

ONLINE PRIORITY BASED BUDGETING
 POWERED BY:
resourceX
reinventing fiscal analytics

Priority Based Budgeting Tools and Implementation

Document Overview:

- I. Agreement Summary, and Contact Information
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I. Agreement Summary, Contact Information, and ResourceX Specialists

BASIC INFORMATION	
Organization name:	City of Flagstaff, Arizona
Project Lead:	Rick Tadder, Management Services Director
Telephone number/email:	rtadder@flagstaffaz.gov
Start Date	June 2019
Target Completion Date	October 2019
Total Project Cost Year 1.	\$ 50,000
Subsequent Annual Support Cost	\$ 25,000
ResourceX Implementation Specialist	Santina Reichow, sreichow@resourceX.net
ResourceX Project Support	Steve Seman, sseman@resourceX.net
ResourceX VP of Client Success	Eric Keck, ekeck@resourceX.net

II. Scope of Work

CHOOSE FROM SEVERAL IMPLEMENTATION OPTIONS + BUNDLE YOUR SOFTWARE

WHICH PBB IMPLEMENTATION IS RIGHT FOR YOU?

A. Project Preparation, Data Loading, and Kick-off			Fiscal Health	Program Budgeting	Full PBB
<input type="checkbox"/>	Webinar Training – Fiscal Health ONLY	\$1,000	X		
<input type="checkbox"/>	Send up to 5 Staff to Denver, CO for On-boarding	\$5,000		X	X
<input checked="" type="checkbox"/>	On-site Project Kick-off (including project prep, data loading)	\$10,000		X	X

B. Ongoing Support and Training			Fiscal Health	Program Budgeting	Full PBB
<input checked="" type="checkbox"/>	<u>150-hr Package of On-going Support*</u> Bi-weekly project implementation support meetings, user training and access, training webinars and implementation support	\$15,000		X	X
<input type="checkbox"/>	<u>Additional 50-hr Package of On-going Support</u> Bi-weekly project implementation support meetings, user training and access, training webinars and implementation support	\$10,000	X	X	X
<input checked="" type="checkbox"/>	<u>On-going Webinars + Slack</u> Classroom Style Group Webinars of Ongoing Training & Quarterly Contact	Free w/ Project	X	X	X

C. Software Tools**			Fiscal Health	Program Budgeting	Full PBB
<input type="checkbox"/>	Fiscal Health Diagnostic	\$10,000	X		
<input checked="" type="checkbox"/>	Online Priority Based Budgeting	\$25,000		X	X
<input type="checkbox"/>	Bundle: Fiscal Health + Online Priority Based Budgeting	\$30,000	X	X	X

D. Additional Software Applications			Fiscal Health	Program Budgeting	Full PBB
<input type="checkbox"/>	OpenPBBData	\$10,000			X
<input type="checkbox"/>	Program Metrics	\$10,000	X	X	X

E. Optional Consulting Engagements			Fiscal Health	Program Budgeting	Full PBB
<input type="checkbox"/>	On-site Visit for Staff, Council, Citizens (per day)	\$5,000	X	X	X
<input type="checkbox"/>	Advanced Consulting: Partnerships, Rate Evaluation, Sourcing	TBD***		X	X

* 150 hours of support is recommended for full PBB implementation. Additional support packages available.

** Ongoing annual renewal rates are offered at the rate of your software subscription

*** Advanced consulting quotes may be developed for your organization upon request.

III. Renewal Terms and Contract Signatures

COST SUMMARY	
Implementation Set-up Total – Breakdown described in section II	\$50,000
Software Renewal Rate – Fixed for 3 renewals	\$25,000
Subscription Period – Reoccurring annually	June 1 st to May 31st
Initial Invoice Amount – Software + one-time set up.	\$50,000
Initial Invoice Date – Due upon receipt	June 1st, 2019
Renewal Invoice Amount	\$25,000
Renewal Invoice Dates – Due upon receipt	June 1 st , 2020 June 1 st 2021 June 1 st 2022


Annual Renewal Terms: Annual renewal rate of \$25,000 will be set for 5 years. Each year an invoice will be sent June 1st for continued access to the Online Priority Based Budgeting tools. Either party may terminate this agreement, at any time, with a minimum of a written 30-day notice prior to the renewal year (with the ability to re-subscribe again at any time, subject to the current subscription rates at that time).


1. **Client Success Meeting:** Each renewal year, you will get an annual “Customer Success Meeting” during which we will talk about what’s working really well, where your organization needs improvement, and most importantly your goals and aspirations for the renewal year ahead, so that we may scope to your success.
2. **Project Charter:** Your renewal year goals and the ResourceX scope to support you will be documented in an annual Project Charter – a simple tool to clarify the customized and specific goals and deliverables we are striving to achieve together.
3. **Standard Support:** Without any changes to this agreement, you are entitled to up to 50 hours of support from ResourceX and ongoing annual access to the software you’ve subscribed to. This standard supply of support hours will be used to deliver on the agreed upon scope of work that we will create together during your Client Success meeting. Note, these hours are good only for your renewal year (they do not roll over).

