



AGENDA MEMORANDUM

Future Item for the City Council Meeting of February 21, 2017
Action Item for the City Council Meeting of February 28, 2017

DATE: February 21, 2017

TO: Margie C. Rose, City Manager

FROM: Constance P. Sanchez, Director of Finance
constancep@cctexas.com
(361) 826-3227

Sandra K. Thaxton, Assistant Director of Strategic Management
sandra@cctexas.com
(361) 826-3682

Kim Baker, Assistant Director of Financial Services-Purchasing Division
KimB2@cctexas.com
(361) 826-3169

Cost Allocation Plans and User Fee Study Service Agreement

CAPTION:

Motion authorizing the City Manager or designee to execute a service agreement with MGT of America Consulting, LLC, of Austin, Texas for cost allocation plans and a user fee study for a total amount not to exceed \$101,630, of which \$74,280.00 will be paid in Fiscal Year 2016-2017. The term of the agreement is for 36 months with up to two additional 12-month extension option periods, subject to the sole discretion of the City.

PURPOSE:

The purpose of this agenda item is to establish a service agreement to prepare Cost Allocation Plans and a User Fee Study.

BACKGROUND AND FINDINGS:

On November 28, 2016 the City of Corpus Christi through the City Purchasing Division issued a Request for Proposal (RFP) to establish a service agreement to prepare Cost Allocation Plans and a User Fee Study.

Four companies responded; however, three indicated they were not proposing due to lack of experience. Therefore, the one remaining proposal was evaluated. An evaluation team comprised of Finance staff and Strategic Management staff scored according to the criteria outlined in RFP. The proposer was invited for an interview and presentation. Through the evaluation process, a determination was made that the proposer, MGT Consulting Group was very well qualified and would provide the best value to the City based on their technical proposal, interview/demonstration and pricing.

Cost allocation plans are important management information tools because they go beyond budget and year-end accounting documents to describe the actual cost of providing services to the public. The City will utilize the cost allocation plans as an accounting report to calculate and spread agency-wide indirect cost to departments, for example Parks and Recreation or the Health Department, that receive a service from other departments such as Payroll or Facilities and Legal. When the value of all central services are accumulated and added to the departmental expenditures as per the financial reports, the actual cost of providing the service is the result. A cost allocation plan is composed of five primary components:

- Central services departments
- Benefiting departments
- Expenditures of central services departments
- Functions or activities carried out by central service departments, and
- Means of allocating the functions or activities of central service departments

The cost allocation plan will include a Federal CFR Part 200 cost allocation plan that conforms to all applicable federal and state regulations and guidelines to be used to recover costs charged to federal and state grants. As a result, the City will use these plans to recover indirect cost charged to the City enterprise and special revenues funds and federal and state grants.

User Fee Study will calculate the full cost of all current and potential fee-for-services for certain General Fund departments, divisions, and services to include: Fire, Emergency Medical Services, Libraries, Police, Animal Care, Code Enforcement and Parks & Recreation. The Government Finance Officers Association (GFOA) states that best practice is every 3-5 years. However, the City has not conducted a comprehensive review and calculation of general fund user fees in approximately 25-30 years. In this period, services and delivery have changed, been eliminated, or implemented. Few new fees have been identified that support the services provided by the City. Most importantly, this study will provide a sound financial basis to support the fees and services provided.

MGT of America Consulting, LLC will provide the City user fee calculations and recommendations prior to the next annual budget cycle beginning in May 2017 with the fiscal year beginning October 1. The contractor is required to complete this study prior to this timeline and to deliver a fee study model which can be updated annually by the City. In calculating the full cost of user fees, a transparent approach is required utilizing City Staff's knowledge with contractor's expertise to generate comprehensive and accurate results. Costs must be generated from the "bottom-up," building the cost component by component to arrive at legally defensible fees. The "bottom-up" approach will:

- Ensure that all personnel time by department, division, etc. is identified and accounted;
- Ensure that all costs-user fee service related or not-are included in the study
- Include checks and balances to ensure all personnel time and associated costs are captured and distributed accurately, not just on a high-level percentage basis;
- Ensure transparency with a clear and easily understandable identification of all time and associated costs for all department personnel, services, and activities.

MGT of America Consulting, LLC will also ensure that the full cost calculation incorporates both direct and indirect costs, including direct salaries and benefits, operating cost, capital asset use charges, indirect support from other departments, and is consistent with the methodology recommended by the GFOA. They will also provide a spreadsheet user fee model to the City that is easy to use, yet powerful enough to handle even the most complex of fees. The model will be flexible and able to accommodate funds, departments, divisions, and fees of vastly different sizes. The model will be fully customized to accurately reflect the unique aspects of the City's organization. The model will allow the cost of services to be analyzed at the unit cost level, or on a program-wide basis where desired. The model will accommodate the ability to individually control all types of costs, including personnel costs, contract costs, direct materials, departmental support cost and allocated indirect cost, and include several self-checking audit formulas. This will allow the model to calculate fees that are both accurate and comprehensive. A model with training will be provided by MGT Consulting Group so that the City may annually update the fees.

ALTERNATIVES:

N/A

OTHER CONSIDERATIONS:

Cost allocation plans have the power to add a higher level of transparency on many different levels. They can add transparency within the City organization itself by allowing Financial Services to track department's costs dollar for dollar. Cost plans can add transparency between the City and community by offering an open view into the fact that every project and department has a very real, and often quite high overhead cost. The cost allocation plans will provide the City a tool to justify indirect cost to their acquainted agencies, for example grant makers for federal grant reimbursements.

CONFORMITY TO CITY POLICY:

This purchase conforms to the City's purchasing policies and procedures and State Statues regulating procurements.

EMERGENCY / NON-EMERGENCY:

Non-emergency

DEPARTMENTAL CLEARANCES:

Financial Services Department and Budget Services Department

FINANCIAL IMPACT:

x Operating Revenue Capital Not applicable

Fiscal Year: 2016-2017	Current Year	Future Years	TOTALS
Line Item Budget	\$74,280	\$55,400	\$129,680
Encumbered / Expended Amount	\$0.00	\$0.00	\$0.00
This item	\$74,280	\$55,400	\$129,680
BALANCE	\$0.00	\$0.00	\$0.00

Fund(s) General Fund, Water Fund, Gas Fund, Wastewater Fund, Storm Water Fund, Airport Fund, Marina Fund, Fleet Maintenance Fund, Information Technology Fund, Development Services Fund, Engineering Fund

Comments:

The term of the contract will be for three years for a total amount of \$101,630, of which an estimated total cost of \$40,850 is for the Cost Allocation Plan, and \$60,780 is for the User Fee Study. In year one, the estimated cost for will be \$74,280.00, of which \$13,500 is for the Full Cost Allocation Plan, and \$60,780 for the User Fee Study. The remaining two years will be requested in future years during the normal budget process for an estimated amount of \$13,500 and \$13,850 respectfully. The total estimated contract value will be \$129,680 if all option years are executed.

RECOMMENDATION:

Staff recommends approval of the motion as presented.

LIST OF SUPPORTING DOCUMENTS:

Service Agreement- Cost Allocation Plan and User Fee Study Service Agreement
Evaluation Matrix
Presentation