

PROFESSIONAL CONSULTING SERVICES AGREEMENT

This Professional Consulting Services Agreement (the "Agreement") is made this _____ day of _____, 2013, by and between the **City of Norman, Oklahoma** (hereinafter referred to as "Client"), with an address of **201 West Gray, Bldg. A, Norman, OK 73069** and **MERCURY ASSOCIATES, INC.**, a Maryland corporation (hereinafter referred to as "Consultant"), with an address of **16051 Comprint Circle, Gaithersburg, MD 20877**.

In consideration of the mutual promises contained herein, the parties agree as follows.

1. **SERVICES:** Consultant shall perform the services ("Services") described in its proposal to the Client dated **February 11, 2013** ("Proposal") attached hereto as Exhibit A and incorporated herein by this reference. Consultant shall perform the Services in a professional and expeditious manner in accordance with the Proposal; or as otherwise agreed by Client and Consultant in writing.
2. **TERM:** Consultant shall commence Services on or about **March 12, 2013**. This Agreement shall remain in effect until such time as the Services described in Exhibit A and any amendments thereto are completed in accordance with the specifications and descriptions set forth in the Proposal to the reasonable satisfaction of the Client.
3. **COMPENSATION AND PAYMENT:** In consideration of Consultant's performance of Services hereunder, Client shall pay to Consultant a fixed fee of **\$53,580** for the Services, which amount includes all anticipated out-of-pocket expenses. All charges for Services hereunder are exclusive of any taxes and Client shall be responsible for paying any taxes levied on such Services, other than taxes on Consultant's income.

Consultant shall invoice for Services on a monthly basis, identifying the percentage of each work plan task described in the Proposal completed in the prior

month, and Client shall pay all invoices within thirty (30) days of its receipt of these invoices.

4. **PERSONNEL:** Consultant represents that it has, or will secure at its own expense, all personnel necessary to perform the Services required under this Agreement. All of the Services required hereunder shall be performed by Consultant or under its supervision, and all personnel engaged in performing the services shall be qualified to do so. Consultant reserves the right to subcontract for Services hereunder. The personnel scheduled to perform Services hereunder are listed in the Proposal.

5. **INDEPENDENT CONTRACTOR.** Client and Consultant are, and intend to remain, independent contractors and this Agreement shall not be construed to create any joint venture, partnership, business organization or employer-employee relationship. Under no circumstances shall Consultant or any of its employees or subcontractors be deemed an employee of Client. Except as specifically authorized by Client in writing, Consultant shall have no authority to act on behalf of or to bind Client.

6. **CONSULTANT COVENANTS.**

6.1 **Services Warranty.** Consultant warrants that all Services to be performed hereunder shall be performed in accordance with the professional standards in the automotive fleet consulting field in the United States. Consultant warrants and represents that Consultant owns or has a license to any intellectual property included in any deliverables or work product produced hereunder and has all rights necessary to deliver and license such materials to Client. Consultant shall comply with all applicable laws, ordinances, rules, regulations and statutes or any governmental agency bearing on its performance of Services hereunder. EXCEPT FOR THE FOREGOING WARRANTIES, CONSULTANT MAKES NO WARRANTIES OF ANY KIND, INCLUDING BUT NOT LIMITED TO THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

6.2 Insurance. Consultant has general liability, professional liability, automotive liability and workers' compensation insurance which cover the Services to be provided hereunder. Upon Client's request, Consultant shall provide a certificate of insurance prior to commencement of the engagement evidencing such insurance coverage.

7. CLIENT COVENANTS.

7.1 Cooperation. Client shall cooperate with Consultant in Consultant's performance of Services, and shall provide timely and expeditious access to Client's facilities, personnel and information and data as may be reasonably necessary for Consultant to complete the Services hereunder.

7.2 Information. Client represents and warrants that all information and data provided by Client to Consultant hereunder is accurate, timely and complete and shall indemnify and hold harmless Consultant from any liability for any breach of this representation and warranty.

