks and Responsibility

Task	Additional Detail	Accenture Responsibility	County Responsibility
Support mutually agreed upon savings	<u>Data Collection and Analysis:</u> <ul style="list-style-type: none">• Define sourcing timeline sourcing plans to validate in-scope addressable spend in each	Assist*	Primary*

initiatives	<p>spend area</p> <ul style="list-style-type: none"> • Assist in establishing and communicating the approach toward sourcing, contracting and benefits tracking • Confirm sponsor alignment and escalation process • Identify County teams and confirm stakeholders associated with each spend area • Identify and confirm savings opportunities • Create internal and external spend area profiles <p><u>Opportunity Development and Negotiation:</u></p> <ul style="list-style-type: none"> • Develop proposed spend area sourcing strategy • Conduct or assist with the issuing of an RFP, where applicable • Preparing a negotiation strategy for supplier agreements • Provide background support in connection with negotiation of agreements • <p><u>Implementation:</u></p> <ul style="list-style-type: none"> • Support contracting process with the development of project summaries and providing input to final pricing terms 		
Assist with further developing a benefits tracking program	<ul style="list-style-type: none"> • Assist in developing savings and baseline methodologies and models • Assist in developing approval process 	Assist*	Primary*

*The party with “Primary” responsibility will have the obligation of completing that task or deliverable and directing the party with “Assist” responsibility. The party with “Assist” responsibility will reasonably assist the party with “Primary” responsibility. Accenture’s responsibilities will include providing staff expertise and leading practices from previous engagements that, if implemented, would help realize savings to the County and improvements in the County’s purchasing practices. Thus, for example, while the County will be the party ultimately responsible for the issuance of an RFP, Accenture will be expected to provide drafts of RFPs based on its expertise and leading practices.

4. Project Staffing

The Project will be a cooperative effort of San Mateo County and Accenture resources.

County Project Staffing

Name	Role	Description	Allocation (hrs/week)
Reyna Farrales	Executive Leadership	<ul style="list-style-type: none"> • Provide executive support, keeping the Project as an organizational priority, providing oversight, and direction and advice on barriers 	4 hours

Peggy Jensen	Executive Leadership	<ul style="list-style-type: none"> • Provide executive support, keeping the Project as an organizational priority, providing oversight, and direction and advice on barriers 	4 hours
Scott Johnson	Project Manager	<ul style="list-style-type: none"> • Assist with removing barriers to collecting data, scheduling of interviews, meetings, etc. • Maintains regular contact with the teams providing guidance and direction on key activities throughout the Project. • Main point of escalation for Project-related issues. 	8-16 hours
Peter Tocchini and Purchasing staff; Chris Flatmoe and Information Services Department staff	Core Team Members	<ul style="list-style-type: none"> • Support team by contributing and participating in the execution of the 7Step Methodology • Gather and validate County and Supplier provided data 	10-20 hours

It is expected that, except for the key personnel identified in the above County Project Staffing Table, County resources available to provide project support will fluctuate based on specific Project needs.

Accenture Staffing – Accenture will staff the following key resources to provide leadership to the Project, based on project timing:

Name	Role	Description	Allocation (hrs/week)
Owen Davies	Engagement Partner	Responsible for project delivery and success	4-8 hours
Christine Gunn*	Project Manager	Responsible for day to day management and sourcing lead	40 hours
Che Clark*	Sourcing Lead	Responsible for conducting sourcing methodology for specified category	40 hours
Stuart Andrews*	SMS/SMA	Provide subject matter advisement Conduct sourcing event engineering and management	10 hours

*Participation of these personnel is contingent on availability. Specific staff will be assigned after the Contract is executed. Accenture will make commercially reasonable efforts to assign the personnel named above to this Contract.

While the core team of resources identified in the above Accenture Staffing table is expected to be on-site, Monday thru Thursday, through the Project term, it is expected that the other resources supporting the County on-site will fluctuate based on specific Project needs.

5. Project Assumptions

The following is a list of the assumptions upon which the parties have relied in agreeing to perform their obligations described in this Agreement. Material deviation from these assumptions may cause changes to the Project schedule, fees and expenses, deliverables, level of effort required, or otherwise impact Accenture's performance of its services described herein. Any changes that result in a fee change must be approved by the County prior to changing.

