

EXHIBIT 1
MULTNOMAH COUNTY SERVICES CONTRACT
Contract No.
STATEMENT OF WORK, COMPENSATION,
PAYMENT and RENEWAL TERMS

1. Contractor shall perform the following work:

The core result that the County seeks is to plan for the sunset of the ITAX and the development of a mid-year budget adjustment in the event that the ITAX is repealed. The County desires to do more than just balance its budget. It wants to assure that it delivers results that matter most to citizens at the price citizens are willing to pay. In completing this budget adjustment, the County also wants to prepare itself to set priorities and purchase results in 2006 and beyond.

This will not be a traditional budget balancing exercise. The County desires to pursue a process that answers the question “With the money we have, how can the County best purchase the results that matter most to our citizens.” The focus will be on what to keep, not on what to cut.

PSG will facilitate the development of a mid-year budget adjustment to be adopted by the Board of County Commissioners in the event that the ITAX is repealed

The steps involved will include:

Step 1: Confirm the fiscal parameters for the ITAX Sunset, ITAX Repeal adjustment process. (Step completed immediately).

PSG and county fiscal staff will confirm the revenue impact of ITAX sunset, potential ITAX repeal as well as any other fiscal variances that are to be accounted for in the adjustment. In addition, we will confirm the relationship between adjustments in FY2005 and impacts on FY2006. This information will specify the total resources available for the balance of FY 2005 that can be used to purchase priority programs.

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Confirm the fiscal parameters for the adjustment process – <i>Result: Clarification how much money the County has to purchase results in the second half of FY 2005.</i>	Assist County staff in expressing the budget parameters as ‘available to purchase’ rather than ‘need to cut.’

Step 2: Identify the Priorities of Government - the Overarching Results That Citizens expect from their County Government – and Indicators for Each. (Step completed by September 24)

PSG will work with the County to identify the priority results around which the budget adjustment plan will be built. In doing so PSG will assist the County in identifying the most critical outcomes that citizens expect from their County government. The focus in this step is on results, not programs or individual services. For each result specific indicators will also be identified. Doing so will involve the following.

- PSG will review the County Benchmarks and the Service Efforts and Accomplishments information currently available. PSG will also review any other data sources that can serve as a foundation for this work.
- PSG will advise the County on the structure and content of focus group sessions as well as interpretation of the results. The focus groups will be designed to identify results that matter most to citizens, how they gauge success in achieving those results, and their relative priority. The County is responsible for forming the Focus Groups.
- PSG will facilitate the decision making process.

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Identify the Priorities of Government - the Overarching Results That Citizens expect from their County Government – and Indicators for Each <i>Result: A list of 8-10 priority results with indicators for each.</i>	<ul style="list-style-type: none"> ◆ Design focus group process and questions; and interpret results ◆ Integrate multiple sources of data into statements of results ◆ Link key indicators to results ◆ Facilitate decision making

Step 3: Build Cause - and - Effect Strategy Maps for Each Result. (Step completed by October 8).

PSG will facilitate small teams for each result area to develop strategy maps. These Results Teams will be drawn from the membership of the Executive Team, financial/ business managers, labor groups, departmental program staff that provide the service delivery and budget analysts. Each team will be assigned a specific result and will be charged to think about that result from a countywide perspective.

Strategy maps identify the factors that matter most to achieving the desired results. The creation of the maps is based on evidence of cause and effect relationships that lead to the outcomes identified in step 2. Decisions on which county programs to fund will be driven by the cause-effect relationships identified in the strategy maps. This will involve the following sub-steps:

- Identify Results Team members.
- Training session for team members on strategy mapping, using examples from other jurisdictions.
- PSG-facilitated sessions with each of the Results Teams to create the maps and assemble the evidence.
- Presentation of strategy maps and supporting evidence to the Board and design team for review, revision, and approval.

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Build Cause - and - Effect Strategy Maps for Each Result <i>Result: A cause-effect map for each result with supporting evidence.</i>	<ul style="list-style-type: none"> ◆ Strategy mapping tools/ techniques ◆ Strategy maps developed in other jurisdictions ◆ Facilitating Results Teams

Step 4: Link Existing Programs to Outcomes and Strategy Maps. (Step completed by October 22).

PSG will support the finance staff and Results Teams in identifying which of the existing County programs link to the results chosen in Step 2 above. This will create an inventory of programs for each result. This will involve the following sub-steps:

- Inventory all County programs – including the degree that programs are mandated either by state law, County charter/ordinance or contract; specify mandate in terms of program existence, funding level, or service level.
- Identify FY 2005 (January 1 to June 30) costs to deliver each program.
- Select the result or results to which each program contributes.
- Teams will rank programs and provide results to the Board

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Link Existing Programs to Outcomes and Strategy Maps <i>Result: Every current program in the 2005 budget linked to one priority result.</i>	<ul style="list-style-type: none"> ◆ Resolving unusual or difficult to fit items (e.g. internal services, compliance activities, leadership functions, etc.) ◆ Designing data base to track and manage information ◆ Facilitate teams through the ranking process.

Step 5: Program Options. (Step completed by October 22).

PSG will work with each Results Team to review the programs linked to each result and develop options for program restructuring to be included in the ranking and purchasing process.

- Teams will create an array of options for consideration – not specific recommendations.

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Program Options <i>Result: Options for program restructuring or realignment within each result area.</i>	Facilitating/ challenging teams to develop options based on strategy maps and program lists

Step 6: Prepare the Board and other County Elected Officials to Rank Programs within Result Areas. (Step completed by October 29).

