Schedule 16.8 — Fee Reductions
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1. **CRITICAL MILESTONES**

1.1. Creation and Funding of Critical Milestone Fund

Commencing on the Effective Date, each month during the Term and any period of Disentanglement, the Contractor may only invoice the County ninety percent (90%) of the Monthly Services Charges otherwise payable. The portion of such Monthly Services Charges not invoiced for each six month period following the Effective Date is referred to herein as the “Six-Month Milestone Fund” and shall be used for the Critical Milestones described in Section 1.2. Fee Reductions for Failure to meet Transition Critical Milestones are not subject to this Section 1.

1.2. Critical Milestone Process

The County in its sole discretion may designate (in accordance with Section 4.12 of the Agreement) one or more milestones as “Critical Milestones,” each of which shall consist of certain Services that the County reasonably deems important for Contractor to perform within a six-month period. The County will designate these milestones no later than May 15th each Contract Year for a performance period from July 1 through December 31st, and November 15th of each Contract Year for a performance period from January 1 through June 30th. The County will assign a certain percentage of the Milestone Account to each such Critical Milestone. If the total percentages of the assignments do not total one hundred (100%) of the Six-Month Milestone Fund for a particular period, the County will release the unassigned portions to the Contractor upon Contractor’s submission of a proper invoice to County.

Critical Milestones serve as a quality assurance function for the County. The purpose of Critical Milestones is to provide a means to incentivize Contractor performance on Services that are already being performed, or are already committed, for the upcoming 6-month period, including operational services and/or projects. Critical Milestones will not require performance at Service Levels above and beyond what is currently in the Agreement, and will not require performance beyond what is already covered by the Fees, including Resource Units. The County anticipates that Critical Milestones in the initial Contract Years will be focused on Transformation Services; and in the latter Contract Years of the Agreement, on preparation for Transition Services. Prior to establishing any Critical Milestones, the County agrees to discuss with Contractor any potential Critical Milestones and related questions. This obligation does not in any way limit the County’s ability to establish Critical Milestones in its sole discretion.
2. **Fee Reductions for Service Levels**

This section describes the methodologies associated with measurement of and reporting on the results achieved in respect to the Service Levels (SL).

2.1. **Service Levels**

Each SL set forth in this document identifies key performance measures that will be used to evaluate Contractor’s delivery of the requested Services. The objective of SLs is to monitor and measure the Contractor’s performance on the County’s most-important business requirements and continuous improvement in the Contractor’s provision of the Service. New SLs may be added to reflect changing or new business requirements. SLs may be reviewed no less than annually, where appropriate, to adjust the SLs to reflect such continuous improvement in Contractor’s provision of the Service. In no event, unless mutually agreed, will the Service Levels or the Fee Reductions set forth herein be reduced below the levels at which they are set on the Effective Date.

2.2. **Calculating Fee Reductions**

For each Failure relating to a SL, Contractor shall pay or credit to the County a Fee Reduction that will be computed by multiplying (a) Weighting Factor for such SL by (b) SL At Risk Amount. For example, assume for purposes of illustration only, that Contractor has a Failure with respect to a SL with a Weighting Factor of 8% and that the Monthly Service Fees equal $100,000 and the SL At Risk Amount is 10%. The Fee Reduction due to the County for such Failure would be: 8% * (10% * $100,000) = $800.

The “SL At Risk Amount” for any month during the Term is ten percent (10%) of the Monthly Service Fees excluding any fees for Transition as set forth in Schedule 16.1.

The “SL At Risk Pool” is two hundred percent (200%) and is the total percentage points that is be allocated across SLs.

The “Weighting Factor” for any particular SL is the portion of the SL At Risk Pool used to calculate the Fee Reduction payable to the County in the event of a Failure with respect to that MASL.
2.3. Several Failures

If more than one Failure with respect to SLs has occurred in a single month, the sum of the corresponding Fee Reductions shall be credited or paid to the County.

2.4. Cap

In no event shall the aggregate amount of Fee Reductions credited or paid to the County with respect to all Failures with respect to SLs occurring in a single month exceed the SL At Risk Amount.

2.5. Credit of Fee Reductions

Contractor shall itemize the total amount of Fee Reductions it is obligated to pay or credit to the County with respect to SL Failures occurring in a given month on the invoice that contains charges for such month. Contractor shall credit the total amount of such Fee Reductions related to a given month on the invoice that contains charges for such month. Upon termination or expiration of the Term, Contractor shall pay to the County the amount of any Fee Reductions not so credited to the County’s account or any unused portion of such Fee Reductions.

2.6. Multiple SL Failures

If a Failure with respect to a given SL recurs in consecutive Measurement Periods, the amount of the applicable Fee Reduction payable to the County shall be multiplied by the following factors for subsequent Measurement Periods: (i) SL Failure in two consecutive Measurement Periods, then 1.5 times the amount of the Fee Reduction as originally calculated; and (ii) SL Failure in three or more consecutive Measurement Periods, then twice the amount of the Fee Reduction as originally calculated. The Fee Reduction for any given SL shall only be increased as described above, and such increase shall be payable for all successive consecutive Failures with respect to such SL.