8. OWNERSHIP OF DELIVERABLES. Consultant shall deliver to the Client all deliverables required to be submitted consistent with the Proposal attached as Exhibit A. All deliverables shall be the property of Client, except to the extent such deliverables contain any "Consultant Intellectual Property" as defined in Section 9 below, which Consultant Intellectual Property shall remain the exclusive property of Consultant and shall be licensed to Client for Client's authorized use, but not for resale or transfer to third parties without Consultant's prior written consent. All working papers shall remain the property of Consultant. Consultant shall maintain its working papers for a period of three (3) years from the date of execution of this Agreement.

9. CONFIDENTIALITY; PROPRIETARY INFORMATION. The parties acknowledge that it will be necessary for each of them to disclose or make available to the other information and material that is confidential, proprietary and/or a trade secret of such party ("Confidential Information"). Confidential Information shall include, but not

be limited to, a party's products, software, financial information, business and marketing plans, customers and prospects, business methods and methodologies. Both during and after the Term of this Agreement, each of the parties agrees to use its best efforts to protect the Confidential Information of the other from unauthorized use or disclosure and to use and reproduce the Confidential Information of the other only as permitted under this Agreement and only as needed to perform its duties hereunder. Each party further covenants and agrees that neither it nor its employees, subcontractors or agents will, directly or indirectly, use any of the other's Confidential Information for its or their own use or the use by any third party. Further, Client acknowledges that Consultant has developed and created its software, business methods and methodologies, business expertise, industry research and client and supplier lists (collectively, "Consultant Intellectual Property"). To the extent Consultant incorporates any of its Consultant Intellectual Property in any deliverables or otherwise discloses any of its Consultant Intellectual Property to Client, such Consultant Intellectual Property shall remain the exclusive property of Consultant and Consultant shall grant a non-exclusive, paid-up right and license to Client for the specific use contemplated hereunder and not for resale or transfer to any third party without Consultant's prior written consent. Each party acknowledges that any breach of their respective obligations and duties under this Section 9 will cause the other party irreparable harm for which monetary damages alone are not sufficient and the non-breaching party shall be entitled to seek all of its remedies at law and in equity, including injunctive relief without the necessity of posting a bond or other security.

10. **INDEMNIFICATION:** Each party shall be responsible for its own acts and will be responsible for all damages, costs, fees and expenses which arise out of the performance of this Agreement and which are due to that party's own negligence or willful misconduct and the negligence or willful misconduct of its respective agents, officers and employees. Further, Consultant shall indemnify and hold Client harmless

from and against any claims, demands, actions, damages, liabilities, expenses and fees (including reasonable attorneys' fees and costs) arising from a claim that any deliverable or work product produced by Consultant hereunder infringes any United States patent or copyright. Except to the extent of Consultant's indemnity above, Client shall defend, indemnify and hold Consultant, its directors, officers, employees and agents, harmless from and against any claims, demands, actions, damages, liabilities, expenses and fees (including reasonable attorneys' fees and costs) arising from or connected with any claim by third parties which are related in any way to the Client's use or implementation of Consultant's deliverables, recommendations and findings.

11. **LIMITATION OF LIABILITY.** Neither party shall be liable for any special, indirect, incidental or consequential damages arising from or related to this Agreement, including, without limitation, loss of use, loss of data, loss of revenues or profits, or failure to realize savings or other benefits, even if the party has been advised of the possibility of such damages.

12. **TERMINATION.** Either party may terminate this Agreement by written notice to the other party upon the breach of any material term or condition of this Agreement by the other party if the such breaching party fails to substantially cure such breach within thirty (30) days of its receipt of written notice of such breach.. In the event of such termination, Client shall pay to Consultant for all Services performed and expenses incurred through the effective date of termination. After such termination, Consultant shall provide a final invoice to Client and Client shall pay such invoice within thirty (30) days of its receipt.

13. **FORCE MAJEURE.** Neither party shall be in default of any of its obligations hereunder by reason of any delay in or failure of such party's performance under this Agreement if such delay or failure results, either directly or indirectly, from acts of God, fire, flood, earthquake, strike or labor unrest, acts of war, acts of governmental agencies or other causes beyond such party's reasonable control. In the event either party's

performance is delayed by force majeure hereunder, such party shall be excused from such performance until the cause of the force majeure is removed and the affected party can perform its obligations hereunder.

