



City of Culver City

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Staff Report Details (With Text)

File #: 22-790 **Version:** 1 **Name:** PSA Amendment: NBS Cost Allocation Plan and User Fee Study
Type: Minute Order **Status:** Consent Agenda
File created: 2/18/2022 **In control:** City Council Meeting Agenda
On agenda: 2/28/2022 **Final action:**
Title: CC - (1) Approval of an Amendment to the Existing Professional Services Agreement with NBS Government Finance Group for Cost Allocation Plan and User Fee Study Services in an Amount Not-to-Exceed \$34,020; and (2) Authorization to the Chief Financial Officer to Approve Additional Amendment(s) to the Agreement up to an Amount of \$5,000 for Unanticipated Costs.

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
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Meeting Date: February 28, 2022

Contact Person/Dept: Erica Melton/Finance Department
Phone Number: 310-253-5865

Fiscal Impact: Yes ☒ No ☐ **General Fund:** Yes ☒ No ☐

Public Hearing: ☐ **Action Item:** ☐ **Attachments:** ☐

Commission Action Required: Yes ☐ No ☒ **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (02/23/2022)

Department Approval: Lisa Soghor, Chief Financial Officer (02/23/2022)

RECOMMENDATION

Staff recommends the City Council (1) approve an amendment to the existing professional services agreement with NBS Government Finance Group (NBS) for cost allocation plan and user fee study services in an amount not to exceed \$34,020; and (2) authorize the Chief Financial Officer to approve

additional amendment(s) to the agreement in an amount up to \$5,000 for unanticipated costs.

BACKGROUND

A Cost Allocation Plan (CAP) is an analytical tool through which a city can apportion administrative or indirect services costs to individual departments or cost centers within its organization. Allocated costs are typically termed “citywide overhead.” Most overhead/indirect service costs are those expenditures that provide support services or oversight to each department citywide and typically include legislative, managerial, financial, administrative, legal, personnel, technology, building and equipment use, and risk management activities. Information from the CAP also serves as the bases for user fees, permits and applications, billing rates, hourly rates, and costs of special services.

Best practices call for a comprehensive user/cost of services study to be periodically reviewed to ensure that the City is recovering the appropriate amount of costs related to services. While prices in the private sector are updated to reflect increased costs and changes in the market, a user fee study for a government agency provides an understanding of the true costs of providing various services. The user fee study will allow the City Council to update those fees to reflect current costs, or to subsidize a certain portion of fees for specific activities at the City Council's discretion.

DISCUSSION

The City entered into a five-year agreement with NBS to provide CAP services under administrative authority effective December 2018 through November 2023. The initial engagement terms were primarily for maintenance of the overall framework of the analysis “as is” and a basic updating of expenditure and allocation factor data. As the City approaches its fourth year of NBS services, it has been determined that this year’s CAP analysis requires more than a routine update to expenditure and allocation factor data. Once the Cost Allocation Plan is updated and refreshed during this fourth year of the engagement, the 5th year of the agreement will be completed next year with a routine update of expenditure and allocation factor data.

It is both common practice and advantageous to the City for a CAP and a fee study to be contracted together. To re-establish this work plan item and with consideration of the nexus of work between the CAP and user fee study, staff recommends NBS update the robust cost analysis previously developed for the City. NBS will initiate an analysis that substantiates the 100% cost recovery level of each individual fee and assists with implementation strategies for adoption of each fee at 100% of the total cost of service, or less, depending on local policy considerations.

The Fee Study’s methodology and calculations will comply with the cost of service-based requirements provided by Article XIII C, Section 1, of the California Constitution. Article XIII C defines the difference between charges that qualify as fees for services, as opposed to taxes. Fees for services (except for penalties and fees for entrance to or use of government property), qualify as such if the amount charged does not exceed the cost of providing the service.

Staff is requesting authority to amend the professional services agreement with NBS to expand the current CAP scope of services and include the user fee study. The not-to-exceed amount will be increased accordingly.

FISCAL ANALYSIS

NBS will complete the scope of services as follows:

- *Cost Allocation Plan*: An amendment to the original agreement will increase the 4th Year fees from \$9,980 to \$16,000, for a revised not-to-exceed increase of \$6,020; and
- *User Fee Study*: An amendment to include the update to the City's fee model as described above for a not-to-exceed amount of \$28,000.

The City Council Adopted Budget for Fiscal Year 2021/2022 includes sufficient funding in 10114100.619100. Annual costs for the final year of the service agreement will be incorporated into the Fiscal Year 2022/2023 budget.

ATTACHMENTS

None

MOTION

That the City Council:

1. Approve an amendment to the existing professional services agreement with NBS for cost allocation plan and user fee study services in an amount not to exceed \$34,020;
2. Authorize the Chief Financial Officer to approve additional amendment(s) to the agreement in an amount up to \$5,000 for unanticipated costs;
3. Authorize the City Attorney to review/prepare the necessary documents; and
4. Authorize the City Manager to execute such documents on behalf of the City.