2.7. Potential for Earnback

Following any Failure to meet certain SLs, the Contractor will have an opportunity in future periods of performance of such SL to earn back portions of Fee Reductions provided to the County as a result of such Failure(s) in accordance with the procedures set forth below. During Transition, the County and Contractor shall collaborate in good faith to assign earn back performance levels (“Earn Back
Performance Levels”) for certain SLs that the County identifies as desirable to receive improvements in performance above and beyond the minimum acceptable level, and to establish for each such SL a number of months that such Earn Back Performance Levels must be met immediately following such Failure to earn back a percentage of a Fee Reduction assessed for such Failure, which percentage shall also be mutually agreed to by the Parties. In the event the County and Contractor are unable to reach written agreement by a date not later than thirty (30) days before the Cutover of each of the Service Frameworks on (i) the SLs for that Service Framework that will be subject to Earn Back Performance Levels, (ii) the actual establishment of such Earn Back Performance Levels, or (iii) the percentage of the previously assessed Fee Reduction that can be earned back for each such SL, then such implementing details may be established by the County in writing. The Parties acknowledge and agree that not all SLs shall be subject to earn back.

2.8. Earnback of SL Related Fee Reductions

Contractor may earn back a portion of a SL-related Fee Reduction for overachievement of a previously failed SL in the following and successive months. Contractor’s earnback of SL-related Fee Reductions shall be subject to the following conditions:

2.8.1. During the time until the Transaction Response Time SL has been implemented, Contractor’s SL-related Fee Reduction earn back amount shall be no greater than fifty percent (50%) of the applicable SL-related Fee Reduction.

2.8.2. With the implementation of the Transaction Response Time SL, Contractor’s SL-related Fee Reduction earn back amount shall be no greater than seventy five percent (75%) of the applicable SL-related Fee Reduction. Should the County determine not to implement the Transaction Response Time SL, starting the month following that determination, the earn back shall increase from the 50% level to the 75% level.

2.8.3. Earn back will apply on a SL-by-SL basis. Fee Reductions for an earlier failed SL cannot be earned back by overachievement on a different SL.
2.8.4. Contractor shall earn back the allowed portion of a SL-related Fee Reduction by achieving in the immediately successive month(s), a higher SL level than the SL level required for that SL in the Agreement. At the 75% earn back level upon successful completion of the heightened SL requirement as set forth below, Contractor will earn back twenty-five percent (25%) of the appropriate SL-related Fee Reduction for each month within a three month window that Contractor achieves the overachievement threshold for the SL. At the 50% earn back level upon successful completion of the heightened SL requirement as set forth below, Contractor will earn back twenty-five percent (25%) of the appropriate SL-related Fee Reduction for each month within a two month window that Contractor achieves the overachievement threshold for the SL. Contractor may earn back no greater than seventy-five percent (75%) of the applicable SL-related Fee Reduction.

2.8.5. If a month, or months, occurs during the earn back period after a SL failure in which there is no data to calculate SL performance, for the previously failed SL, due to lack of data, then the earn back window for the over-achievement earn back will be extended by the number of months without a SL calculation (i.e., provided that there are no subsequent SL failures, for the SL in question, during the period).

2.8.6. The SL level required for earn back shall be the midpoint between the then-applicable SL level and one hundred percent (100%), or zero percent (0%) for those SLs where the lowest percentage would define perfection. For purposes of clarity and as an example, if Contractor fails to achieve a SL for which the minimum SL level is ninety percent (90%), then to earn back a Fee Reduction for that SL, Contractor’s earn back SL level would be ninety-five percent (95%).
2.8.7. Contractor may only earn back SL-related Fee Reductions for applicable SLs within the earn back period following a SL Fee Reduction. For purposes of clarity and as an example, at the 75% earn back level if Contractor incurs a SL-related Fee Reduction in October, Contractor may earn back 25% for each month during the period November, December, and January for which the applicable over achievement SL level was achieved. Each of the three months is considered an independent event. If there is no data to calculate a SL for December the time period would be extended to February. If Contractor fails to achieve the heightened SL in any month during the earn back period, then Contractor would not receive the 25% earn back for the months in which the heightened performance was not achieved. Therefore, continuing with the foregoing example, if Contractor achieves the heightened SL level in November but fails to achieve the heightened SL level in December, Contractor would receive twenty-five percent (25%) of the SL-related Fee Reduction for the November SL achievement, but would not receive the twenty-five percent (25%) available for December. However if the Contractor achieved the heightened earn back again in January the 25% earn back would apply. The Contractor would have realized 50% of the related Fee Reduction over the three month period in the above example. The Contractor may earn 25% of the related Fee Reduction for each of the next three months after a SL failure for all months the Contractor meets or exceeds the over achievement threshold up to a total of 75% of the related Fee Reduction. If the base SL threshold is missed again during the earn back period, then the earn back period for the base SL is terminated, and the cycle of earn backs starts again with the next month.

2.8.8. Contractor’s earn back of SL-related Fee Reductions is conditioned upon Contractor providing to County timely and auditable data supporting Contractor’s achievement of the heightened SL level.

2.9. Changes to Weighting Factors

No more than once every three (3) months during the Term, the County may make changes to the Weighting Factor for any SL by sending written notice (which notice may contain changes to multiple SLs) to Contractor at least thirty (30) days prior to the date that such new percentages are to be effective.
With respect to the addition of SLs the County shall modify the Weighting Factors for the SLs such that the sum of the Weighting Factors for all SLs does not exceed the SL At Risk Pool.

END OF SCHEDULE