14. GENERAL.

14.1 Assignment. Neither party may assign or delegate any of its rights, duties or obligations hereunder (except for permissible subcontract of specific Services by Consultant) without the prior written consent of the other party; provided, however, that either party may assign, convey or transfer its interest, rights and duties in this Agreement to an affiliated or parent company which succeeds to substantially all of the business of such party.

14.2 Notices. All written notices, demands or requests of any kind which either party may be required or may desire to serve on the other in connection with this Agreement may be served (as an alternative to personal service) by registered or certified mail or air freight services that provide proof of delivery. Any such notice or demand so served by registered or certified mail shall be deposited in the United States mail with postage and fees thereon fully prepaid, and addressed to the parties so to be served as follows:

If to Consultant: Mercury Associates, Inc.
16051 Comprint Circle
Gaithersburg, MD 20877
Attention: Paul Lauria, President

If to Client: Attention: Mike White
Fleet Superintendent
City of Norman
1301 Da Vinci
Norman, OK 73069

Service of any such notice or demand so made by mail shall be deemed complete on the day of actual delivery as shown by the addressee's registry or certification receipt. Either party hereto may from time to time, by notice in writing served upon the other as aforesaid, designate a different mailing address, or (a) different or additional person(s)

to which or to whom all such notices or demands are thereafter to be addressed. Persons named to receive copies of notices are listed for accommodation only and are not required to be served to comply with service of notice on a party (are required to be served to comply with service of notice).

14.3 Severability. If any term or provision of this Agreement shall be held invalid or unenforceable, they are, to that extent deemed omitted. The rest of this Agreement shall remain in full force and effect.

14.4 Waiver. The waiver of either Consultant or Client of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either Consultant or Client.

14.5 Third Parties. The Client and the Consultant are the only parties to this Agreement and are the only parties entitled to enforce its terms. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide, any right or benefit, whether directly or indirectly or otherwise, to third persons.

14.6 Governing Law; Remedies. This Agreement shall be construed and interpreted pursuant to the laws, but not the rules related to choice of law, of the State of Oklahoma. No remedy provided hereunder is intended to be exclusive of any other remedy, and every remedy shall be cumulative and shall be in addition to every other remedy existing at law or in equity.

14.7 Entire Agreement. This Agreement, including any Exhibits referenced herein and attached hereto, is the complete and exclusive agreement of the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, promises, proposals, representations and warranties, oral or written with respect to the same subject matter. Any change, alteration or modification to this Agreement must be in writing and signed by both the Client and the Consultant.

IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the respective dates set forth below.

CONSULTANT:

MERCURY ASSOCIATES, INC.

By: Paul T. Lauria

Paul T. Lauria, President

Date: 2/22/13

CLIENT:

CITY OF NORMAN

Approved as to form and legality this 5 day of March, 2013

[Signature]
City Attorney

Approved by the CITY OF NORMAN this ____ day of _____, 20__.

ATTEST:

City Clerk

Mayor

EXHIBIT A

Scope of Work

Scope of Work

**FLEET MANAGEMENT
CONSULTING
SERVICES**

RFP No. 1213-61

For the City of Norman



February 11, 2013

MERCURY ASSOCIATES, INC.
MERCURY



February 11, 2013

Mr. Mike White
Fleet Superintendent
City of Norman
1301 Da Vinci
Norman, Oklahoma 73069-6560

Dear Mr. White:

Mercury Associates, Inc. is pleased to submit this Scope of Work for the City's review of the fleet management operation. If you have any questions or would like to discuss in more detail please contact me at 913-568-5837 or tyankovich@mercury-assoc.com. We look forward to working with you and the City.

Regards,

A handwritten signature in black ink that reads "Tony Yankovich". The signature is written in a cursive, flowing style.

Tony Yankovich
Senior Manager



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INTRODUCTION

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

We have developed the following proposed Scope of Work for the review of the City's fleet management program. Additional information on our firm's qualification and experience is provided in the original proposal.

WORK PLAN

Mercury makes a focused effort to understand the project goals and objectives of each client that we serve. Each organization has unique challenges and obstacles that need to be considered as we evaluate the fleet operation and develop improvement strategies. Following is our proposed work plan to conduct a comprehensive study for the City.