THIS AGREEMENT is made and effective as of **June 1, 2019**, between **City of Flagstaff, AZ and Resource Exploration, LLC**. The parties agree as follows:

Resource Exploration

City of Flagstaff, AZ

 Date: 5-10-2019
By: Mike Seman
Co-Founder

 Date: 5-10-2019
By: Chris Fabian
Co-Founder

IV. Timeline

Timeline Considerations

Your organization's timeline for implementation is in your control. ResourceX will help you design your timeline to meet the needs of the organization. Overall, your PBB training and roll-out can be completed in a 3-month period, from beginning to end. If you have a more pressing need to implement PBB in less time, please let us know and our team will help design a path that will accommodate your schedule.

Ideally, your organization will want to set a goal for Model Completion that synchs with your budget process. ResourceX will bring our timeline discussion by asking: "by when do you want your PBB model complete, in order to influence budget decisions?"

Based on conversations with your team, the following "draft" timeline is proposed:

May:

- decision is made to proceed (pending Council meeting in May)
- contracting process
- "Project Charter" web-meeting led by Eric Keck
- ResourceX gathers Flagstaff financial information and pre-loads tools

June:

- Program Inventory phase is launched
- On-site Project Kick-off with departments (1-2 days)
- Program Inventory development moves to completion
- Program Costing phase is launched

July:

- ResourceX facilitates development of Results and Result Definitions (tbd in Charter)
- Program Costing concludes:
- Program Scoring phase is launched
- *Highly recommend that City staff member(s) attend annual PBB Summit in Denver, Aug 7th-9th to learn from leading implementers across the Country

August:

- Program Scoring phase concludes
- Peer Review phase is launched

September:

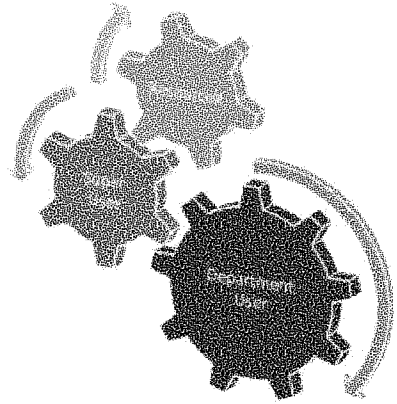
- Peer Review phase concludes
- ResourceX completes Final Model development
- On-site Final Model presentation (departments, council, project team)
- On-site training on "Taking Action on the Data" (how to use the PBB data to inform the budget process)

October:

- PBB Implementation is complete (often a celebration, or brief pause in the action is a great milestone)
- Departments underway with "Program Reviews" and Budget Development recommendations using PBB data
- Departments continue developing program recommendations using PBB data into the new year

Identifying Super Users

One of the key objectives of our first meeting will be to identify the “Super User(s)” in your organization who will be the primary resource to coordinate with our team for the management of the project. The Super User(s) will gain the benefit of being trained on all aspects of the OnlinePBB software, and achieve mastery of Priority Based Budgeting concepts, sufficient to lead the process in future years.



Milestone Review:

Identification of Programs/Services – in PBB, the organization identifies its individual programs and services. In its unique database, ResourceX has identified over 125,000 individual government programs. Programs are the foundational unit for decision-making, and every program has a “future” – a future where the plan for the organization is either to increase investment in the program, to divest itself of support for the program, or perhaps status quo.

Costing of Programs/Services – for every program, a price for delivery is determined. PBB software integrates data from the organization’s financial systems and human resources systems (or ERP) and allows for resource allocation of budget and actual data, to programs and projects. Personnel costs are allocated based on the amount of time that the organization’s human resources support the program, and non-personnel line-item costs are also allocated for a true cost of doing business.

Integration of Results and Result Definitions – the software integrates the organization’s PBB Results and Result Definitions. In its unique database, ResourceX has accumulated key Result areas from over 200 organizations, as well as the key performance metrics that help an organization define their Results.

Scoring Evaluation of Programs/Services – the software facilitates a unique evaluation process whereby programs are numerically scored relative to the organization’s Results, as well as key “Basic Program Attributes” (degree of mandate, size of population served, cost recovery, reliance upon the organization by its citizens, etc).

Prioritization Ranking Algorithm – the software applies a unique scoring and ranking algorithm that places programs in priority levels (four specific “quartile rankings”), based on the programs influence on societal objectives and basic program attributes.

Resource Alignment Diagnostic (RAD) Modeling – the software facilitates exploration of the data based on unique analytics drawn from the scoring process, allowing the organization to understand and act upon insights such as: which programs are ideal for public/public partnership; which programs are ideal for public/private partnerships; which programs are charging a fee, where the fee is less than the true cost of providing the program; which programs are best served by another source; which programs are the organization’s most influential to achieving Results, etc

ResourceX Support Plan:

Line Item Budget Review and Program Inventory

PBB Prep Course - Learn the process start to finish and what to expect. Courses are held once per quarter in Denver, CO.