The Board will be presented with packets for each result area that include:

- Statement of intended outcome that citizens expect.
- Relevant performance indicators (Benchmarks) that measure progress towards that result.
- Strategy map that lays out key cause-and-effect relationships among the factors that matter most to producing that result.
- The list of County programs that the teams believe best contribute to that result along with program restructuring options.

The Board will be given an opportunity to ask questions about the contents of the packets and revise the linkage of programs to the result areas if necessary.

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Prepare the Board to Rank Programs within Result Areas <i>Result: Board clear about programs, program options and ranking process.</i>	<ul style="list-style-type: none"> ◆ Facilitating Board through clarification process ◆ Designing tool for ranking individually, compiling collectively and identifying points of agreement/ divergence

Step 7: Rank the Programs in Each Result Area. (Step completed by November 12. If the ITAX is not repealed Step 7 and Step 8 timelines may be extended to allow the Board additional input before the final ranking is completed.)

PSG will facilitate the Board in ranking all of the programs and options in each result area in order of priority based on the assessment of the degree to which the programs contribute to the intended result. PSG will work with the County to develop a way to use technology to facilitate this ranking process.

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Rank the Programs in Each Result Area <i>Result: Ranking of all programs in each result area based on their individual contribution to achieving the result.</i>	Facilitating the Board through the ranking process using the ranking tool

Step 8: Board of County Commissioners Will Decide What Programs Will Be Funded and At What Level for Remainder of Fiscal Year. (Step completed by November 26).

If voters approve the ITAX repeal, PSG will facilitate the Board's purchases of prioritized county programs within each outcome area. The result of this work will be the County's adjusted budget for FY2005.

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Decide What Programs Will Be Funded and At What Level for Remainder of Fiscal Year <i>Result: Purchase plan for the remainder of FY2005 that can be implemented as a budget adjustment.</i>	<ul style="list-style-type: none"> ◆ Facilitating Board through the purchasing process ◆ Designing toll to draft individual purchase plans, compile them collectively and identify points of agreement/ divergence

Additional Considerations:

Public Involvement: PSG will work with the Board and design team to create multiple mechanisms that – within the challenging time constraints – will give the public opportunities to weigh in. These might include:

- Focus groups among citizens selected at random to gather feedback on the results that matter most, their relative priority, and indicators of success.
- Creating a survey (in both online and paper form) that invites Multnomah County residents to allocate a hypothetical \$100 across the result areas identified in Step 1 based on their perception of the relative priority of those results.

- Inviting members of the CIC and Citizen Budget Advisory Committees to participate.
- Holding public meetings in the community to get input on residents' budget priorities

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Public Involvement <i>Result: Multiple opportunities for the public to provide input to the budget process.</i>	<ul style="list-style-type: none"> ◆ Designing tools for involvement including: On- line surveys Public Hearings Facilitated meetings groups, committees, etc. ◆ Facilitating development of an overall involvement plan ◆ Supporting County staff responsible for execution

Decisions about how to facilitate public involvement will be made as part of the process of finalizing this work plan – by September 7.

Internal Communications: PSG will support implementation of the plan, as appropriate.

RESULTS	EXPERTISE/ EXPERIENCE/ TOOLS
Internal Communications <i>Result: County staff knows what is happening and why as well as how they can provide input.</i>	<ul style="list-style-type: none"> ◆ Designing tools for communication and involvement ◆ Supporting County staff responsible for execution

PSG Team

PSG's team for this work will include Peter Hutchinson, President, along with partners Laurie Ohmann (project manager), Steve Struthers and Connie Nelson all of whom have extensive experience with implementing Budgeting for Outcomes.

- 2. The maximum payment under this Contract, including expenses, is \$225,000. (\$200,000 for PSG services and \$25,000 estimated travel expenses).**

If, at any time, for any reason, the County is not satisfied with the results PSG produces, the County will notify PSG. If PSG cannot ameliorate the problem, the County in its sole discretion is not required to pay PSG under the terms of this contract and any amounts paid PSG will be refunded to the County.

3. County shall pay Contractor on the following basis:

On completion of each of the tasks listed below, Contractor shall submit a bill to the County for that work. The County shall pay the bill within 30 days after receipt provided that the work described in the bill has been completed in accordance with the terms of the Contract.

- \$40,000 when the fiscal parameters are set, results and indicators are specified and Board approves. (Steps 1 and 2)
- \$60,000 when strategy maps are completed and approved by the Board. (Step 3)
- \$40,000 when programs have been linked to results and the Board is prepared for ranking programs within each result area (Steps 4 and 5)
- \$30,000 when the Board completes its ranking and the budget adjustment is identified by the Board (Steps 6 and 7)
- \$30,000 based on an evaluation by Board members of the degree to which PSG met or exceeded their expectations.

4. County will pay expenses on the following terms and conditions:

In addition to the sums described above, Contractor shall be reimbursed for travel expenses. Receipts must be provided before reimbursements are made.

TRAVEL EXPENSE ALLOWANCES:

1. The County will pay for coach transportation only.
2. Rental cars - Reservation for Commercial Transportation
 - a. The standard car rental should be economy or compact unless there are three or more travelers sharing the same vehicle.
 - b. The County will not reimburse for luxury cars, sports cars, or sport utility vehicles.
1. Lodgings / Hotel
 - a. Government rates should be requested and accepted if available.
 - b. The County will only reimburse the cost of actual lodging expenses, not to exceed the single occupancy rate.

5. This contract may be renewed on the following basis:

Not renewable

**County shall have the right to withhold from payments due Contractor such sums as are necessary in County's sole opinion to protect County from any loss, damage, or claim which may result from Contractor's failure to perform in accordance with the terms of the Contract or failure to make proper payment to suppliers or subcontractors.