Task 1: Initiate and Manage the Project

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

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



Task 2: Collect and Analyze Fleet Cost and Performance Data

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

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

Since we are intimately familiar with the *FASTER* fleet management information system we can extract much of the required data from the system directly using one of our consultants (that formerly implemented the *FASTER* system and trained users on its use and application) to relieve the City fleet staff of some of the burden of collecting the required data for this study. Our team will require access and appropriate rights to the system and/or a copy of a recent database backup.

Examples of the quantitative data we will request include:

- A fleet inventory containing information such as the following on each vehicle/piece of equipment: year, make, model, serial number (VIN), license plate number class code, user agency name and code, vehicle in-service date, original purchase price, life-to-date maintenance and repair cost, current meter reading, utilization during a recent 12-month period, maintenance and repair costs during a recent 12-month period (broken out by labor, parts, and subcontractor charges), type of fuel used, and gallons (or gallon equivalents) of fuel consumed in a recent 12-month period.
- A mechanic roster showing, by mechanic, hours charged to work orders, overtime hours worked, hours of training received, and hours of paid leave, all in a recent 12-month period; and current certifications held; and
- The dollar value of parts in inventory, of parts issued from stock in a recent 12-month period; and of parts purchased on an as-needed basis (direct buys) in the same period.

We realize that some of the quantitative data we will request may not be readily available or may not be very reliable. Where it makes sense to expend extra effort to obtain critical information or to develop it from scratch, we will work with the City to do



so. We fully understand the importance of being able to back up findings and conclusions with hard numbers. However, we do not believe in analyzing data as an end in itself, and there will be certain areas in which data quality is such that the “juice” simply isn’t worth the “squeeze”; that is, where the level of effort required to quantify certain things will not measurably add to our understanding of performance levels or savings opportunities.

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

- City ordinances, administrative code sections, executive orders, and other documentation of fleet management responsibilities and authority;
- Fleet operating and capital budgets;
- Charge-back rate model, rate schedules, and YTD and two to three prior years’ income statements and balance sheets (if applicable);
- Fleet organization charts and personnel rosters;
- Position descriptions;
- Fleet mission statement and annual reports;
- Policy and procedure statements;
- Commonly used recordkeeping forms and management reports;
- Sample customer invoices;
- Sample vehicle and parts purchase specifications, contracts, purchase orders, and vendor invoices; and
- Any previously prepared consulting or internal audit reports on fleet management practices.

We will use the quantitative data collected in this task to begin the process of analyzing fleet-related conditions, costs, and performance levels. Analysis results will help us identify specific fleet management activities in which opportunities for cost reduction and/or performance improvement appear to exist, which we can then scrutinize during the process mapping and evaluation tasks of the study. We will then calculate important fleet statistics such as the average age of the fleet and total vehicle equivalency units (VEUs).

Mercury Associates, Inc. maintains and constantly updates a database of VEU values for more than 600 vehicle and equipment classifications. The database includes the entire spectrum of vehicles and equipment found in a typical municipal fleet, from push mowers to aerial ladder fire apparatus. Each class is given a VEU value as it relates to that of a passenger sedan (rated at 1.0 VEU). A street sweeper, for example, may be









assigned a rating of 6.5 VEUs. A chain saw has a rating of 0.25 VEUs. A backhoe may be 4.5 VEUs. By statistically reducing a fleet to its equivalent in terms of sedans, we can make reasonable, standards-based comparisons with the fleet operations of other organizations.

A fleet of one hundred patrol cars,¹ rated at 2.5 VEUs each, constitutes a fleet of 250 VEUs. The number of mechanics/technicians required to maintain this fleet is more than those needed to maintain a fleet of 100 sedans, but far less than those needed to maintain a fleet of 100 dump trucks.

While other consultants use a similar concept (e.g., maintenance repair units) the difference is that we continually update our VEU values and we adjust them for each client that we work with to account for critical factors such as age of the fleet, operating conditions, etc. A few vehicles and equipment classifications and their associated VEUs are provided in the following table.

