

**SECOND AMENDMENT TO THE AGREEMENT FOR SALES, USE AND
TRANSACTIONS TAX AUDIT AND INFORMATION SERVICES
TO ADD THE PRIME SOFTWARE SYSTEM
BY AND BETWEEN COUNTY OF HUMBOLDT
AND
HINDERLITER, DE LLAMAS AND ASSOCIATES
FOR FISCAL YEARS 2020-2021 THROUGH 2022-2023**

This Second Amendment to the Agreement for Sales, Use and Transactions Tax Audit and Information Services (the "Agreement"), by and between the County of Humboldt, a political subdivision of the State of California, hereinafter referred to as "COUNTY," and Hinderliter, De Llamas and Associate's, a California corporation, hereinafter referred to as "CONTRACTOR," is entered into this 10th day of November 2020.

WHEREAS, COUNTY, by and through its County Administrative Office - Management and Budget Team, desired to retain a qualified professional firm to provide sales and use tax audit services that will improve identification of economic opportunities, provide for more accurate sales and use tax forecasting and assist in related revenue collections; and

WHEREAS, on May 24, 2017, COUNTY and CONTRACTOR entered into an Agreement for Sales, Use and Transactions Tax Audit and Information Services regarding the provision of such services ("Tax Audit and Information Services Agreement"); and

WHEREAS, the parties first amended the Agreement on February 3, 2020 for certain provisions of the Tax Audit and Information Services Agreement to extend the term thereof, expand the scope of services to be provided thereunder and adjust the rates of compensation set forth therein; and

WHEREAS, the parties now wish to add additional services to the Agreement to include the CONTRACTOR Prime Software System for Excise and Transient Occupancy Taxes and Business License Issuance and Tracking, pursuant to Sections 1, 5, and 25 of the Agreement, as amended;

NOW THEREFORE, the parties mutually agree as follows:

1. Section 1. CONTRACTOR OBLIGATIONS, is hereby amended to read as follows:

1. CONTRACTOR OBLIGATIONS:

- A. **Tax Management Services.** CONTRACTOR agrees to furnish the tax management services described in Exhibit A – Scope of Services, which is attached hereto and incorporated herein by reference. CONTRACTOR shall obtain any and all licenses, permits and approvals as may be required by law for the performance of the tax management services required by this Agreement.
- B. **Service Authorization.** CONTRACTOR shall obtain COUNTY approval prior to beginning the work of correcting tax reporting methodology or “point of sale” for specific business where payment of the percentage fee required hereunder will be expected. Said approval shall be deemed given when the Humboldt County Administrative Officer, or designee thereof, signs a Sales Tax Audit Authorization Form, which is attached hereto as Exhibit B and incorporated herein by reference.
- C. **Grant of Software License.** CONTRACTOR hereby grants to COUNTY a non-exclusive and non-transferable license to use of CONTRACTOR’s Sales Tax website by authorized COUNTY staff. Access to CONTRACTOR’s Sales Tax website shall not be granted to any third-party without explicit written authorization by CONTRACTOR. The license to use of the Sales Tax website granted hereunder shall expire, and all COUNTY staff website logins shall be de-activated, upon the expiration or termination of this Agreement.
- D. **Prime Software System.** CONTRACTOR hereby agrees to furnish the Prime Software System services described in Exhibit D – Scope of Prime Software System Services, which is attached hereto and incorporated herein by reference.
- E. **Optional Services.** CONTRACTOR agrees to provide certain optional services not otherwise specified herein pursuant to a written amendment to this Agreement. CONTRACTOR shall be compensated for the provision of such optional services according to the terms and conditions of such amendment.

2. Section 5. COMPENSATION, is hereby amended to read as follows:

5. COMPENSATION:

- A. **Audit Fees.** CONTRACTOR shall be paid fifteen percent (15%) of all recovered sales, transactions and/or use tax revenue, and twenty-five percent (25%) of the initial amount of new transactions or use tax revenue, received by COUNTY as a result of the tax management

