MEETING DATE 9/26/05

AGENDA ITEM Award of a Professional Services Contract to Public Resource Management Group for the Preparation of Cost Allocation Plans

ATTACHMENTS

PRM

August 31, 2005

City of Culver City
Mary V Noller
Budget Management Analyst
Culver City, CA

SENT VIA EMAIL

Dear Ms Noller,

Public Resource Management Group, LLC (PRM) is pleased to respond to your request for a proposal related for the development of cost allocation plans for the city of Culver City PRM's consulting philosophy is based on two major factors 1) the quality of the people providing the consulting service and 2) the planning and tools utilized This proposal is designed to provide the city of Culver City the confidence that PRM offers the best in both areas

The Firm and the People

PRM is a new firm, started in May of 2002 In just under two years, PRM has built a reputation for providing the industry's best cost accounting services We are now the state's leading governmental cost analysis firm PRM has had the good fortune of attracting the very best professional consultants who have a long history with providing California cities with cost allocation plan preparation services While other consulting firms have lost staff over the past two years, PRM has had to add staff to meet the requests of our current clients and as we have added clients at an astonishing rate

As a member of David M Griffith and Associates, (DMG) and Maximus, I worked with hundreds of city governments on projects related to cost allocation Including preparing the city of Culver City's original cost allocation plan in the early 1980's and later the cities first two citywide user fee studies in the 1980's and 1990's At the conclusion of my career with DMG-Maximus, I was the corporate officer responsible for all local government consulting projects, offices and staff in the Western United States

The first person to join PRM, two years ago, was Ms Erin Payton who is well known to the city Erin was responsible for the cities cost allocation plan for several years during the 1990's up until she left the firm to join PRM

Other PRM staff now includes, Brad Burgess, Nicky Cass, Carole and Dick Hazeltine, Mike Adams, Patrick Dyer and Mr Eric Parish Recently, Mr Jeff Wakefield previously with Muni Financial, also joined PRM Jeff was the only person at Muni Financial with cost allocation plan experience Before joining Muni Financial, to build their cost plan credentials, Jeff was a colleague at DMG Each person had their own reasons for leaving their long careers at DMG/Maximus, but one belief we all hold in common is our desire to work more closely with clients and not focus on the concerns of a publicly traded firm

Planning and Consulting Tools

PRM cost allocation plan software is designed to be user friendly It uses Excel as the report writer, allowing the user access to the format and data With this access, charts, graphs and design can be added to the report In addition, tables can be emailed, data can be put into database programs for additional analysis, etc PRM's cost allocation plan system has been selected by Riverside, San Mateo, Lassen, Inyo, Plumas and Lake Counties

This is key because county governments are held to the very strict requirements of OMB A-87 for their cost plan projects PRM adheres to these requirements when preparing city cost plans as well We use the full featured model of the double step down process that is accepted by the State Controller's office in Sacramento, and has been found to be defensible for enterprise fund allocations and SB 90 claiming Simpler methods may be used, and we would be pleased to bid using a simpler method, however, these methods may not be acceptable to the State controller's office and to enterprise fund managers

Recently the following cities selected PRM over their traditional cost plan consultant – some of these cities had been served by DMG or Maximus for over 20 years

- Sacramento
- Santa Barbara
- Folsom
- Burbank
- Huntington Beach
- Whittier
- La Habra
- Anaheim
- Pittsburg
- Emeryville
- San Jose

In each case, PRM was selected because of our experience, stability of staff, and focus on the client's interests before our firm's interests

PRM has enjoyed the past years relationship with the city and the staff We felt that our combined efforts last year produced a cost plan even more accurate than ever before, not only because of our technical skill but also our emphasis on communication and our outreach program to cıty departments The ınput from cıty staff assısted ın makıng the project a success We look forward to havıng Erın and Nıcky agaın work closely wıth the cıty on thıs project

Thank you very much for your consıderatıon of thıs proposal

Sıncerely,

J Bradley Wilkes

J Bradley Wılkes
Publıc Resource Management Group, LLC

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I. Executive Summary

Public Resource Management Group (PRM) is a new firm, started in May of 2002 The focus of the firm is the analysis of the full cost of governmental services This includes the development of cost allocation plans, indirect cost rates, and the full cost of providing user fee services and other related cost and revenue enhancement consulting services As a regionally owned firm, PRM's business model facilitates providing excellent service and quick response at professional fees that reflect a low overhead firm