Sample Vehicle Equivalent Unit Values

Vehicle Classification	Sample	VEU Value
Sedan, mid-size, administrative use		1.0
Law enforcement sedan, full-size, "hot seat" ²		2.5
Pickup truck, LD		1.5
Backhoe, MD		4.0
Street Sweeper, HD		6.5
Refuse Truck		8.0

Subject to the availability of reliable data, we will calculate statistics for the City's fleet for several key performance indicators (KPIs) of efficiency and effectiveness. We will

¹For patrol cars, a VEU assignment of 2.5 is one of many used based on any number of different deployment characteristics and is used for illustrative purposes only. The same is true for dump trucks assigned 4.5 VEUs.

² Hot seat refers to a vehicle being utilized on more than a single shift per day.



interpret these statistics by comparing them against established industry standards, benchmarks or against internal benchmarks such as averages by vehicle, vehicle class, employee, facility, and agency.

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

- Average annual maintenance and repair cost per vehicle equivalent unit (VEU);
- Ratio of VEUs to mechanics;
- Preventive maintenance schedule compliance rate;
- Ratio of scheduled to unscheduled repairs;
- Vehicle availability percentage by vehicle class;
- Mechanic to supervisor ratio;
- Mechanic to parts worker ratio;
- Average annual mechanic productivity rate;
- Parts inventory turnover rate;
- Parts order fill rate;
- Average annual parts expenditures per VEU;
- Average vehicle age by class;
- Weighted average replacement cycles; and
- Vehicle replacement backlog as a percentage of average annual replacement cost.

The results of our analyses will be incorporated in the development of findings and recommendations in specific areas of fleet management practice identified in subsequent tasks.

Task 3: Evaluate Fleet Management Practices

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

Examples of the specific fleet management practices we may evaluate in this task are summarized the following table:



Vehicle Assignment

1. Vehicle **assignment** policy development
2. Vehicle business need definition
3. Vehicle provision alternatives analysis
(e.g., rent v. own v. reimburse)
4. Take-home use management
5. Motor pool feasibility

Vehicle Acquisition and Disposal

6. Vehicle and equipment selection
7. Purchase contract establishment and management
8. Management of ad hoc purchases
9. Vehicle acceptance, preparation, and delivery
10. Commercial vehicle rental
11. Vehicle decommissioning
12. Used vehicle remarketing

Vehicle Operation Management

13. Driver/operator certification and record keeping
14. Driver/operator training
15. Pre-trip inspection and minor maintenance activities
16. Vehicle misuse/abuse management
17. Accident reporting and investigation
18. Fuel program management to include fuel budget comparisons to the extent that they are available and relevant

Assigned Vehicle Utilization Management

19. Establishment of utilization guidelines/criteria
20. Vehicle utilization data capture
21. Fleet utilization analysis and management reporting
22. Identification and investigation of utilization "anomalies"

Vehicle Maintenance and Repair

23. Preventive maintenance program development
24. Work planning and scheduling including shop operating hours and shifts
25. Defect reporting and service writing



- 26. Work estimation and work order assignment
- 27. Maintenance and repair service delivery
- 28. Mechanic supervision
- 29. Road call/roadside assistance provision
- 30. Vehicle field service management
- 31. Vehicle and component warranty management
- 32. Quality assurance
- 33. Fleet maintenance facility configuration and capacity

Vehicle Maintenance and Repair Vendor Management

- 34. Vendor certification / pre-qualification
- 35. Service contract establishment and management
- 36. Ad hoc purchasing of services
- 37. Service expenditure authorization
- 38. Service transaction administration
(e.g., vendor payment, data capture, etc.)
- 39. Vendor performance management

Fleet Maintenance Parts Provisioning

- 40. Parts contract establishment and management
- 41. Management of ad hoc parts purchases
- 42. Vendor transaction administration
- 43. Parts inventory sizing, composition, management, and control
- 44. Parts disbursement (i.e., counter service)
- 45. Disposal of surplus parts
- 46. Parts room performance management

Vehicle Replacement

- 47. Replacement cycle guideline/policy development
- 48. Long-term fleet replacement planning
- 49. Fleet replacement funding levels

Customer (Fleet User) Relationship Management

- 50. Customer satisfaction measurement
- 51. Ongoing relationship management

Fleet Financial Management



- 52. Cost recognition and management to include review of parts, maintenance and repair, and fuel budgeting process
- 53. Use of charge-back rates