Line Item Budget Review - We will meet via webinar 3 times to establish the line item costs to be loaded into ResourceX's Online tool.

Program Inventory - We will meet over webinar 3 times to establish working program inventories for each of your departments. These inventories will be used during onsite costing and training.

Site Activation and Cost Loading - Superusers are given access to the tool and your site is live.

Milestone - Total Line item budget amount confirmation.

Onsite Program Costing

On-site Program Costing - Our highly experienced team will lead your departments through training to allocate line item costs to programs using online tools. Training includes reasons and motivation for priority based budgeting.

Deliverable - The results of the onsite costing will be shown online. The remaining work to be completed will be identified.

Program Costing Follow-up

Program Costing Finalization - 4 weekly meetings or office hours with super users or to complete program costing.

Deliverable - With all costs allocated to programs we have completed your Program Costing online tool for analyzing program costs. Timeline is one month from our Program costing on-site.

Program Scoring (and Peer Review)

Program Scoring and Peer Review - Our highly experienced team will lead your departments through training to allocate line item costs to programs using online tools. Training includes reasons and motivation for priority based budgeting.

Deliverable - With all programs scored, we can prioritize programs and move towards a final model. Timeline is one month from our Program costing on-site.

Final Model Delivery

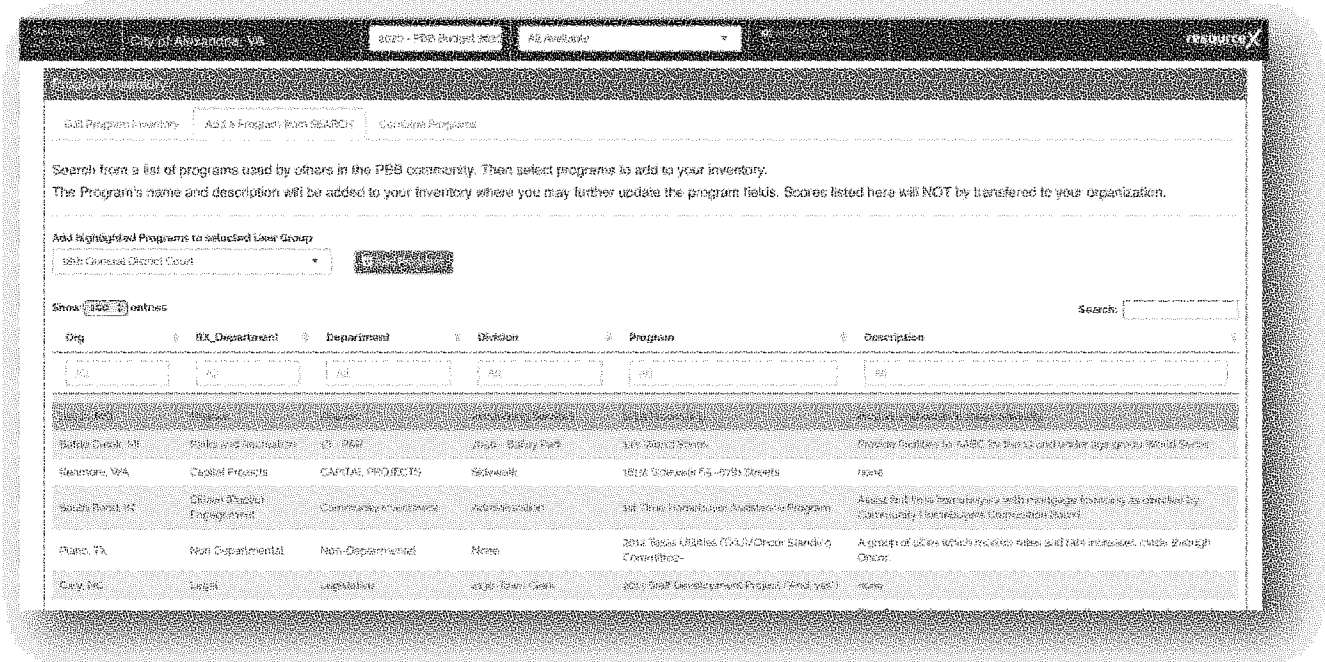
Final Model Delivery - typically via an on-site training (or webinar) we deliver your final model and begin training on how to use it in the budget process

Deliverable - Complete loaded final PBB model for use in the budget process

Work Plan Overview:

Program Budgeting Development (Program Inventory and Program Budgeting)

ResourceX provides a “starter program inventory” for the departments to work from and a training on how to identify “programs” at a level most effective for PBB. The “starter program inventory” is built from the PBB Database of over 125,000 programs, customized to match with their department, and significantly easing the workload for departments to complete this first task. Each department will be responsible for refining and completing their Program Inventory and submitting this to ResourceX.



Differentiating programs and services offered by the organization to the community, as opposed to drawing only a comparison between each of the individual departments that provide services to the community, builds a common understanding of exactly what the entire organization offers to its constituents (and what those programs cost) and leads to a more effective means of making discrete resource allocation decisions through the Priority Based Budgeting process.

