



Agenda Item #: _____

Staff Report

City of Manhattan Beach

TO: Members of the Finance Subcommittee

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

DATE: March 11, 2014

SUBJECT: Cost Allocation Plan (CAP) and User Fee Study Consultant Selection –
Matrix Consulting Group

RECOMMENDATION:

Staff recommends that the Finance Subcommittee support the selection of Matrix Consulting Group to perform a comprehensive user fee study and cost allocation plan (CAP).

FISCAL IMPLICATION:

The cost allocation and user fee study will not exceed budgeted funds of \$40,000.

BACKGROUND:

In 2010, the City conducted its most recent 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.

City Council adopted a policy that we review and update the fees periodically. 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, it is becoming increasingly important that we fully recover our costs for the services we provide when appropriate. These revenues typically go to the General Fund for use in funding safety, recreation, building and other services.

DISCUSSION:

Requests for proposals were issued for the Cost Allocation and User Fee Study. The City received nine proposals and selected four companies to interview. A panel consisting of the Finance Director, City Controller and Revenue Services Manager interviewed the four companies (Mayor

Pro Tem Powell was scheduled to participate but was unable to due to illness), and narrowed the field to two companies for a second interview. Ultimately, Matrix Consulting Group was selected for today's consideration by the full Finance Subcommittee. The selection is based on their background, accounting methods, scope of work, references, costs and their experience in these types of studies.

At the Finance Subcommittee meeting, Matrix Consulting Group will be in attendance to provide a summary presentation followed by questions and answers. If the Subcommittee concurs with the staff recommendation, contract approval will be presented at an upcoming City Council meeting. The study will take approximately 6 months to complete, and involves staff from all departments.

Attachment: Matrix Consulting Group proposal



August 26, 2013

Ms. Gwen Eng
Office of the City Clerk
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, CA 90266

Dear Ms. Eng:

The Matrix Consulting Group is pleased to submit a Proposal to Perform a Cost Allocation Study for the City of Manhattan Beach. Our firm specializes in providing analytical services to local governments assisting them in providing highly responsive, efficient, and effective services to their residents.

The City has requested a scope of work to develop an Overhead Cost Allocation Study and perform a Comprehensive User Fee and Rate Study. The specific services requested for these scopes of work are as follows:

- **Full Cost Allocation Plan**
 - Identify direct, indirect, central support service, and future building and equipment costs
 - Ensure compliance with cost principle standards
 - Ensure results are accurate and appropriate for the City's needs
- **Master Fee Study**
 - Update existing Master Fee Schedule to reflect current service costs
 - Ensure compliance with Prop 218 and 26
 - Document current service and cost recovery levels
 - Provide recommendations for fee changes and subsidies

Paramount to both of these studies is ensuring that the City can clearly and easily identify and present how the studies were conducted. Our staff is not only committed to developing comprehensive and accurate plans for the City, but also fostering general understanding among staff and stakeholders as to how results were achieved and how they can be applied.

Our firm understands the urgency and importance of maximizing revenue recovery, and is committed to helping our clients create and establish defensible policies and procedures that meet current and future needs. The Matrix Consulting Group stands apart from other firms for the following reasons:

- **On-site presence and accessibility:** The Matrix Consulting Group will help the City of Manhattan Beach maximize its allocations and cost recovery because we understand cost allocation methodologies and guidelines, and are committed to serving our clients as a small firm that provides a personal, hands-on approach. Our headquarters in Mountain View will facilitate this commitment.
- **Experience:** We have prepared a variety of financial, management and operational studies for jurisdictions throughout California, most recently including the cities of Long Beach, Oceanside, Pasadena, Santee, Seal Beach, San Bernardino, San Mateo, Sunnyvale and Vacaville.
- **Qualifications:** We are proposing a uniquely qualified and experienced project team for this engagement. Our team includes Gary Goelitz, a Senior Vice President of the firm, and Courtney Ramos, a Financial Services Manager with the firm and proposed Project Manager.
- **Reputation for effective project management:** Our project team has the ability to produce the required product in a timely fashion and present findings to elected officials and the public. Our references will attest to the personal attention, enthusiasm, timeliness and detail provided on their projects.

The following proposal will not only demonstrate our exceptional skills and experience required to meet the City's needs for this study, but also establish the additional value of choosing a firm like the Matrix Consulting Group.

For questions pertaining to the content of this proposal or for contract negotiation, please contact me at rbrady@matrixcg.net, or at the address and phone number listed on this letterhead. As President of the firm, I have the authority to negotiate on its behalf.

Thank you for the opportunity to present our services to you.

Richard Brady
President



Matrix Consulting Group

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1. UNDERSTANDING SCOPE OF SERVICES

2. PROPOSED PROJECT SCHEDULE

The following table details the proposed project schedule at the task level, to complete a Full Cost Allocation Plan and a Comprehensive User Fee and Rate Study. If both scopes of work were to be completed concurrently the total project timeline would be roughly 12 weeks. Completing the Fee Study after the Cost Allocation Plan would push the overall project timeframe to 6 months.