Human Resources Management

- 54. Organization structure and staffing levels for fleet maintenance program, parts room, and support staff
- 55. Staff assignment and utilization management
- 56. Employee training and professional development and certification incentives
- 57. Employee performance management

Information Management

- 58. Management information system (*FASTER*) availability and functionality
- 59. System deployment, accessibility, and use
- 60. Management analysis and report development

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

Task 4: Review Vehicle and Equipment Specifications

The type of vehicle and equipment specification (e.g., technical versus functional) used to solicit bids for fleet assets impacts competition, price, and effort. The goal of a fleet organization should be to ensure that vehicles meet user needs (functionality), are cost effective, take advantage of technological advances, comply with applicable rules and regulations, and facilitate standardization of fleet composition.

In this task we will review current (or recent) vehicle specifications and the process used to develop them to determine if they are consistent with best management practices in the fleet industry. We do not intend to develop vehicle specifications or provide specific comment on individual technical or functional requirements within the specification documents. While we can provide this level of service it requires a significant effort and at this time (prior to reviewing the City's current specifications) it is unknown whether this in-depth review will be required. If it is determined that this would be of value to the City we will prepare a separate task description and cost for that work.



Task 5: Conduct Life Cycle Analysis (LCA)

In this task we will assess the appropriateness of the intervals at which the City replaces various types of vehicles in the fleet from the standpoint of minimizing their total cost of ownership. Our proposed level of effort for this task includes up to three unique vehicle classifications (e.g., ½-ton pickup truck). For each of these vehicle classes, we will conduct a life cycle cost analysis using a proprietary software program called *ORCA™* developed by Mercury Associates for this purpose.

We will use this program to calculate the equivalent annual cost (EAC) associated with keeping each type of vehicle in service for periods ranging from one year up to the number of years equivalent or almost equivalent to its current de facto replacement cycle in Norman. The EAC of a capital asset such as a vehicle is a uniform dollar amount, expressed in nominal dollars, the sum of whose payments for a given replacement cycle is equivalent to the net present value of all the costs of its ownership and operation over the course of that cycle. It is a useful metric for comparing the costs of alternative replacement cycles (i.e., streams of future costs of different durations) for an asset in order to determine which cycle results in the lowest cost.

What is most important about an LCA approach is that it moves replacement cycle decision making to a data-centered model. In our experience, even the best-educated or well-intentioned individuals in an organization may believe cost savings or avoidance opportunities to exist where they do not, in fact, exist.

Task 6: Develop Project Report

We will document our findings and recommendations in a formal written report. The report will document how we conducted the study, what we found, and what we recommend the City do to improve fleet efficiency and fleet management effectiveness. To the extent that quantifiable savings can be projected or return on investments can be estimated they will be included in the project report.

We will submit this report to the City in draft form for review and comment and make revisions, **as necessary**, based on written feedback received.

We have included the cost of conducting a single presentation of project findings, conclusions and recommendations since it is not known at this time if additional presentations will be required. If additional presentations are required we would be happy to develop a price quote.

FEE PROPOSAL

The Services to be provided are those described in this proposal. In addition, the City may elect to include in the Services optional tasks described in the proposal or such other related services (e.g., assistance in implementing certain Consultant recommendations) that the parties may mutually agree to include in the Services at any time during the term of this agreement.



Our proposed total fixed price to complete this engagement (base proposal and optional task) is detailed in the tables below. Fees listed include professional services and expenses.

Table 1: Base Proposal Budget

Work Plan Task	Hourly Rate	Task Hours	Task Budget
1: Initiate and Manage Project	\$190	24	\$ 4,560
2: Collect & Analyze Cost & Performance Data	\$190	40	\$ 7,600
3: Evaluate Fleet Management Practices	\$190	106	\$ 20,140
4: Review Vehicle and Equipment Specifications	\$190	24	\$ 4,560
5: Conduct Life Cycle Analysis	\$190	48	\$ 9,120
6: Develop Project Report	\$190	40	\$ 7,600
Totals		282	\$ 53,580

We will invoice the City monthly for work completed. Payment terms are net thirty (30) days.