One of the key objectives that your organization will achieve with this process is the identification of programs and services it offers, as well as the cost for these programs. The “Program Inventory” will clarify the breadth of services provided by your organization, and highlight key characteristics of each program (e.g., the full cost of providing the program and level of revenues that program directly generates to support its operations). The inventory is a tremendously valuable tool in and of itself, but is also the basis for discussion of prioritizing resources – programs are prioritized based on their influence on Results.

Many organizations attempt to “prioritize” their spending by comparing one department or division against another rather than determining which of the typically hundreds of programs and services offered across the organization are more highly valued than others. By developing a comprehensive list of programs offered by the organization and identifying the costs of those services, your organization

will be able to better understand at a more discrete level what programs it provides and how much it costs to provide them.

ResourceX wrote the guidelines for developing a "Program Inventory", as published by the Government Finance Officers' Association (GFOA) white paper on Priority Based Budgeting, entitled "**Anatomy of a Priority Based Budgeting Process**" (GFOA, 2011). These guidelines form the basis for developing a "Program Inventory". Critical to this process is finding the right level of detail when identifying discrete programs. If a program is too big or encompasses too much, it will not provide sufficient perspective and information – that is, it will be very difficult to describe the precise value the program creates, or to use program cost information in decision making. However, if program definitions are too small, decision makers can become overwhelmed with detail and be unable to see the big picture. ResourceX will work with your organization to establish the right level of discretion in the creation of "Program Inventories".

With respect to identifying costs for each of the programs identified, ResourceX will provide a webinar workshop in order to train staff on how to derive these program costs, as well as serve as an ongoing resource to staff in providing assistance in the estimation of these costs. ResourceX will provide guidance and coaching that will offer your organization techniques and methodologies used in calculating indirect and direct program costs and identifying the number of staff associated with each program offered.

ResourceX will provide a Program Costing training session to staff who will be responsible for filling in the data into the online Program Cost Allocation portal. ResourceX will provide customized Program



Costing templates for each of the Organization's departments (or divisions), as well as a recorded version of the webinar the Organization can refer to.

Specifically, ResourceX will help your organization IDENTIFY and COST ONGOING PROGRAMS and SERVICES by:

- Providing a webinar workshop to help department heads and other identified staff gain a better understanding of how to define and identify the individual programs and services that are offered by each individual department and to provide guidance in distinguishing between a task (too small to be considered a program) and a department/division (oftentimes too large to be considered a program).
- Sharing an illustrative listing of program examples gathered from other organizations that have worked with CPBB to use in developing and/or refining its own "Program Inventory".

- Providing worksheets, feedback and coaching in support of the organization’s overall efforts in developing individual department’s “Program Inventory” listings.
- Providing a webinar workshop to help department heads and other identified staff gain a better understanding of how to utilize CPBB’s “Program Costing Tool” to determine program costs.
- Developing individualized department and/or division “Program Costing Tool” templates to assist in the determination of program costs and associated FTE needed to provide the program; effectively “flipping” your line item budget to a program budget.
- Providing guidance and coaching to department heads, division directors, managers and/or supervisors to train them on techniques and methodologies used in calculating program costs (including direct and indirect costs) and identifying the number of staff associated with each program offered (if desired).

Results Setting and Result Definitions

ResourceX works with the organization's elected officials and/or staff to identify, or to validate "Results" that the organization has already established. Priorities establish the foundation for Priority Based Budgeting.

Results help to identify the very fundamental reasons that a local government exists – articulating all the ways it serves the needs of the community (*as opposed to a list of specific projects or initiatives that need to be considered during the next budget cycle*). They are meant to answer the questions, **“Why to we, as an organization, exist in the eyes of the community”** and **“What are we in business to do?”** *Results* are more overarching in nature and will “stand the test of time,” as opposed to more short-term needs or tasks that normally have a targeted “finish-line.” Finally, *Results* are truly unique to your community, in that they attempt to determine the role of your local government to determine “**why**” it exists and “**why**” it offers the types of unique services it does to the community.

As *Results* are identified, there is a distinction made between “**Community-oriented Results**”, which help define why certain programs are offered directly to the community, and “**Governance-oriented Results**”, which help define why internally focused programs are offered by various support functions such as Finance, Human Resources, and Information Technology. Through its research and work with other local governments, **ResourceX** has found it imperative in achieving the best outcomes from its **PBB** process that an organization distinguish between “*Community Programs*” (i.e. programs that directly serve the community) and “*Governance Programs*” (i.e. programs that are more internal in nature and generally support the administration, elected officials and departments within the organization). In order to understand the relevance of *Governance Programs*, we need to evaluate them against different *Results* than *Community Programs*, because *Governance Programs* exist within the organization for fundamentally different reasons than do the *Community Programs*. Even though the scoring criteria might be different for each of these two types of programs, the process allows you to ultimately look at all offered programs from an overall Organization-wide perspective in the eventual program prioritization array.