- 5.1. The Team's speed and success of these opportunities have several dependencies that the County agrees to support: (1) executive messaging to stakeholders, (2) stakeholder support, (3) ability and willingness to conduct competitive RFPs to drive and unlock market competitive pricing (4) realignment of existing supplier relationships, and (5) supplier messaging.
- 5.2. Accenture will have no authority or responsibility for managing and/or approving any County budget components in respect of any Services requested, including but not limited to internal County costs, County hired contractors, County legacy system changes, County capital expenditures, etc., unless otherwise expressly stated as part of Accenture's Services.
- 5.3. Accenture has the right to determine which Accenture team members and subcontractors shall be assigned to perform the Services, and to replace or reassign such Personnel (unless they are indicated as Key Personnel) during the Term and all Renewal Terms of this Agreement; provided, however, that the level of support agreed to by Accenture in Section 4 above shall not be affected by such staffing changes. Accenture will provide reasonable written notice of Personnel and subcontractors who shall be onsite at County offices.
- 5.4. Both parties will provide the necessary resources and Personnel and provide management involvement, and make such other commitments to the other party and the other party's suppliers and subcontractors as are reasonably requested and reasonably necessary to deliver the Services and deliverables defined in this Agreement. It is understood and agreed that the staffing levels and allocations (hrs/week) described in Section 4 above constitute the necessary resources of each party to fulfill their obligations under this Agreement.
- 5.5. Accenture will not be providing any Third Party Products under this Agreement.
- 5.6. The County and its legal counsel shall remain solely responsible for the drafting and negotiation of any legal terms derived from the outcome of the strategic sourcing process.
- 5.7. The County will provide Accenture with access to the County's subject matter resources as reasonably requested by Accenture to assist Accenture in its performance of Services.
- 5.8. All deliverables will be developed in English. The County assumes the responsibility and cost of any required translations into languages other than English.
- 5.9. San Mateo County representatives are expected to lead spend area management and procurement activities across the County's organization, including contract management, supplier performance management, requisitioning, budget alignment, spot buys, and other non strategic sourcing procurement activities. Accenture staff are expected to provide staff expertise and leading practices from previous engagements that, if implemented, would help bring about savings to the County and improvements in the County's purchasing practices.

- 5.10. Each party will commit the necessary skilled resources and management involvement to support and accomplish the objectives of the Project.
- 5.11. While Accenture will make recommendations during the course of the Project, San Mateo is responsible for deciding whether to act or refrain from acting on such recommendations. San Mateo understands and agrees that it will be responsible for determining whether the Services, recommendations and deliverables provided by Accenture hereunder, including any revised business processes, organizational models and or technology modifications pursuant to this Agreement: (i) meet San Mateo's requirements; (ii) comply with all Federal, state, and local laws, ordinances, codes, regulations and policies; and (iii) comply with San Mateo's applicable internal guidelines, policies, long-term goals, and any other San Mateo agreements. Accenture will have no responsibility for the performance of other contractors or vendors engaged by San Mateo, or delays caused by them, or by the performance or non-performance of their software, in connection with the Project even if Accenture has been involved in recommending or selecting such contractors or vendors, or in the monitoring of their work.
- 5.12. San Mateo will provide Accenture personnel with full access to all information and operational visibility needed to provide the Services unless prohibited by law or by contractual obligations. San Mateo acknowledges and agrees that Accenture will use and rely primarily on information provided by San Mateo and on information available from public sources in performing the Services in this Project without having independently verified the same, and does not assume responsibility for the accuracy or completeness of such information. Accenture will not assume any responsibility to perform (or be required to retain any persons to perform) any independent valuations or appraisals of San Mateo's assets.
- 5.13. San Mateo shall provide Accenture with access to San Mateo's personnel and facilities sufficient for Accenture to fulfill its obligations hereunder. Workspace with access to telephones, internet connectivity, and copiers will be provided to Accenture resources during the Project. San Mateo will also provide any needed materials for the Project, including but not limited to, office supplies, or third party software products already in use by the County and any access consents, necessary for Accenture's performance hereunder.
- 5.14. Decisions to be made by San Mateo will be made promptly and without delay.
- 5.15. Review of Project will be conducted by the parties at periodic times throughout to discuss success to date and to address any challenges faced by either party.
- 5.16. During the Project, if the scope proves materially different than that described in this Agreement and such material differences change the expected level of effort, timeline, and fees, the Parties may negotiate a mutually acceptable amendment. San Mateo and Accenture will develop an agreed upon timeline/schedule for the initiatives in scope and any delays shall be subject to a mutually acceptable amendment. If a mutually acceptable amendment cannot be reached, each party may terminate the contract consistent with the provisions of Section 4 of the Agreement.