While the company is new, it's principal consultant and owner has a long history of providing professional consulting services to local government in California Mr Brad Wilkes began working with local governments in California in 1982 as a front-line consultant Since that time, he has prepared hundreds of cost allocation plans, user fee calculations and indirect cost rate studies He recently left DMG-Maximus as the company's Director for all consulting projects, 90 staff members and 5 offices in the Western States

The City of Culver City's cost allocation plan project presents a complex opportunity The services requested are challenging and require not only a technical sound consultant, but one who has the stature required to make presentations to a diverse groups of city staff and managers Culver City has a long history with both full cost and OMB A-87 cost allocation development Since the 1980s, Culver City has depended on these studies to allocate general fund costs to enterprise funds, internal service funds, grant related funds, etc The annual indirect cost rate studies have become an integral part of the city's annual budgeting process

The services described in the city's RFP require a consultant who has a long and varied background with local government consulting experience Mr Wilkes and Ms Erin Payton, have such a background, with experience in scores of city governments in California, and, specifically, with the City of Culver City Mr Wilkes as the DMG manager for cost allocation plan projects was involved in the original development of the City's first cost allocation plan in the 1980's serving for many years as the on-site consultant for the cost allocation plan and user fee project for DMG Mr Wilkes continued to review and assist in the annual cost allocation plan projects and later participated with DMG staff in various cost plan and user fee calculation projects throughout the 1990's

PRM has a number of strengths

1 PRM software is as technical and detailed as any traditional packaged cost plan software available But a significant advantage is in its flexibility The software was developed using Microsoft office Using Word and Excel provides PRM with unlimited flexibility to produce charts, graphs, comparison statistics, etc The reports provide the technical and detailed documentation needed, but not at the expense of providing user friendly reports that are inviting to read PRM's software facilitates the use of email to electronically send the entire excel cost plan report to clients This increases the communication and allows for a more accurate cost plan

2 A hallmark of successful cost allocation projects is communication, both written and verbal While the PRM software is designed to produce reports that are well formatted and inviting to read, of more importance is the personal presentation of the process and results An introductory meeting to the cost plan project and a final meeting to review results are offered as standard steps in the City of Culver City project Mr Wilkes will conduct these meetings and will rely on 20 years of local government experience, and his ability to present complex costing issues in a straight forward manner

3 PRM understands that the cost allocation plan project is an important part of the budgeting process Meeting agreed upon schedules will facilitate a smooth integration of indirect cost data with the budget PRM believes that the city may encounter enough unplanned events to challenge even the best thought out budgeting process As such, the city should not have to bear the responsibility of ensuring the cost plan schedule runs smoothly PRM considers meeting project schedules its responsibility not the City s responsibility PRM will use only California based staff to prepare the city's cost plan

4 Propose professional fees that reflect the low overhead of a small, local firm PRM will provide better service a more experienced senior consultant and fees that are less than anticipated

In summary, PRM considers this RFP in the City of Culver City a premier opportunity to continue to work with one of the best city governments in the State It also offers a chance to tackle a challenging project in a city with which PRM staff have a long personal history

II. Scope of Work

As PRM approaches this project for the city of Culver City, we are guided by three overriding goals, 1) producing the most technically sound project possible, 2) managing the project in a professional manner to ensure as much "buy-in" as possible by city departments and, 3) producing management reports that are professionally presented, informative and useful

A Project Approach

1 Technical Issues

PRM is committed to developing the most technically correct and accurate indirect cost study the city has ever had This will be accomplished through experience, knowledge, communication and review First, the PRM project manager, Brad Wilkes, has completed hundreds of similar studies and has over 20 years of experience working with California city government He is an expert in the areas of cost allocation, indirect cost rate development and rate studies for information technology related services Key to his success has been his interest and ability to explain the indirect cost study process to general fund departments, enterprise fund managers, city councils, etc By incorporating numerous meetings throughout the project schedule, the process and deliverable reports will

- Be more accurate
- Have fewer mistakes – requiring less re-runs of the data
- Require less city staff review
- Be better accepted by enterprise fund managers