services provided pursuant to the terms and conditions of this Agreement. New revenue shall not include any amounts determined and verified by the parties hereto to be attributable to causes other than the tax management services provided pursuant to the terms and conditions of this Agreement. In the event that CONTRACTOR is responsible for an increase in the tax reported by businesses already properly making tax payments to COUNTY, it shall be CONTRACTOR's responsibility to separate and support the incremental amount attributable to its efforts prior to the application of the audit fee. Said audit fees will apply to state fund transfers received for those specific quarters identified as being missing and/or deficient following completion of the audit by CONTRACTOR and confirmation of corrections by the California Department of Tax and Fee Administration, but shall not apply prospectively to any future quarter. The above-referenced audit fees shall constitute full reimbursement for any and all direct and indirect expenses incurred by CONTRACTOR in performing audits pursuant to the terms and conditions of this Agreement, including, without limitation, the salaries of CONTRACTOR's employees and travel expenses connected with contacting local and out-of-state businesses and State Board of Equalization representatives.

- B. **Service Fees.** CONTRACTOR shall be compensated at the flat monthly rate of Four Hundred Fifty Dollars (\$450.00) per month for any and all tax management services, including, without limitation, reporting and forecasting services, provided pursuant to the terms and conditions of this Agreement. The monthly service fees charged pursuant to the terms and conditions of this Agreement shall increase annually by the percentage increase in the Consumer Price Index for the preceding twelve-month period. In no event shall the monthly fee be reduced by this calculation. For purposes of this Agreement, "Consumer Price Index" shall mean the Consumer Price Index – All Urban Consumers for the surrounding statistical metropolitan area nearest COUNTY, as published by the United States Department of Labor, Bureau of Labor Statistics, or, if such index should cease to be published, any reasonably comparable index agreed upon by the parties hereto.
- C. **Transaction District Tax Reports.** CONTRACTOR shall be compensated at the flat monthly rate of One Hundred Dollars (\$100.00) per month for any and all transaction district tax reports prepared by CONTRACTOR as part of the tax management services provided pursuant to the terms and conditions of this Agreement.

- D. **Prime Software System Fees.** CONTRACTOR shall be compensated pursuant to the fee schedule included in Exhibit D – Scope of Prime Software System Services, which is attached hereto and incorporated herein by reference. Compensation shall include one-time fees in the amount of Sixty-One Thousand Dollars (\$61,000.00), an annual Software Use Fee starting at Ten Thousand Dollars (\$10,000.00), and an annual Hosting Services Fee starting at Three Thousand Dollars (\$3,000.00), with an option of adding additional remote access user licenses for Fifteen Dollars (\$15.00) per month. The Software Use Fee provides for ongoing customer support and updates to the software. Fee will be increased as of January 1st of each calendar year with reference to the 12-month percent change in the most recently published annual Consumer Price Index for All Urban Consumers (CPI-U), West Region, as reported by the U.S. Bureau of Labor Statistics (the “CPI Change”). Each annual increase in the Fees will be equal to the greater of two percent (2%) or the actual CPI Change and the lesser of ten percent (10%) or the actual CPI Change. For example, if the actual CPI Change is 1.5%, then the annual increase will be 2%, if the actual CPI Change is 3.5%, then the annual increase will be 3.5%, and if the actual CPI Change is 12%, then the annual increase will be 10%. The Hosting Services Fee may be periodically revised, with three (3) months advance notice to COUNTY, to account for changes in market costs related to hosting, such as internet bandwidth, power, security, and related equipment or services costs. See Exhibit D for a complete description of the fees.
- E. **Additional Services.** Any additional services not otherwise provided for herein shall not be provided by CONTRACTOR, or compensated by COUNTY without prior written authorization from COUNTY. Any and all unauthorized costs and expenses shall be the responsibility of CONTRACTOR.

3. Exhibit D -- Scope of Prime Software System Services, attached hereto and incorporated herein by reference, is added to the Agreement.


4. Except as modified herein, the Agreement dated May 24, 2017, and amended February 3, 2020, shall remain in full force and effect. In the event of a conflict between the provisions of this Second Amendment and the First Amendment or the original Agreement, the provisions of this Second Amendment shall govern.

IN WITNESS WHEREOF, the parties have entered into this second Amendment as of the first date written above.

TWO SIGNATURES ARE REQUIRED FOR:

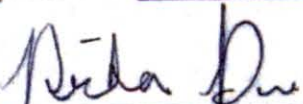
- (1) CORPORATIONS: CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
- (2) SECRETARY, CHIEF FINANCIAL OFFICER OR TREASURER.

