



Agenda Item #:



# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Ward and Members of the City Council

**THROUGH:** Richard Thompson, Interim City Manager *[Signature]*

**FROM:** Bruce Moe, Finance Director *[Signature]*  
 Henry Mitzner, Controller *[Signature]*  
 Steve S. Charelian, Revenue Services Manager *[Signature]*

**DATE:** January 19, 2010

**SUBJECT:** Approval of a Contract with Revenue and Cost Specialists, LLC, to Perform an Updated cost Allocation Plan and User Fee Study for an Amount of \$28,000.

### RECOMMENDATION:

The Finance Subcommittee and staff recommend that the City Council: a) approve a contract with Revenue and Cost Specialists, LLC to perform a cost allocation and user fee study, and b) appropriate \$8,000 from the General Fund.

### FISCAL IMPLICATION:

The cost allocation and user fee study will not exceed \$28,000. The FY 2009-2010 has a budget of \$20,000 for the study, therefore, an additional \$8,000 will need to be appropriated to complete the study. Given the rising costs of providing services, and the flattening of major General Fund revenue sources including property tax and sales tax, these new potential revenues will help us maintain service levels in these financially-challenging times. There will be potential revenue gains from performing the study.

It is important to note that fees are designed to recover the cost of providing the service.

### BACKGROUND:

In 2004, the City conducted a comprehensive cost allocation plan and user fee study, which identified the labor involved in providing each discreet service, and assigned the fully-burdened rate (i.e. direct labor costs as well as indirect costs) for each City position involved in service delivery. The purpose of the cost allocation plan is to ensure that the City is utilizing comprehensive overhead rates in the accounting of the true cost of providing various City services, as well as maximizing the recovery of General Fund indirect costs from identified enterprise and other chargeable funds.

In 2006, the City Council adopted a policy that we review and update the fees on a tri-annual basis. As a result, in 2008 we provided updated salary and benefit data to our consultant to accomplish the tri-annual update. A new user fee study will examine all of our user fees (located in our Resolution

of Fees) and provide us with updated costs of providing the services. With limited abilities to raise revenues, flat revenue streams, a slow economy and rising costs, it is becoming increasingly important that we fully recover our costs for the services we provide. These revenues typically go to the General Fund for use in funding safety, recreation, building and other services. It is very likely that the study will illustrate a high capacity to raise fees.

**DISCUSSION:**

On July 10, 2009 a request for proposal was sent out for the Cost Allocation and User Fee Study. The City received ten proposals and selected four companies to interview. On October 27, 2009 a subcommittee consisting of the City Treasurer, Assistant City Finance Director, City Controller and Revenue Services Manager interviewed the four companies, ultimately deciding on Revenue and Cost Specialist to conduct the study. Their selection was based on their excellent performance on the 2004 cost allocation and user fee study and the tri-annual review in 2008, their excellent references, and solid experience in these types of studies.

In December, 2009, the Finance Subcommittee reviewed the proposed award of contract to Revenue and Cost Specialists to perform the comprehensive cost allocation and user fee study. The Subcommittee concurred with staff's recommendation, and approved the contract for an amount not to exceed \$28,000.

The Finance Subcommittee and staff recommend that the City Council approve a contract with Revenue and Cost Specialists LLC to perform the fee study for an amount not to exceed \$28,000. The study will take approximately 6 months to complete.