6. Sourcing Benefit Levers

Committed Savings will be based on Strategic Sourcing Benefit Levers as described below in Table 1, and documented in the Savings Total Cost of Ownership Model for the strategic sourcing project. The full list of Strategic Sourcing Benefit Levers will be reviewed and approved during the Spend Assessment phase of the Strategic Sourcing initiative.

Table 1: Potential Strategic Sourcing Benefit Levers

Sourcing Levers	Definition	Situation	Result	Benefits
1. Purchase Price Reduction	Reduction in baseline purchase price for same specification with same supplier	The current baseline purchase price for cable was \$30 per roll while the annual volume is 1,000 rolls	Through the sourcing effort the new negotiated price is \$28 per roll	$[(\text{Baseline Price}) - (\text{New Price})] * (\text{Annual Volume})$ For this example: $(\$30 - \$28) * 1,000 = \$2,000$ annual Benefit
2. Specification Changes	Benefits from substituting equivalent or similar specifications with lower price Factors in transition switching cost based on degree of supplier and / or specification change EXAMPLE: Same Supplier / Different Spec. = transition switching cost is 10% of identified Benefits, Different Supplier / Different Spec = transition switching cost is 20% of identified benefits	Currently purchases wire with two variations of similar specification from same supplier at different prices Spec A = \$8 per roll ; Spec B = \$5 per roll 1000 rolls of each are purchased	Through the sourcing effort specification is standardized and volume is leveraged in negotiations for lower price of \$4 dollars with same supplier	$(\text{Baseline price for existing part} - \text{price for optimized spec part}) * (\text{Annual volume}) - (\text{Net Transition Switching Costs})$ For this example: $[(\$8 - \$4) * 1,000] + [(\$5 - \$4) * 1,000] * (90\%) = \$4,500$ annual Benefit
3. Inventory Reduction	Reduction of inventory	Identified excess inventory of \$3MM through analysis	Sourcing, Vendor Management Inventory, Just In Time, pooling, consignment results in	Benefit calculated as one-time inventory reduction of \$3MM plus carrying costs of

Sourcing Levers	Definition	Situation	Result	Benefits
			consuming \$3MM of excess inventory	X%
4.Capital Improvement	Capital savings attributed to improved inventory management performance, although absolute value of capital expenditures may remain constant or increase due to overall demand increases	Current motor inventory levels are 60 days of supply equating to 100,000 units of on-hand inventory motor unit volume is forecasted to grow by 20% motor unit price is \$300	Inventory performance is improved by 20% to 48 days of supply Given growth in business volume of 20%, inventory remains level at 100,000 units	One time Benefit of: 20,000 units x \$300/unit = \$6M
5. Contract Compliance	Benefits obtained based on resolution of pricing variance from negotiated contract pricing; Resolution has made systemic or sustainable correction to compliance issue	Current pricing paid on 1000 items is different from what was negotiated with suppliers (\$5 vs. \$4 negotiated price)	Through the sourcing process a retroactive credit for identified variance is negotiated with supplier	(Paid Baseline Price – Negotiated Baseline Price) * (Identified Purchased Volume) For this example: (\$5 - \$4) * 1,000 = \$1,000 annual Benefit
6. Supplier Contract Changes	Benefits from other contract terms not related to unit price such as volume and other rebates/incentives	Annual spend is \$2MM	Team negotiations volume rebate of 5% for spend above \$1MM	(5%) * (\$1MM) = \$50K rebate
7. SLA/ Maintenance Contract Change	Benefits from change in SLA (Service Level Agreement) and/or change in maintenance requirements	Current SLA or maintenance program is higher than what is needed or not used at all	Negotiated new service level and/or maintenance program resulting in lower cost contract for required services	(Baseline spend for existing service – spend for optimized services)
8. Purchasing Process Improvement	Change in purchasing process, resulting in lower cost to buy	Individual buys for each location for the same item Recurring spend paid with purchase orders	Centralize demand and buy through blanket purchase order Transition to pCard for recurring spend	Purchase Price Reduction (as calculated above) + transaction process cost reductions pCard 1% rebate applied to spend (\$1M)(1%) = \$10K