HINDERLITER, DE LLAMAS AND ASSOCIATES:

By:  Date: 10/29/20

Name: Andrew Nickerson

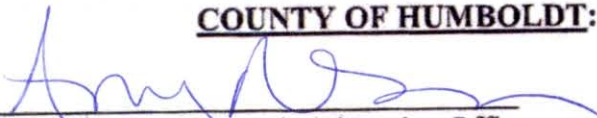
Title: President

By:  Date: 10/28/20

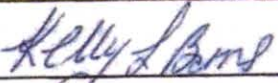
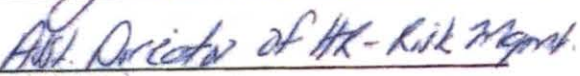
Name: Richard Park

Title: Chief Financial Officer

COUNTY OF HUMBOLDT:

By:  Date: 11/10/20
Amy Nilsen, County Administrative Officer
(Pursuant to authority granted by the Humboldt
County Board of Supervisors on November 10, 2020)

INSURANCE AND INDEMNIFICATION REQUIREMENTS APPROVED:

By:  Date: 10/30/2020

Risk Management

LIST OF EXHIBITS

Exhibit D: Scope of Prime Software System Services

EXHIBIT D

SCOPE OF PRIME SOFTWARE SYSTEM SERVICES

Consultant will provide the following Services relative to Consultant's local tax software solution.

1. Software Implementation

1.1. Consultant's responsibilities

- 1.1.1. **Project manager** - Consultant will provide a project manager (PM) to guide the software implementation process. The primary responsibility for the Consultant PM is to ensure successful and timely completion of each step of the software implementation schedule. The Consultant PM will work closely with the Client's designated project manager to define the software implementation schedule, identify Client needs and configure the software accordingly, validate the data conversion, and provide user training.
- 1.1.2. **IT support** - Consultant will provide a dedicated IT staff member to provide IT support during the software implementation process.
- 1.1.3. **Management support** - Consultant will assist the Client in evaluating current policies and procedures in order to enhance operational efficiency. This may include suggestions to redesign forms/reports, implement new processes, or adopt new strategies for improving communication with the business community and other Client departments.
- 1.1.4. **Training** - Consultant will provide software training for Client users as defined in the fees schedule. The timing, size and participants of each training session will be determined by the Consultant's and Client's PMs.
- 1.1.5. **Software documentation** - Consultant will provide Client with access to digital copies of available software documentation. The Client may use the software documentation materials as needed for internal use only. The software documentation contains proprietary and confidential information, and as such is bound by the confidentiality portion of this agreement. The software documentation may not in any circumstances be distributed to any 3rd party or any individual that is not a current Client staff member responsible for using or maintaining the software.

1.2. Client's responsibilities

- 1.2.1. **Project manager** - Client will designate a staff member to serve as the Client's project manager (PM). This individual must be intimately involved in the daily business processes which the software will automate, and be empowered to make, or quickly secure from management, decisions required for the configuration and implementation of the software. The primary responsibility for the Client PM is to ensure that all Client responsibilities during the software implementation process are met according to the agreed upon software implementation schedule. The Client PM will be instrumental in the successful implementation of the software; working closely with the Consultant PM to verify data conversion, review and approve reports, establish business rules, and confirm configuration and behavior of the software.
- 1.2.2. **IT support** - Client will designate an IT staff member to work with Consultant staff throughout the software implementation process. This individual must be knowledgeable about the Client's computing environment and be authorized to access any equipment or services required for proper access to and operation of the software.