The main deliverable includes the identification and articulation of *Results* for both “*Community-oriented*” programs and “*Governance-oriented*” programs, which will be fully utilized as the **Priority Based Budgeting** process unfolds. **ResourceX** will review the **Organization’s** existing strategic documents included its Vision, Mission and Values Statements, Strategic Plan, Strategic Council Goals and/or Community Survey Responses to determine how to leverage these efforts in identifying *Results* for the **PBB** process.

Specifically, ResourceX will help your organization IDENTIFY RESULTS by:

- Determining both a “starting place” for its Results and the most appropriate way to validate those Results with its elected officials.
- If determined to be the best approach, conducting a “Results Validation” exercise to confirm that the Organization Council believes the Results that have been identified are complete, comprehensive and clearly articulate “why” the Organization exists and “what” it is there to accomplish for it’s residents, businesses and visitors.

Program Scoring and Peer Review

With the right Results, and with clear definitions of those Results, the organization is then ready to more accurately place a value on individual programs (and potentially one-time initiatives) relative to its influence on achieving the organization’s stated Results.

In *Program Evaluation or Scoring* phase, it is essential to give departments the opportunity to first score their own programs, relative to your organization’s *Results* and demonstrate why they believe their programs are influential in achieving those *Results*. This gives departments the chance to provide their own unique intelligence on their own programs which no one else but the program providers would have known. Not only does this help solidify organizational buy-in but at the same time provides a more thorough and complete understanding about everything the organization does and how those programs help achieve the identified *Results* (i.e. “why” we offer the program).

The *Peer Review* phase then provides for an authentication process to validate (and perhaps question) the department’s belief that their programs are indeed relevant to your organization’s *Results*. Several organizations have commented that, unlike other more conventional approaches to performance measures, *Peer Review* provides a forum for a far better discussion that leads to a clearer understanding of how programs truly influence *Results*. Furthermore, departments gain an organization-wide perspective about programs being offered across your organization, which has led to the uncovering of program redundancies. This step in the process has led to cross-departmental collaboration, as departments find out that they provide similar programs to other departments. This process has also contributed to changes in organizational culture as departments are tasked with the duty of objectively analyzing programs that aren’t their own (i.e. a “jury of their peers”).

The effect of *Peer Review* has been remarkable, not only for the purposes of *PBB*, but for bringing an organization together to look at the programs they offer in the context of how they collectively achieve the *Results* that citizens find meaningful. In a sense, *Peer Review* begins to break down the old departmental “silos” and lets staff see the world from a more global perspective. Ultimately, it is through this step that more accurate *program* scores emerge, that a better understanding of *programs* is developed, and an assurance that the outcome of the entire process is objective and valid. For the long-term, this phase in the process sparks the discussion of how to determine what measure or metric will substantiate the fact that a program’s desired outcome is achieving that objective.

Specifically, ResourceX will help your organization VALUE ONGOING PROGRAMS BASED ON RESULTS by:

- Providing a webinar workshop for department heads, division directors, managers and/or supervisors to train them on the how to evaluate programs against the identified Results and Basic Program Attributes in the Program Scoring phase.

- Creating individual departmental “Program Scorecards” that facilitate the organization’s effort to score programs based on the program’s influence on Results and on the identified “Basic Program Attributes”.
- Providing coaching and support to the departments as program scoring is completed.
- Providing guidance and assistance in the development of Peer Review Teams to ensure they are cross-functional in nature and maintain the level of objectivity needed to make this phase of the process successful. This is another part of the process where including elected officials and/or external stakeholders from the community is a potential area of interest.
- Providing coaching and support to the Peer Review Teams in the evaluation of program scores, encouraging them to interview program managers to hear evidence that justify assigned program scores, and then recommending program score adjustments where appropriate.
- Offering suggestions as to the incorporation of existing performance measures as an evaluation criteria in the Peer Review process as well as the development of key indicators for use in future years.
- Accumulating the information provided through the program scoring and peer review phases into a “Master Program Scorecard”.
- Developing an “Impact of Peer Review Report” to identify the impact of changes to the department’s initial program scored made by the Peer Review Teams.

Final Model Delivery

Ultimately, the Results identified and defined by the organization and the programs that are the most highly valued in terms of achieving those Results become clearly articulated in the budget through a process in which resource allocation decisions are linked to the prioritization of those individual programs and services.

Once programs have been scored against the *Results* and a relative value determined, the entire list of your organization’s offered services can be arranged in order of “*highest priority*” (those programs most relevant in achieving the organization’s stated *Results*) to “*lowest priority*” (those programs that are less relevant in achieving those *Results*). The programs are then grouped into four “**Quartiles**” based on the similarity of the scoring ranges, with *Quartile 1* representing those programs of the highest priority and *Quartile 4* including those programs of the lowest priority.