Sourcing Levers	Definition	Situation	Result	Benefits
9. Operational Process Improvement	Reduction in FTEs given a streamlined or consolidated processes (e.g., centralized planning)	Current FTEs performing planning functions are 500 Current average loaded cost per FTE is \$100k/year	Through process changes and new automation, resource needs will be reduced by 25%	FTE reduction x Loaded Cost/ FTE $500 \times 25\% \times \$100k = \$12.5M/yr$
10. Warehouse Consolidation	Reduction in total warehouse space and facilities through regional/centralized/outsourced fulfillment strategies	The current baseline includes 65 facilities with a total of 1.2 million square feet of warehouse space Current warehouse space costs are 19/sf.	Given a new operating strategy, warehouse space will be reduced by 300,000 sf and cost per sf will be reduced by 15%	Current warehouse costs – Future warehouse costs $1.2 \times \$19 - (1.2 - 0.3) \times \$19 \times (1 - 15\%) = \$8.3 M/yr$
11. Transportation Expense Reduction	Reduction in transportation costs such as inbound freight, outbound freight, or parcel shipments	Current fragmented distribution network structure involves high numbers of low volume shipments Baseline transportation costs are \$50M/yr	Through consolidation of the distribution network and shipment consolidation, freight costs are reduced by 10%	$\$50M/yr \times 10\% = \$5M/yr$
12. Market Adjustment	Adjustment in price changes through the sourcing initiatives for categories where pricing is tied to market index or measured historical trend	Due to increase in raw material cost, current supplier has requested a 3% cost increase (based on indexed changes) on \$500K Historical trend had indicated 3% decrease per year for modems	The sourcing initiative maintains price at current levels vs. stated indexed cost increase The sourcing initiative resulted in 5% savings for \$1M spend in modems	Market Adjustment Savings: $(3\%)(\$500K) = \$15K$ Market Adjustment Savings: $(5\%-3\%)*\$1M = \$20K$
13. Usage / Volume Reduction	Elimination or reduction in the use of a material or service	Services of \$1M/yr are presently spent on specialized services for office maintenance	Policy change eliminates the need for these services going forward.	$(Volume \%Reduction) \times (Annual Cost)$ $100\% \times \$1M = \$1M/yr$
14. Revenue Increase	Reduction of commissions or increase revenue to the City by faster collection of receivables	The City outsources payment collections to 3 rd party that is paid on 25% recovery	Work with supplier to dedicated 2 FTEs to contact additional delinquent accounts with no	Historical average monthly collection net revenue – New average collection net revenue =

Sourcing Levers	Definition	Situation	Result	Benefits
		fee of all collections over 90 days past due.	reduction in recovery fee.	increased revenue to the City.
15. COLA	The elimination or reduction of Cost of Living Adjustments (COLA) that are typically applied annually as a part of consulting, outsourcing or services agreements.	Outsourcing supplier has annual COLA adjustment of 3.5% effective every January 1, which the supplier has exercised annually.	Fact-based negotiation with supplier determines state, city / local COLA indicates 1.5% adjustment, which is subsequently agreed to and contract amended.	Services impacted by COLA adjustment multiplied by 2%
16. Other mutually agreed to Benefit levers	TBD	TBD	TBD	TBD

Exhibit B

In consideration of the services provided by Contractor in Exhibit “A”, County shall pay Contractor based on the following fee schedule:

1. Fees & Expenses

Accenture will be compensated as follows:

VALUE BASED FEES

Value Defined Milestone. The initial milestone for each sourcing event will be the “Value Defined Milestone” checkpoint when baselines (pricing, volume, inventory, carrying cost, and spend or other baseline elements – as described below in Baseline Spend Calculations), estimated savings, and the sourcing approach are established for each defined sourcing event and defined for a 12 month period. At such Value Defined Milestone, Accenture and Peggy Jensen and Reyna Farrales will meet to review the preliminary benefit estimates based on the project team’s proposed sourcing strategy and proposed value calculation methodology in accordance with Appendix A.

At the Value Defined Milestone, a Baseline Total Cost of Ownership Model will be presented by Accenture for approval by Peggy Jensen and Reyna Farrales. If written approval or feedback for resolution is not received within 10 business days, then the Baseline Total Cost of Ownership Model will be deemed accepted and serve as the basis for baseline calculations.