PROJECT TIMELINE

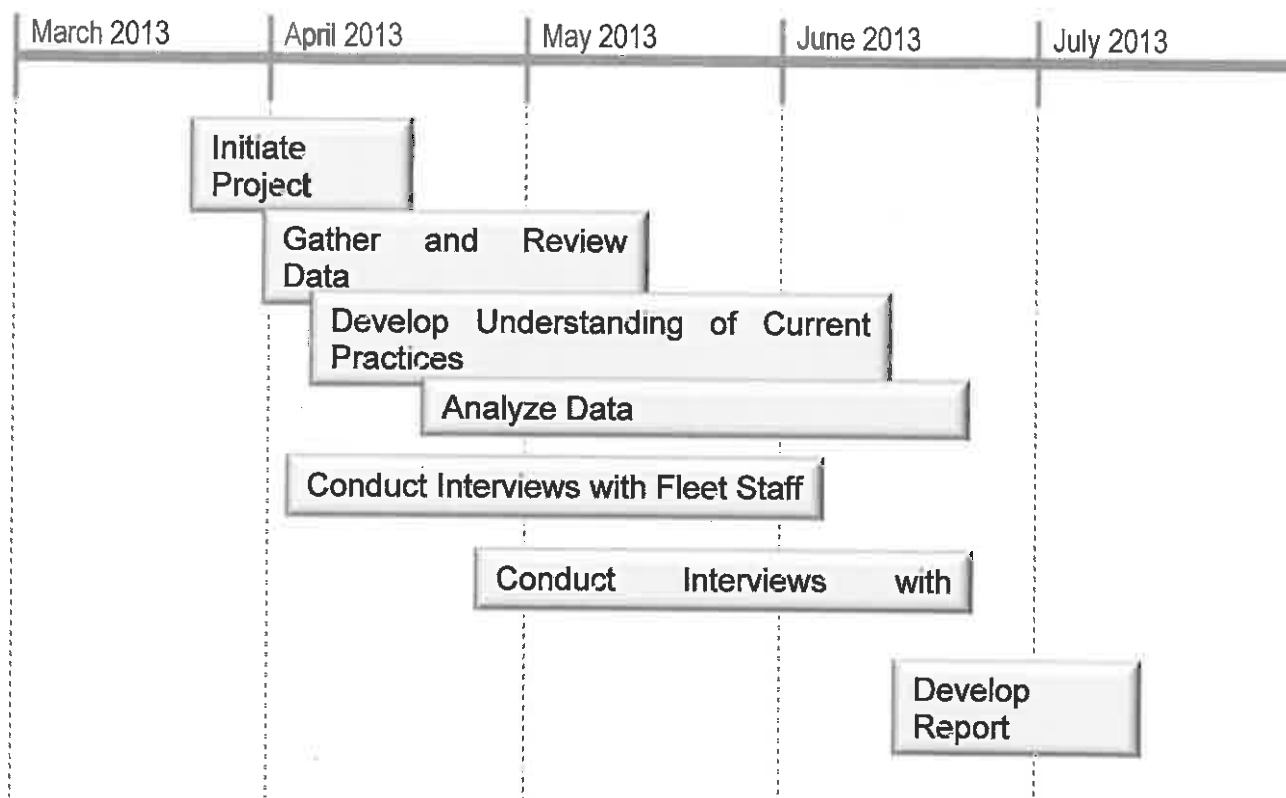
We estimate that all deliverables associated with this project can be completed within sixteen weeks after the City provides us with all requested information and data. Our firm has a well-established track record of completing projects on time and within budget. Our large staff of permanent, full-time consultants provides us with unparalleled capacity to meet our client's timeline requirements and to move additional resources as dictated by circumstances.

Key determinants of the timetable will be the speed with which the City is able to provide the information and data we will need to conduct the project, the availability of staff to meet with us, and turnaround time for review of draft deliverables.

The projected timeline assumes that we will have the requested data and information by March 29, 2013.



Projected Project Timeline



Mr. Tony Yankovich will be the primary contact for all matters relating to this proposal.

<i>Proposal Contact Information</i>	<i>Corporate Information</i>
Tony Yankovich Senior Manager Phone: 913-568-5837 tyankovich@mercury-assoc.com	Mercury Associates, Inc. 16051 Comprint Circle Gaithersburg, MD 20877 Phone: 301-519-0535 Fax: 301-519-0536 www.mercury-assoc.com