Individual costs are then associated with each program in order to develop a final “*Spending Array by Quartile.*” **ResourceX** takes this information and develops a customized “**Resource Alignment Diagnostic Tool**” that can be utilized by the Organization in 1) assessing its spending profile in terms of aligning resources with identified priorities; 2) developing “*target budgets*” for departments based on their individual prioritized spending profile and 3) analyzing programs using the “**Resource Alignment Diagnostic Tool’s**” unique filtering capabilities.

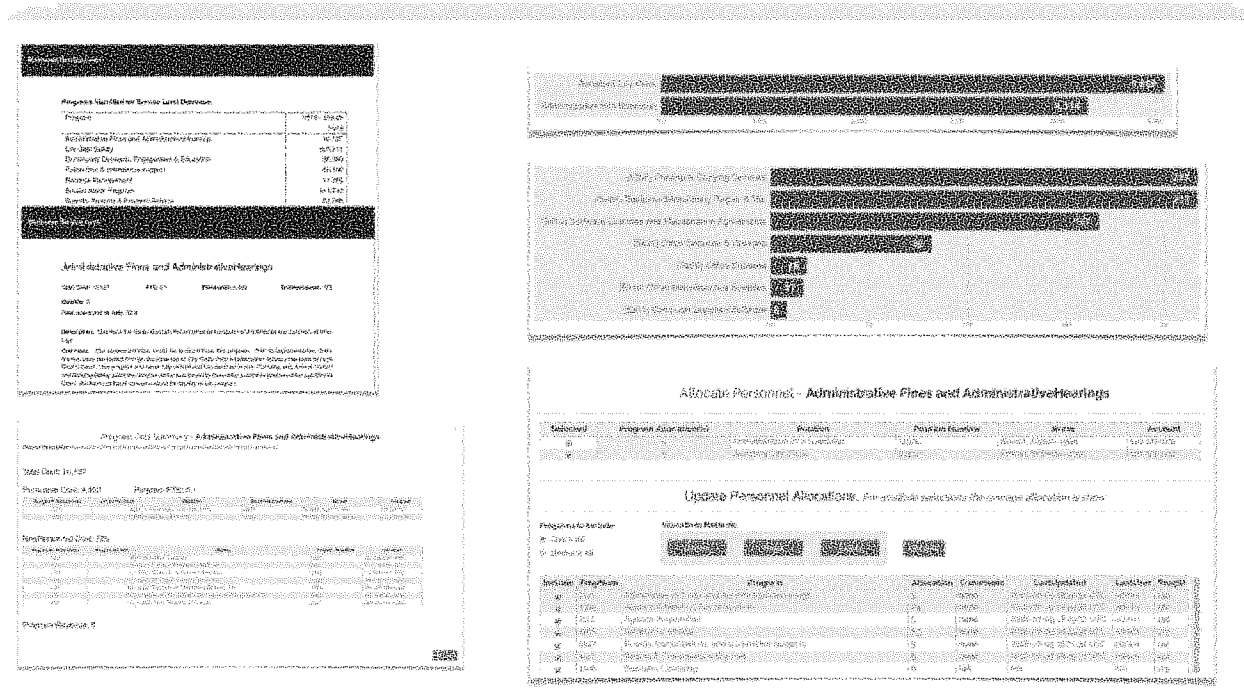
With the “**Resource Alignment Diagnostic Tool**”, your Organization will have a “*unique lens*” to see your programs not only in terms of their relevance to *Results*, but also in light of mandates, fee structures, citizens’ reliance and community partnerships. This *unique lens* allows staff to efficiently analyze programs and gain insights into areas such as:

- Programs supported by specific user-fees **VS.** those funded through general government revenues (taxes)
- Stringently mandated services **VS.** programs without any legislative requirement

- Programs that the community depends exclusively upon the local government to provide **VS.** programs offered by other entities in the community (private, non-profit, etc.)
- Programs that benefit the majority of the community's stakeholders **VS.** programs that serve only a small constituency
- Programs that are experiencing an increase in demand from the community **VS.** programs that are experiencing a lesser demand than before
- Programs that highly achieve one or more of the local government's stated Results **VS.** those programs that do not help to achieve any of those Results.

In addition, the **"Resource Alignment Diagnostic Tool"** provides staff and the **Organization's** elected officials with a way to engage in more powerful and meaningful discussions that address questions such as:

- What services are truly mandated to be provided by the local government, and how much does it cost to fulfill those mandates?
- What programs are most appropriate to consider a discussion about establishing or increasing user-fees?
- What programs are most appropriate for discussions about partnerships with other service providers in the community?
- What services might the organization consider "getting out of" the business of providing altogether?
- Where are there apparent duplications in services offered across the organization that might lead to a meaningful efficiency discussion?
- How can succession planning be incorporated to focus on training staff providing lower priority programs to fill the positions left vacant in higher priority programs?



Specifically, ResourceX will help your organization **ALLOCATE RESOURCES BASED ON PRIORITIES** by:

- Calculating final program scores and developing the quartile rankings for all the organization's programs and services based on their relative score.