2 Management Issues

Communication is paramount for the successful management of a consulting project PRM relies heavily on face-to-face meetings and brief status reports as communication tools Both methods assist in 1) setting goals and expectations, 2) meeting goals and expectations and 3) keeping the city and the consultant working as a team toward the project conclusion

In any study of this nature, the consultant brings a wealth of knowledge from years of work in other local governments However, because each project is unique PRM proposes to hold an introductory meeting with city staff to review past indirect cost calculations to ensure that the proper balance is given to city staff goals and objectives

The purpose for this meeting is two fold First, it provides an opportunity to discuss the process with users of the indirect study By explaining the process up front, asking for input and answering questions, the acceptance level of the allocations will increase PRM believes it is advantageous to be aggressive with sharing information with departments who will be charged through the cost plan The greater understanding that departments have about the process, and the more that they feel like they have been included, the better the cost plan project will be received

Second, these introductory meetings help to analyze the strengths of past indirect cost studies and to identify weaknesses that should be improved upon It is important that city's ideas be heard and implemented By holding an introductory meeting as step one in the project, potential problems, corrections and staff disruptions will be held to a minimum PRM views this as an opportunity to provide the city with a rigorous review of how this work has been done in the past – retain what is working well – change old habits and outdated methods - and improve on what may be done in a more optimal method

During these introductory meetings, schedules, deadlines and responsibilities will be confirmed Once expectations are clearly delineated, the first status report will be written and delivered to the city PRM will use on-site meetings and brief status reports to keep the city informed as the project progresses At a minimum, a succinct and informative status report will be issued after each on-site visit The reports will describe the goals of the visit, what was accomplished, the next step, and a discussion of any problems or concerns

3 Management Reporting Issues

PRM is committed to making the cost allocation process more than just an accounting exercise Traditionally, the cost plan is developed for a very limited and narrow purpose – allocation of general fund costs to non-general fund operations However, the cost allocation plan and indirect cost rate calculation process produces a wealth of "management and accounting" related data Historically, this data has not been utilized because the format and appearance of traditional cost plan reports are bland, uncreative and fixed Most users of a cost plan pull a few numbers from the summary schedules and never open the documents again PRM software produces all the traditional accounting documents, and generates management reports that include comparisons of data, color charts and graphs, and statistical information that city management staff will find useful The very format and appearance of PRM reports invite greater use Because of the flexibility of PRM software, the mounds of data produced can be extracted electronically using familiar Microsoft tools to develop trends, averages, comparisons, charts, graphs, etc The once single use cost plan can now be used for a variety of management purposes

B Work Plan

Step 1 Project Introductory Meeting

As mentioned on the previous page, it is important that the project start off on the best possible course PRM recommends holding an introductory meeting with key staff members that include both general fund departments and non-general fund departments This will be especially helpful if similar meetings have not been held for a number of years City staff members change positions, retire, or can benefit from a refresher course on the cost allocation process due to the passage of time Of course, PRM will look to city staff for guidance for the purpose and content of the meeting and for a list of invitees PRM considers a meeting designed to review the project's overall goals and objectives vital to a successful outcome Agenda items for the introductory meeting could include

- An explanation of the cost plan process
- The purpose of a cost plan
- How other cities use the plan
- How to read a cost plan

- Example summary reports produced by the plan
- Questions and answers
- Etc

Step 2 Data Review

As soon as possible, lists of basic data requirements will be developed They include lists of selected staff salary levels, benefit cost detail, operational budgets, etc PRM will work with the city to develop and gather needed data in the most optimal way possible Once this basic data is acquired, the cost plan and rate structures will be developed

Step 3 Cost Allocation Plan Development

a) Central Service Department Interview Preparation After the central city financial and operational data is gathered, PRM interview forms will be completed Before any city department interviews are begun, PRM interview forms are developed with questions related to staffing lists, actual salary level, staff titles, department expenditure report detail, development of pre-interview questions, etc The completion of as much information as possible before any departments are approached will facilitate 1) a professionally conducted streamlined interview, and 2) a thorough and complete understanding of city processes

b) Central Service Departmental Interviews Central service or "allocating departments are interviewed to ensure that costs are spread in a manner that reflects what work was done, what departments benefited and what allocation bases are proper - all key principles stated throughout OMB A-87 While PRM staff will bring a background of knowledge and ideas to these interviews, it is also important to listen to department staff who understand more about their particular area of expertise Examples of departments interviewed will include building maintenance, accounting, management and budget purchasing etc In addition any internal services funds (ISF) that charge for services will be interviewed with emphasis on ensuring indirect costs are allocated accurately so that they can be included in the full cost analysis when calculating ISF rates