- 1.3. **Data Conversion** - Consultant will convert the Client's existing data as provided by Client. Client agrees to provide its current data in a format agreed upon by Consultant and Client. Acceptable formats include Microsoft SQL Server backup file, Excel, Access, and ASCII delimited text file. Client will provide all available documentation to assist with identifying the contents of the data files, including but not limited to file layout documentation, database schema, and screenshots from five (5) sample accounts. Client will provide the data a minimum of two times during the conversion process. Client understands that the second (and any subsequent) data must be provided in the same format and layout as the first data set. Any inconsistencies between the first and final data sets will result in a delayed installation date and additional charges for conversion.
- 1.4. **Schedule** - The default timeline for software implementation (including "Go Live") is approximately 60 days from receipt of initial discovery materials. When the Agreement is signed by all parties, Consultant will immediately work with the Client to establish a defined implementation schedule which is agreeable to both Client and Consultant.
2. **Software Hosting Services** - Consultant's hosting services offload the majority of IT concerns to Consultant's hosting team; including system upgrades, hardware and software maintenance, database management, and disaster recovery. Client will be responsible for maintaining its workstations and a reliable internet connection. Consultant will handle the rest. Website functionality will be hosted using a Client specific sub-domain on Consultant's special purpose hdlgov.com domain.
 - 2.1. **Workstation Specifications** - Workstations will access the software through a remote application session with Consultant's hosting service. All workstations require 4+GB Memory, 1280x1024 screen resolution, and MS Windows 7/8/10 operating system.
 - 2.2. **Network Specifications** - Consultant's hosted service requires reliable, high speed internet connectivity. High-speed local area network connections are always helpful, but the service will also run without difficulty over slower WAN connections such as T1 or mobile broadband.
 - 2.3. **Printer Specifications** - The software is designed to work with laser printers. A PCL compliant laser printer is recommended. Each make and model of printer has different drivers and therefore has slightly different results when printing. We design forms/reports using HP LaserJet printers.
3. **Software System Requirements** - The software and database will be installed on the Client's network on hardware supplied by the Client. Any specifications provided below indicate minimum requirements. It is the Client's responsibility to ensure that any hardware used to host the software/database or run the software meets the specifications dictated by the operating system and any software/services hosted by the hardware. For example, minimum operating system specifications will not be sufficient if the file server is also hosting the Client's email system.
 - 3.1. **Application Server Specifications** - The application server will host Consultant's web service, which serves as the business layer. Consultant's web service requires the Microsoft Windows Server with IIS platform. The following versions are supported: MS Windows Server 2008 or later, with IIS v7.0 or later. The application server should have at least 300 megabytes of space available.
 - 3.2. **Database Server Specifications** - The database server will host all application data. The database server should be dedicated to server related functions. Using a client's PC as the database server in a multi-user environment is not supported. Consultant's software requires the Microsoft SQL Server database platform. The following versions are supported: MS SQL Server 2008 R2 or later (SQL Express variants also supported). Any server operating system supported by the selected version of SQL Server is supported as a database server; provided it meets the hardware specifications indicated by both the operating system and the version of SQL Server, and is sized appropriately to handle any additional load or services installed. The

database server should have at least 75 gigabytes of space available for Consultant's database, to allow for the initial database and growth over time.

- 3.3. **Workstation Specifications** - The software runs on the client workstation. Consultant's software is deployed to the workstation via a click once installer. Crystal Reports and .NET 4.x runtimes will also need to be installed on the workstation. The following hardware recommendations are based on user feedback regarding performance levels: Intel Core i3 or equivalent CPU, 4+GB Memory, 1280x1024 screen resolution, MS Windows 7/8/10 operating system.
 - 3.4. **Network Specifications** - The software communicates via web services and is designed to operate efficiently over the network. High-speed local area network connections are highly preferred, but the software will also run without difficulty over slower WAN connections.
 - 3.5. **Printer Specifications** - The software is designed to work with laser printers. A PCL compliant laser printer is recommended. Each make and model of printer has different drivers and therefore has slightly different results when printing. We design and test forms and reports using HP LaserJet printers.
4. **Software Support**
- 4.1. **Client Support** - Consultant will provide Client's users no charge support by telephone, email and the web during the term of this Agreement. In the United States support is available as follows: For customer support between the hours of 8:00 am and 5:00 pm Pacific time, Monday through Friday, email support@hdlcompanies.com or call (909) 861-4335 and ask for software support. For urgent off hours support before 8:00 am or after 5:00 pm Pacific time, Monday through Friday (or anytime Saturday), email 911@hdlcompanies.com and Consultant's on call support personnel will be notified. Please only include your name, agency and contact # in emails to 911@hdlcompanies.com. You will be contacted as soon as possible.
 - 4.2. **Response Time** - In the event that Client encounters an error and/or malfunction whereby the software does not conform to expected behavior in accordance with the software design, Consultant will assign one of the following severity levels and render support services in a timely manner consistent with the urgency of the situation.
 - 4.2.1. **Severity Level 1** - a critical problem has been encountered such that the software is essentially inoperable and without a reasonable workaround. Consultant will respond within one (1) business hour to diagnose the problem. A response is defined as an email or call to the Client's designated support contact. Consultant and Client will work diligently and continuously to correct the problem as quickly as possible.
 - 4.2.2. **Severity Level 2** - a problem has been encountered that does not prevent use of the software, but the software is not operating correctly. Consultant will diagnose the problem within 48 hours and advise Client of any available work-around. Upon Consultant's confirmation that the software is not operating correctly, Consultant will provide a software update to repair the defect and confirm with Client that the update resolved the issue.
 - 4.2.3. **Severity Level 3** - a minor problem has been encountered. The software is usable but could be improved by correction of a minor defect or addition of a usability enhancement. HdL will assess the request within fifteen (15) business days and, depending on priorities, schedule a software update for a future release, advise County that the request will not be implemented, or offer the option of implementing the request as a custom software enhancement at additional cost.
 - 4.3. **Support Policy Regarding Reports** - Consultant will assist with modifications to reports as needed during the term of this agreement. Typical report modifications require 7 to 10 business days to complete. Very complex reports or reports required in a very short time frame may incur development costs, in which case an estimate will be provided for approval before the work is begun.