Baseline Spend Descriptions:

- As part of the project, the County and Accenture will engage in good faith discussions with respect to defining spend profiles of categories and baselines for measurement purposes.
- Baseline unit prices will be determined, taking into account any relevant market forces, as described below, based on the latest validated purchase order price as reflected in the County systems or contracts under execution with vendors unless there is a documented future price that is lower than the current order price (e.g., forward pricing). This unit price will be annualized based on the preceding twelve months to the point of the specific project.
- If no such value exists in the County systems, then the average of the most recent formal offers for that product or service at the time of the project initiation will be used.
- The County and Accenture will work together in good faith to implement market pricing adjustments for specific projects when pricing / cost changes occur due to market forces outside of the County’s and Accenture’s control, including applicable inflation. This market adjustment will be subject to mutually written agreement and factored into the item pricing to provide a more accurate reflection of the incremental benefit of the project. Examples may include increases or decreases in a supplier’s raw material costs, currency fluctuations, or significant variability in the supply market.

Value Committed Milestone. The next milestone for each Unique Value Event (“UVE”) will be the “Value Committed Milestone” checkpoint which will occur when written, legally

enforceable commitments are obtained from third parties (e.g., supplier makes a commitment on price reduction), or when the County otherwise benefits from Accenture's recommended plans or strategies (e.g., plan is finalized by the County to strategically manage demand or reduce inventory, etc.), at which point the leadership team or relevant stakeholders meet to review preliminary benefits calculations and estimates on proposed benefits realization and timeline will be reviewed and established (also, "Value Committed").

At the Value Committed Milestone, a Savings Total Cost of Ownership Model over a 12 month period will be presented by Accenture for approval by Peggy Jensen and Reyna Farrales. If written approval or feedback for resolution is not received within 10 business days, then the Savings Total Cost of Ownership Model will be deemed accepted and serve as the basis for Value Committed and Value Based Fee calculations.

At the conclusion of the sourcing event, Accenture will help to design the scorecards and templates that enable the County to track the realized savings. The County will be responsible for calculating actual gross benefits realized on a monthly basis ("Value Realized") for all project benefit areas.

- Accenture will be compensated on a Value Based Fee (i.e., "Gain Sharing") basis for all scope which is the difference between the Value Defined and Value Committed. Accenture's compensation does not depend on the benefits realized by the County. In no case shall Accenture's compensation under this Agreement exceed \$1,000,000.00.
- Accenture's Value Based Fees shall be inclusive of out of pocket expenses.

Table 3: Gainshare Percentage Schedule of Committed Savings

Committed Savings	Year 1	Year 2	Year 3
Gainshare Percentage	50% less the \$100,000 paid upon contract execution	25%	25%

- The County acknowledges and agrees that Accenture's right to its Value Based Fees accrues as of the date that the Savings Total Cost of Ownership Model is accepted. Notwithstanding that fact, the Fees shall be paid pursuant to the Payment Schedule set forth in Table 4 herein.

2. Invoicing

Spend Assessment

The County agrees to pay Accenture \$100,000 at contract execution, and Accenture agrees to credit the \$100,000 against the Year 1 50% Value Based Payment. For example, if the first Value Based Payment was \$500,000, Accenture would apply the \$100,000 already paid by the County and invoice the County for \$400,000 per the Payment Schedule (Table 4).

For the Value Based Payments, Accenture will invoice the County 50% of the Value Committed (less the \$100,000 already paid) 12 months after the Value Committed date that is approved by Peggy Jensen and Reyna Farrales pursuant to Section 1 above.

The next payment of 25% will be invoiced 24 months after the Value Committed date and the remaining 25% will be invoiced 36 months after the Value Committed date.

Table 4: Payment Schedule (estimated)

\$100,000 payment to Accenture by County upon Contract Execution	Invoice Date Month	Payment Due Month
November 2011	November 2011	December 2011
December 2011	December 2011	January 2012

50% Value Committed Milestone (Original Date)	Invoice Date Month	Payment Due Month
December 2011 (example)	December 2012	January 2013

25% Value Committed Milestone (Original Date)	Invoice Date Month	Payment Due Month
December 2011 (example)	December 2013	January 2014

25% Value Committed Milestone (Original Date)	Invoice Date Month	Payment Due Month
December 2011 (example)	December 2014	January 2015