c) Personnel Service Analysis From information gathered in the initial interviews, Personnel Service Analysis (PSA) worksheets will be completed The PSA provides a basis for the distribution of departmental costs into departmental functions During our interviews with central service departments we will discuss each person's assignments and duties Using timesheets, assignments, or interview notes, we will determine what percentage of each person's time should be divided into departmental functions This information will be entered into the PSA worksheets to define departmental functions Once staff members and their corresponding salaries are distributed to functions, other department costs like materials and supplies will also be distributed into the same functions or cost pools This process takes a departmental budget unit and breaks it into functional cost pools, which can then be allocated throughout the city using a meaningful allocation base **This PSA form is shown as an integral part of the cost plan report** With this schedule showing within each central service chapter of the cost plan, the reader of the plan can follow all the salary distributions for each central service department This feature is unique among all other consulting firms offering cost plan services

d) Departmental Cost Distribution Before the allocation base is developed, the PRM software takes an added step usually not considered in other cost allocation plan software Salary and departmental supply and service costs are analyzed here and distributed to the various functions within accounting Equally important in Step 2 is the analysis of "incoming or indirect costs being allocated Each line of incoming cost is shown and the consultant has the ability to examine each in detail and distribute each in a unique way across the functions No other software has the ability to analyze, display and allocate the indirect costs of each central service department in such detail This detail facilitates review, explanation and audit, leading to reduced errors and re runs of reports

e) Developing Allocation Bases After the departmental functions are created, and costs are distributed across functions, a separate meaningful allocation base will be selected that best reflects the benefit each department in the city receives from the various services For example, in accounting, once the payroll functional cost pool is developed, an allocation base will be selected to distribute the payroll cost to all departments that benefit from the payroll service Using OMB A-87 as a guide, the allocation base must reflect a connection between the service provided and the service received An example for payroll could be the number of paychecks issued per department during the fiscal year – in other words – the more paychecks the department received, the more payroll cost is allocated

III. Description of Project Team & References

The project will be conducted by Mr Brad Wilkes, Ms Erin Payton and Ms Nicky Cass Both Mr Wilkes and Ms Payton have over 17 years of experience in local governmental consulting, specifically, in cost allocation and indirect cost rate calculation Ms Payton is well known to the city – having completed the city's cost allocation plan many times in the past, including just last year

A Experience

A sample of the agencies our PRM team members have personally prepared cost allocation plans for include

City/County of San Francisco
City of Sacramento California
City of Burbank California
City of Culver City California
City of Concord California

City of Watsonville California
City of Stockton California
City/County of Kauai Hawaii
City of Los Angeles California
County of Sacramento California

Counties of Glenn Inyo Lassen Mono and Marin California
City of Portland Oregon
County of Clackamas Oregon
County of Pierce Washington
City of Provo Utah
County of Salt Lake Utah
City of Tacoma Washington
City Gresham Oregon
City of Hillsboro Oregon
State of Nevada
State of Hawaii

In addition to the direct consulting work represented by the partial list above, Mr Wilkes also led the development of the DMG cost allocation plan software In this role, he assisted in the requirement definition, documentation, programming, packaging and testing of the cost allocation plan software

B Timeline

PRM has had great success in meeting timelines and client expectations PRM staff routinely completes cost plan projects in a quicker timeframe than the city is accustom to PRM will work with the city to develop a schedule that meets its requirements Typically the timeframe for a citywide cost allocation project is one month to three months depending on how quickly the city can provide access to allocation data

C References and Resume

Since beginning PRM just under two years ago, PRM has already developed a very solid list of clients The list below represents a few of PRM full cost and OMB A-87 cost allocation plan projects These are all full service contracts

References for PRM are as follows

Ms Jill Taura
City of Santa Barbara
Finance Department
(805) 564 5528

Justin Hess
Management Service Department
City of Burbank
275 E Olive Ave
Burbank CA 91502
818 238 5500