5.4.3. Client hereby authorizes Consultant to debit the Client's financial institution account in the amount of any returned item that is received by Consultant.

5.5. Client Responsibilities

- 5.5.1. As a condition to its receipt of the Service, Client shall execute and deliver any and all applications, agreements, certifications or other documents required by Networks or other third parties whose consent or approval is necessary for the processing of Transactions. "Network" is an entity or association that operates, under a common service mark, a system which permits participants to authorize, route, and settle Transactions among themselves, including, for example, networks operated by VISA USA and Mastercard, Inc., NYCE Corporation, American Express, and Discover.
- 5.5.2. Client represents, warrants, and agrees that it does and will comply with applicable Laws and regulations and Network rules, regulations or operating guidelines. Client shall notify Consultant in writing as soon as possible in the event a claim is either threatened or filed against Client by any governmental organization having jurisdiction over Client or a Customer related to the Service. Client shall also notify Consultant in writing as soon as possible in the event a claim is either threatened or filed against Client relating to Transactions or the Services or a fine or other penalty is assessed or threatened relating to Transactions or the Services.
- 5.5.3. Client represents, warrants and agrees that it is and will continue to be in full compliance with all applicable requirements of the Client Information Security Program of VISA, the Site Data Protection Program of MasterCard, and similar programs of other Networks, and any modifications to such programs that may occur from time to time. Upon the request of Consultant, Client shall provide Consultant with documentation reasonably satisfactory to Consultant verifying compliance with this Section.
- 5.5.4. Client hereby grants Consultant the full right, power and authority to request, receive and review any Data or records reflected in a Transaction report. Client represents and warrants that it has the full right and authority to grant these rights.

FEES

6. **Pricing Adjustments** – All pricing listed in this Schedule will be honored during the first twelve months of software services. Any additional/optional services needed after this period will be provided using Consultant's current pricing schedule at the time the service is requested.

7. Software Services

7.1. One Time Costs

<i>Item</i>	<i>Price</i>	<i>Comments</i>
<i>Software License Fee</i>	\$39,000.00	3 Named Users – Business License, TOT, Cannabis tracking, BID
<i>Prime Web Module</i>	Included	Must use HdL supported FIS Global payment gateway. Non-supported gateways require a development charge of a minimum of \$5,000.00 + Specifications.
<i>Accela Software Integration</i>	TBD	Transfer data from HdL to Accela (must use existing HdL integration function, Cost of \$4,000.00).
<i>OPTIONAL</i>		Transfer data from Accela to HdL