- Associating program costs and associated FTE counts with the scored programs to develop a final calculation of the organization’s total budget by quartile ranking (the “Spending Array by Quartile” – a summation of program costs by quartile ranking).
- Providing the organization with an interactive “Resource Alignment Diagnostic Tool” that will guide all resource allocation decisions based on the prioritization of programs (allowing allocations to be summarized by Fund, Department, Division etc.).
- Training staff on how to use the “Resource Alignment Diagnostic Tool”, providing them with the ability to more effectively analyze programs by way of the filtering capabilities of the “Tool”, offering a unique perspective on the organization’s programs, which leads to more powerful and meaningful discussions about how resources can be effectively utilized to achieve the desired Results for the community.
- Offering guidance in using the “Resource Alignment Diagnostic Tool” to identify which of the Organization’s highly relevant programs should be evaluated in terms of effectiveness and efficiency and how to use the PBB process to continuously refine performance metrics to ensure the identified Results are being achieved.
- Providing a high level interpretive analysis of the data available in the “Resource Alignment Diagnostic Tool” and identifying opportunity areas for discussion related to programs and their continued relevance to the organization.
- Offering suggestions on how to use the “Resource Alignment Diagnostic Tool” in the calculation of departmental “target budgets” based on the availability of ongoing revenues and the individual department’s prioritization profile.
- Recommending ways to incorporate PBB into the Organization’s current budget development process as well as providing “Budget Transmittal Form” templates to guide departments in communicating their recommended program level budgets within the context of PBB and to demonstrate the allocation of general government resources is being focused on higher-priority programs. (if desired).
- Presenting the final “Resource Alignment Diagnostic Tool” to Organization staff and, if desired, to the Organization Council.

Appendix A

End User License Agreement

V. Appendix A: End User License Agreement

ONLINEPBB® LICENSE AND HOSTING AGREEMENT

IMPORTANT - BY UTILIZING ONLINEPBB SOFTWARE, YOU ARE ACCEPTING THE TERMS AND CONDITIONS OF THIS AGREEMENT. PLEASE READ THE FOLLOWING CAREFULLY BEFORE PROCEEDING.

This Agreement is a legal agreement between you (City of Flagstaff, AZ) and Resource Exploration, LLC, the licensor of OnlinePBB software and associated on-line documentation that you access using this internet website (together referred in this Agreement as "OnlinePBB").

1. OnlinePBB License. Subject to the terms of this Agreement, Resource Exploration, LLC, grants you a non-exclusive, non-transferable license to access OnlinePBB remotely via browser on the server used by Resource Exploration, LLC, to operate this website (the "Server") solely for purposes of creating and maintaining on the Server any interactive website developed using this website and with respect to which all required fees payable under this Agreement have been paid by you (each, a "Website").

2. Restrictions. You may not download or otherwise copy all or any portion of OnlinePBB software. You may not sell, rent, license, lend, transfer or otherwise grant access to OnlinePBB to any other person or entity except as contemplated by the license granted to you above. You must comply with all applicable laws and regulations in your use of OnlinePBB. You may not modify, translate, reverse engineer, decompile disassemble or otherwise attempt to obtain or derive source code from all or any portion of OnlinePBB.

3. Proprietary Rights. Resource Exploration, LLC and its supplier's reserve all rights to OnlinePBB not expressly granted in this Agreement. Resource Exploration, LLC and its suppliers own OnlinePBB and all associated patent, copyright, trade secrets and other proprietary rights in OnlinePBB. No title or ownership of OnlinePBB or any associated proprietary rights are transferred to you or any other person by this Agreement.

4. Disclosure and Ownership of Data. a.) All written and oral information not in the public domain or not previously known, and all information and data obtained, developed, or supplied by your organization or at its expense, will be kept

confidential by Resource Exploration, LLC and will not be disclosed to any other party without your organization's prior written consent. b.) The materials used by Resource Exploration, LLC for work performed under this Agreement are specific and unique methods of fiscal management and budget prioritization. As such, these materials are protected by copyright. You agree and understands that these materials and all methods, models and applications resulting from the use of said materials are the sole, complete and absolute property of Resource Exploration, LLC. As such, any use, future use or application or any publication (either oral or written) of these materials by your organization will be at the discretion of Resource Exploration, LLC and in any event will not occur without the express and prior written permission of Resource Exploration, LLC. All legal rights and protections afforded by copyright and Resource Exploration, LLC's ownership of all the underlying intellectual property associated with these fiscal management and budget prioritization materials are retained and reserved exclusively by Resource Exploration, LLC, reserving all legal rights and remedies incident to its ownership of these materials. It is understood that your organization may utilize these methods, models and applications for their own specific use but are not free to share these methods, models and applications with other individuals or entities. Nothing herein precludes disclosures required by law.

5. U.S. Government Restricted Rights. If OnlinePBB is accessed or used by any agency or other part of the U.S. Government, the U.S. Government acknowledges that (i) OnlinePBB and accompanying materials constitute "commercial computer software" or "commercial computer software documentation" for purposes of 48 C.F.R. 12.212 and 48 C.F.R. 227.7202-3, as applicable, and (ii) the U.S. Government's rights relating to OnlinePBB and accompanying materials are limited to those specifically granted in this Agreement.