Mr Rod Hill
Assistant City Manager
City of La Mirada
(562 464 3340

Mr Brad Wilkes Project Director

Mr Wilkes specializes in governmental cost of service studies He has a 20 year background in local government consulting focusing on cost allocation development, user fee rate calculations, indirect cost rate calculations, information technology, operations reviews, and cost of services for state and local governments He is the former Regional Director for all DMG-Maximus consulting offices in the Western United States His areas of expertise include state and local OMB A-87 cost allocation plans and user fee analyses, information technology requirement and cost-benefit studies project management, and rate and service cost analyses During his consulting career, Mr Wilkes has served as a consultant, manager, senior manager, vice president, regional director and board member of DMG and DMG-Maximus, both national management consulting firms Mr Wilkes received his B A from Brigham Young University, and his M B A from California State University

Representative Experience

- 1982-1985 As a consulting staff member Mr Wilkes was responsible for approximately 20 annual cost allocation plan and indirect cost rate calculations for city and county governments in California, Oregon and Washington As a team member, Mr Wilkes participated in data gathering efforts, departmental interviews, and document preparation

- 1985-1987 As a consulting manager and senior manager, Mr Wilkes was responsible for all phases of a consulting project Responsibility for client management and project scheduling were added to the day-to-day responsibilities of project work

- 1987 1992 As a vice president, Mr Wilkes became responsible for project staff, project scheduling, and project management During this time, Mr Wilkes was responsible for over 100 annual cost allocation plan and indirect cost rate projects

- 1992-2002 DMG-Maximus Regional Director for all consulting offices in the Western States Duties included the direction of 90 employees, five consulting offices, and over 400 annual individual consulting engagements

- 1982-2002 Each year during this 20 year period, Mr Wilkes continued to participate in all phases of consulting projects In addition to his management responsibilities, he consistently maintained a list of local government clients for whom he completed cost allocation plan and indirect cost rate projects By maintaining a continuous exposure to on-site client work Mr Wilkes maintained all the consulting skills needed to complete any cost analysis related consulting project

- 2002-present Founded Public Resource Management Group (PRM) and led its growth form a one person, one client firm to what is now the West's leading consulting firm focused solely on the calculation of the cost of city and county governmental services

The following is a sample of representative governmental entities for which Mr Wilkes has provided professional services

Local Government Entities

City of San Jose California
City/County of San Francisco
City of Sacramento California
City of Concord California
City of Ventura California
City of Burbank California
City of Culver City California
City of Watsonville California
City of Fresno California
City of Campbell California
City of Watsonville California
County of Los Angeles California
County of Ventura California
County of Orange California
County of Yolo California
County of Sacramento California
Multnomah County Oregon
City of Tacoma Washington
City of Spokane Washington
County of Spokane Washington
County of Pierce Washington
City of Portland Oregon
Clackamas County Oregon

State Agencies

State of Nevada Department of Administration
State of Nevada Department of Administration Budget Division
State of California Health and Welfare Data Center
State of Oregon Department of Administration
State of Hawaii Department of Finance
State of Hawaii Department of Information Services
State of Hawaii Department of Human Services

IV. Project Budget

PRM offers to complete the cost allocation and indirect cost rates work outlined in this proposal on a fixed fee basis We have structured our prices to match services levels desired by the city We anticipate that the final price and service levels will be developed after discussing these options with the city PRM can match the city's current cost plan contract and service levels (A) or provide a higher level of service (B) if desired We look forward to designing a project that reflects the needs of your City

A For the completion of the traditional OMB A-87 and full cost allocation plans, the proposed fixed fee is eight thousand dollars ($8,000)

- Initial Year of the contract $8,000
- Second Year of the contract $8,400
- Third Year of the contract $8,800
- Our fees can be reduced if a less detailed level *(a similar level of service that existed before the PRM project last year)* of service is desired

B This option is reflective of what most of our other clients have selected Roseville, Sacramento, Burbank and others, have all requested better service than they had traditionally received The project we have designed for these clients included both the OMB A-87 and the full cost plan with

- Initial citywide "Cost 101 Workshop"

- Thorough cost plan and ICRP interviews
- Additional meetings with enterprise funds during and at the completion of the project

C As requested by the RFP PRM has made our cost plan system available to selected clients The software could be made available to the city for a fixed fee of $6,000 Training would be at an hourly rate of $125 per hour