- 4.4. **Software Upgrades** - Except to the extent that upgrades of the software include new modules or features not previously offered as part of the software as of the date hereof, Client is entitled to upgrades of the software within the terms of this Agreement. Though rare, additional costs may apply depending on the extent of the upgrade. Potential additional costs include training, consulting, configuration, or other requested services.
- 4.5. **Outside Connections to Consultant Database** - Consultant's software relies on the integrity of the database to operate properly. As such, it is critical that any outside connection to the database be implemented with Consultant's full knowledge and participation. Only "read only" connections will be established to Consultant's database. No modifications will be made to the Consultant database, including database/table design and data content. Any repair work necessary due to violations of the above items will not be covered by the Software Use Fee, and as such will be billable to the client on a time and material basis. The Client shall contact Consultant for instructions if any added functionality is required, including reading additional data or writing to the Consultant database.
- 4.6. **Out of Scope Support** - Client agrees to pay additional hourly fees according to Consultant's then current hourly rates if the Client desires Consultant's assistance for matters which are not caused by any defects in Consultant's software.
5. **Online Payment Processing** - Consultant's software is bundled with PCI compliant payment gateway services powered by FIS Global, which supports both credit card and eCheck transactions. If a different payment gateway is required there will be a programming cost to establish the custom payment gateway integration.
- 5.1. **Payment Processing** - Consultant shall provide its Services to support payments remitted to Client. Consultant shall transmit transactions for authorization and settlement through Consultant's certified payment processor. Funds for transactions processed by Consultant hereunder shall be submitted to Client's designated bank account as follows: (i) no more than two (2) business banking days after all Transactions (other than electronic Check Transactions) that are successfully processed prior to 5:00 p.m. ET on each business banking day (e.g., a Transaction authorized at 2:00 p.m. ET on Monday will be submitted on Wednesday; a Transaction successfully processed at 8:00 p.m. ET on Monday will be submitted on Thursday); and (ii) no more than five (5) business banking days for all electronic Check Transactions that are successfully processed prior to 5:00 p.m. ET on each business banking day. Consultant makes no representation or warranty as to when funds will be made available by Client's bank.
- 5.2. **Support** - Consultant shall provide Client with payment processing related customer service as needed. Client shall timely report any problems encountered with the service. Consultant shall promptly respond to each report problem based on its severity, the impact on Client's operations and the effect on the service. Consultant shall either resolve the problem or provide Client with the information needed to enable the Client to resolve it.
- 5.3. **Transaction Errors** - Consultant's sole responsibility for any Transaction error or reversed Transaction is to determine whether the result indicates a problem with Consultant's service and, if necessary, reprocess and resubmit the Transaction without additional charge. In the event that a Transaction is reversed or refunded to any Customer of Client, for any reason, Consultant may offset such amount against funds remitted to Client, or invoice Client for such amount, at Consultant's discretion. Client shall pay any such invoice within 30 days of receipt.
- 5.4. **Electronic Check Authorization** - If Client elects to accept electronic Checks as a form of payment, the following subsections apply. For the purpose of this section, "checks" means checks drawn on accounts held in the U.S. ("Check(s)").
- 5.4.1. As part of the implementation plan, Client shall select risk management controls governing Check acceptance and assumes sole responsibility for the choice of controls.
- 5.4.2. Consultant shall provide confirmation on a submitted ABA number as part of the Service to assist Client with the decision whether to accept a Check and shall route accepted Checks.

<i>Implementation</i>	\$11,500.00	Project management, installation, configuration, report design, training, etc.
<i>Data Conversion</i>	\$10,500.00	Up to 30 hrs. of work. Above 30hrs., time and material
<i>Travel Expenses</i>	TBD	At Cost
<i>Training – 1 day</i>	Included	Additional days available at \$2,000/day
TOTAL	\$61,000.00	Total one-time costs

- 7.1.1. **Software License Fee** – Fee includes use of the software by the specified number of users and all standard forms and reports. Additional user licenses are available for \$1,500.00 license fee plus \$450 annual software use fee.
- 7.1.2. **Data Conversion** – Fee includes two (2) conversions of Client data. The first for the pre-install environment used for testing and training, and the second at go-live. Additional conversions can be performed, upon request, at a cost of \$2,500 per conversion. Includes up to 30 hours of developer time. Abnormally complex conversions or poor data quality may require additional effort beyond the 30 hours, which will be charged at the developer hourly rate.
- 7.1.3. **Travel Expenses** – Travel and lodging expenses are billed at cost and apply to all meetings; including process, pre-installation, installation, training, and support. Consultant is dedicated to conserving public funds, and ensures any travel costs are required and reasonable.
- 7.1.4. **Parcel Data** – Should Client desire for the software to incorporate parcel data, Consultant supports the following three methods:
- 7.1.4.1. If Client utilizes Consultant's property tax services, parcel data will be provided at no cost.
- 7.1.4.2. Client may purchase the data from Consultant. Cost of parcel data will be provided upon request.
- 7.1.4.3. Should Client desire to utilize another source of parcel data, Consultant can work with Client to create a re-useable import utility. The development of this utility will be billed on a time and material basis. Once the source data has been reviewed, a statement of work will be provided including a cost and time estimate.
- 7.1.5. **Customizing Services** – Consultant's software is a customizable off the shelf system (COTS), and has been designed to meet all common needs of municipalities. Should the need occur, Consultant is available to provide custom enhancements to the software on a time and material basis. No work shall be performed without prior written approval of Client.