6. Data - Data Security. The OnlinePBB web-application provides data security via SSL encryption, and is accessed via https - this protects and secures the client's data from outside the organization, protecting the client and CPBB. Additionally, data is protected within the client's organization by way of individual user accounts and user passwords, and varying levels of permission and access, to give the client control over data accessibility.

7. Data - Data Storage. The OnlinePBB web-application utilizes Amazon Web Services (AWS) for best-in-class data storage.

8. Data - Data Protection/backups. Resource Exploration performs complete back-ups of all OnlinePBB data at a frequency of once per night.

9. Service Availability - Disaster recovery/business continuity. To support the organization in the case of disaster, Resource Exploration performs complete back-ups of all OnlinePBB data at a frequency of once per night. The organization may also download their own data files on a more frequent basis, in order to perform complete data restoration - restoring from any point in time, from previously saved data, completely in control of the City. Data files are stored in DropBox, as well as Resource Exploration headquarters to provide additional redundancy.

10. Service Levels - System Availability / performance. The OnlinePBB web- application is provided and available 24 hours per day, 7 days per week. Resource Exploration reserves the right to perform regularly scheduled updates and maintenance, during which time the organization may experience brief periods of downtime for server restarts to make updates available. Scheduled updates take place after 6pm EST Monday-Friday, and the organization will be made aware ahead of schedule, to the greatest extent possible. It should be noted that Resource Exploration reserves the right to restart the web server at any time, but will provide the organization as much advanced awareness as possible. Resource Exploration uses all reasonable business means to ensure the application is available for the organization's use.

11. Insurance - Vendor insurance and liability. Resource Exploration agrees to procure and maintain in force during the term of this Agreement, at its own cost, cyber insurance coverage.

12. Mutual Indemnification - From third party claims. Each party will indemnify and hold harmless the other party from any and all claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees) caused by the other party's negligence, breach of warranty or contract or wrongful conduct.

13. Independent Contractors. The parties agree that Resource Exploration, LLC, is an independent contractor as that term is commonly used and Resource Exploration, LLC's employees are not and shall not be considered subcontractors or employees of the City and has no authority to bind the City in any manner. Contractor shall be solely responsible for the withholding and reporting of all federal, state, and local income and employment taxes. Contractor acknowledges that it is not insured in any manner through the City for any bodily injury, personal injury, or property loss whatsoever.

14. Limitation of Liability. Except for indemnification and those matters

required to be insured pursuant to this Addendum, neither party shall be liable to the other, or any of their respective agents, representatives, or employees for any lost revenue, lost profits, loss of technology, rights or services, incidental, punitive, indirect, special or consequential damages, loss of data, or interruption or loss of use of service, even if advised of the possibility of such damages, whether under theory of contract, tort (including negligence), strict liability or otherwise.

15. Liability Insurance. Resource Exploration, LLC, shall obtain and maintain in full force and effect during the entire term of this agreement a policy of comprehensive general liability insurance, including an acknowledgement of and coverage for the indemnity provision of this Addendum, with limits of liability of not less than \$1 million and workers disability compensation insurance in compliance with Missouri's statutory limits, and shall provide a certificate of insurance to the City naming the City as a certificate holder, which certificate shall provide that the City shall receive at least 30 days prior written notice of cancellation or nonrenewal of such insurance. Said insurance shall cover any claims arising out of, occurring during, or accruing during the term of this agreement and shall survive the term and termination of this agreement and shall be primary without right of contribution against the City.

16. Non-Assignment. The parties agree that there shall be no authority on the part of Resource Exploration, LLC, to subcontract, assign, or otherwise dispose of any portion of the services to be performed herein without the prior written approval of the City. In the event that the City approves a subcontract, assignment, or disposition, Resource Exploration, LLC, solely shall be responsible for managing, directing and paying the subcontractors or assignees, and the City shall have no obligations whatsoever toward said subcontractors or assignees. Consent to subcontract, assign, or otherwise dispose of any portion of this Agreement shall not be construed to relieve Contractor of any responsibility for the fulfillment of this Agreement.

17. Completeness of Agreement. This Agreement constitutes the entire agreement between your organization and Resource Exploration regarding OnlinePBB, the hosting of the Website and your use of the website. Resource Exploration will not be bound by any provision in any purchase order, receipt, acceptance, confirmation, correspondence or otherwise unless Resource Exploration specifically agrees in writing to such provision.

18. CANCELLATION FOR CONFLICT OF INTEREST (A.R.S. § 38-511): The City may cancel this End User License Agreement pursuant to A.R.S. § 38-511 within three (3) years after its execution, without penalty or further liability to Contractor.

19. CONFIDENTIAL INFORMATION: The City will comply with the End User License Agreement, Paragraph 4, *Disclosure and Ownership of Data*, to the extent permitted by and consistent with the requirements of Arizona Public Records Law.

