City of Culver City, California

Agenda Item Report

Meeting Date: 12/14/09	Item Number: C-5
CITY COUNCIL AGENDA ITEM: Approval of a Professional Services Agreement with MGT of America, Inc to Provide Full Cost and OMB-87 Compliant Cost Allocation Services	
Contact Person/Dept.: Nick Kimball, Sr. Management Analyst	Phone Number: 310-253-6013
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X] Attachments: []	
Commission Action Required: Yes [] No [X] Date: ________________	
Public Notification: (Email) Meetings and Agendas – City Council (12/09/09); (Email) Capital Accounting Partners (12/09/09); (Email) FCS Group (12/09/09); (Email) Mahoney & Associates Consulting (12/09/09); (Email) Maximus (12/09/09); (Email) MGT of America, Inc. (12/09/09); (Email) Willdan Financial Services (12/09/09)	
Department Approval: Mark Scott (12/10/09)	City Attorney Approval: Carol Schwab (by H. Baker) (12/09/09)
Chief Financial Officer Approval: Mark Scott (by M. Noller) (12/10/09)	City Manager Approval: Mark Scott (12/10/09)

RECOMMENDATION:

Staff recommends that the City Council approve a professional services agreement with MGT of America, Inc to provide full cost and OMB-87 compliant cost allocation services.

BACKGROUND:

As part of the budget process each fiscal year, a cost allocation plan (Plan) is prepared to help determine the cost of services provided between funds and then allocate those costs, via administrative charges and reimbursements, between the affected City funds. The City charges approximately $5.5 million for support services provided by the General Fund to the Enterprise funds, Redevelopment Agency, and other special revenue funds.

The Plan provides a defensible methodology for allocating various administrative support costs from the General Fund to the Redevelopment Agency and Enterprise funds and is reviewed by the City's auditors to justify administrative expenses charged to those funds. Additionally, the Plan is often required by various granting agencies to justify administrative expenses charged to the grant. Without the justification provided by the Plan, granting agencies, or the City's auditors, may disallow reimbursement (mostly to the General Fund) of some administrative expenses.

Costs are calculated based primarily on staff support to other funds as identified by employees on their time sheet. Other information is also considered, such as number of staff reports generated per department, computer inventory per department, employee count per pay period per department, equipment maintenance charges per department, risk management charges per department, etc. All of these variables are taken into account to derive a formula to allocate costs to each affected fund. Periodically, staff reviews those variables with the consultant to ensure that they are still relevant and meaningful.

DISCUSSION:

Staff emailed the RFP to three firms and posted the RFP on the California Society of Municipal Finance Officers' website. Six firms responded to the RFP by the deadline. Since consistency is important in preparing a cost allocation plan, respondents were asked to provide pricing for 3-year and 5-year contract terms. The following table summarizes the total contract amounts proposed by the respective respondents:

FIRM	3-year Contract Not-to-Exceed	5-year Contract Not-to-Exceed
Capital Accounting Partners	$51,000	$85,000
FCS Group	27,675	47,325
Mahoney & Associates Consulting	36,000	64,000
Maximus	30,150	53,150
MGT of America, Inc.	26,500	44,400
Willdan Financial Services	39,924	55,908

A panel of four Finance Department staff members reviewed the written proposals submitted by each firm. All of the respondents are well qualified and have experience preparing cost allocation plans for municipalities. After an in-depth review and discussion, the consensus among the panel is that MGT of America, Inc. (MGT) submitted the most competitive proposal.

MGT (formerly Public Resource Management Group) has prepared the City's cost allocation plan since 2005 and staff has been satisfied with MGT's work product, professionalism, knowledge, and timeliness. Additionally, MGT provided the lowest bid with a fixed annual fee of $8,800 per year for the next three years (beginning with Plan preparation for the FY 2010-11 budget process), with a slight 1% increase to $8,900 in year 4 and another 1% increase to $9,000 in year 5. Therefore, staff recommends approving a 5-year contract with MGT to provide full cost and OMB-87 cost allocation preparation services.

FISCAL ANALYSIS:

The City currently pays $8,800 for preparation of the full cost and OMB-87 cost allocation plans. As previously mentioned, the City uses the cost allocation plans to charge more than $5.5 million of support services provided by the General Fund to the Redevelopment Agency, Enterprise Funds, and federal and local grants.

For an annual cost of $8,800, the City receives the benefit of having a defensible allocation methodology that has been tested, refined, and utilized by the multitude of cities that are serviced by the consultant, as well as the benefit of the consultant's expertise should the allocation methodology ever be challenged. The City can also be assured that all possible costs are being allocated to Special Revenue Funds and the General Fund is receiving full reimbursement for costs incurred to support those funds' operations.

Sufficient funds are included in the Finance Administration & Budget Division's FY 2009-10 adopted budget in account 10114100.619800 – Other Contractual Services to cover the cost of this contract.

ATTACHMENTS:

None

MOTION:

That the City Council:

1. Approve a professional service agreement with MGT of America, Inc. for a term of 5-years in an amount not to exceed $44,400; and

2. Authorize the City Attorney to review/prepare the necessary documents; and

3. Authorize the City Manager to execute such documents on behalf of the City.