7.2. Recurring Costs

<i>Item</i>	<i>Price</i>	<i>Comments</i>
<i>Software Use Fee</i>	\$10,000.00	Due at core system "Go Live". Billed Annually + CPI
<i>Software Hosting Services</i>	\$3,000.00	Billed Annually. Includes 3 named user connections. Additional named user connections are \$180/year.
<i>OPTIONAL</i>		

- 7.2.1. **Software Use Fee** – Software Use Fee is billed annually, and provides for ongoing customer support and updates to the software. Fee will be increased as of January 1st of each calendar year with reference to the 12-month percent change in the most recently published annual Consumer Price Index for All Urban Consumers (CPI-U), West Region, as reported by the U.S. Bureau of Labor Statistics (the "CPI Change"). Each annual increase in the Fees will be equal to the greater of two percent (2%) or the actual CPI Change and the lesser of ten percent (10%) or the actual CPI Change. For example, if the actual CPI Change is 1.5%, then the annual increase will be 2%, if the actual CPI Change is 3.5%, then the annual increase will be 3.5%, and if the actual CPI Change is 12%, then the annual increase will be 10%.

7.2.2. **Hosting Services** – The fee for software hosting services is billed annually in advance, along with the software use fee. Fee may be periodically revised, with three (3) months advance notice to Client, to account for changes in market costs related to hosting, such as internet bandwidth, power, security, and related equipment or services costs.

8. **Payment Processing Services** – Consultant will configure payment processing services to utilize either a taxpayer funded model (convenience fee) or Client funded interchange pass-through model. Client may switch between these models upon written request to Consultant.

8.1. **Taxpayer funded model** - Client authorizes Consultant to collect each convenience fee.

<i>Item</i>	<i>Price</i>
<i>Credit and Debit Cards processing</i>	2.9%, minimum of \$2.00
<i>ACH/eCheck processing</i>	\$1.25 per transaction
<i>Payment Account Hasting and Maintenance</i>	\$32.51 per month
<i>ACH/eCheck Returns</i>	\$0
<i>Chargebacks</i>	\$0

- 8.2. Fees do not include expenses, late fees or charges, or taxes, all of which shall be the responsibility of Client. In addition to the charges specified, Client shall be responsible for (a) all interchange and network provider fees, (b) all dues, fees, fines and assessments established and owed by Client to Visa and/or Mastercard, (c) for all costs and fees associated with changes to ATM protocol caused by Client's conversion to the Services, and (d) any increase in postage charges, provided that any increase in charges resulting from (a) through (d) shall not exceed the actual increase incurred by Consultant.
- 8.3. Consultant reserves the right to review and adjust all Client and convenience fee pricing on an annual basis in June. This adjustment may be consistent with the then most recent ECI adjustment or three percent (3%) whichever is greater. Items that will be considered in the review of fees may include, but are not limited to: regulatory changes, card association rate adjustments, card association category changes, bank/processor dues and assessments, average consumer payment amounts, and card type utilization.
9. **Payment Schedule**
- 9.1. All one-time project costs and the first year service fees shall be paid as follows:
- 9.1.1. 60% shall be due within 30 days of the effective date of the Agreement.
- 9.1.2. 30% shall be due within 60 days of the effective date of the Agreement.
- 9.1.3. The final 10% shall be due within 30 days of full system delivery or first production use of the software, whichever comes first.
- 9.2. Any travel and lodging expenses are billed at cost as they are incurred. Such expenses shall be due within 30 days of the billing date.
- 9.3. Recurring software service fees will be invoiced each year on the anniversary of the effective date of the Agreement, and shall be due within 30 days of the invoice date.
- 9.4. Payment processing service fees are invoiced monthly for the prior month's activity, and shall be due within 30 days of the invoice date.