Task	1	2	3	4	5	6	7	8	9	10	11
FULL COST ALLOCATION PLAN											
1. Review and Discuss Objectives											
2. Interview Staff and Gather Data											
3. Structure Custom Allocation Model											
4. Finalize and Present Final Report											
COMPREHENSIVE FEE STUDY											
1. Data Collection / Review											
2. Initiate Project – Goals & Objectives											
3. Fee Structure											
4. Data Workshop 1											
5. Data Workshop 2											
6. Total Cost Analysis											
7. Review and Revise Results											
8. Fee Survey											
9. Final Report / Master Fee Schedule											
10. Present Final Report											

Presentation of results and adoption by City Council would occur after delivery and approval of the final report, at the discretion of the City. Delivery of analytical summaries and worksheets, automatic update mechanisms and training would occur either before or after the Council meetings, per the City's preference.

3. SCHEDULE OF WORK

The following section provides our overall project approach, a detailed task plan, and specific work product deliverables the City would receive at the completion of the project.

1. PROJECT APPROACH

Our staff are experienced and effective project managers with proven track records of meeting project schedule and budget requirements. Every project is unique, and is managed according to the following essential project approaches:

- **Cross-trained project managers:** Our senior level staff are cross-trained in cost and management analysis. No other firm better understands work processes and service level assumptions behind fees for service.
- **Workshop data gathering approach:** Our team of seasoned experts will facilitate two data gathering workshops for the time and service level analysis task of the Fee Study, which enables us to obtain more accurate data than through filling in a questionnaire.
- **Reputation for effective project management:** Our references value the personal attention, enthusiasm, timely delivery, and expert attention to detail provided on their projects. This attention to project management is demonstrated in our work approach, as shown in the detailed work plans provided for each project.
- **Excel Based Analytical Models:** Our technical cost plan and user fee models are based in Microsoft Excel, which provides our clients with the ability to adapt and update them from year to year as their organization changes. Using Excel as the platform for our models eliminates costs associated with additional software products and licensing.
- **Quality Control:** Our models, draft reports and final reports are proofed and reviewed by a senior member of the project team to ensure accurate and quality work products and results.
- **City Staff Support / Project Involvement:** In light of staffing level reductions and shared or realignment of duties, the Matrix Consulting Group is mindful of the City's current workload. Our approach is to work with our clients' staff to minimize the project impacts through strong project management, clear expectations of our roles versus staff roles, and careful as well as realistic scheduling.

These approaches have led to high rates of implementation for all of our project results.

2. FULL COST ALLOCATION PLAN

The City of Manhattan Beach is looking to create a cost allocation plan in order to analyze the full cost of providing current City services. Along with developing a documented and defensible plan, the City also wishes to secure a model, which will allow the City to capture the full cost recovery of future programs and services. The following tasks provide a detailed look at our proposed work plan, including a narrative, associated activities, and projected staff time requirements.

Task 1 Discuss Study Objectives

Prior to our initial on-site meeting, the Matrix Consulting Group will provide the City with a list of initial data requirements for the study. This will allow our project team to review this information thoroughly in preparation for initial discussions with management and department staff.

The project team will meet with City staff to further clarify the intended goals and purpose of the engagement, thus beginning the customization of the structure of the allocation model to meet the City's goals and objectives of the study. Once goals and objectives have been clarified and outlined the project team will conduct a kick-off presentation to staff and member agencies regarding the scope, methodology, and timeline for the project. Any internal or external stakeholders may be invited at the City's discretion. Discussion will include:

- Review of the City's specific needs and critical issues surrounding development and implementation of the cost allocation plan.
- Opportunities for improvement and restructuring of previous plans, and/or review and discussion of existing cost allocation methodologies.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • List of basic data requirements for the Study • Kick-Off presentation to appropriate staff and member agencies • On-site initial meeting with Executive staff to review goals, objectives, and project management plans 	<ul style="list-style-type: none"> • Basic data requirements for the study as requested by MCG (staffing, salary, budget, etc.) • Attendance at kick-off presentation and initial Executive staff meeting • Designate City project management representative
Estimated Hours: 18	Estimated Hours: 2 hours for the Finance Department, and approximately 30 minutes for each attendee of the kick-off presentation and Executive staff meeting.

Task 2 Interview Staff and Gather Data

To structure a custom cost allocation model, our project team would perform the following tasks:

- Review and discuss the accounting (fund and organizational levels) and staffing structure of the City, as well as the City's 2013-14 Fiscal Year budget.
- Meet with each administrative services department or other defined department, to identify its major services and document the most reasonable allocation basis of these costs to its benefiting departments, funds, and activities.
- Discuss alternative allocation procedures, including possible outcomes and potential impacts of each method.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • Staff interviews • Data collection for the structure, functions, costs and allocation bases needed to complete the first draft of the Plan 	<ul style="list-style-type: none"> • Attendance at interviews • Provide consultant with data as requested • Review and discussion of consultant's initial interpretation of the data
Estimated Hours: 24	Estimated Hours: Approximately 2 to 3 hours for each administrative function in the study

Task 3 Structure Custom Cost Allocation Plan Model and Prepare Draft Plan

Based upon units of service identified in Task 2, allowable administrative or other indirect costs are allocated to each benefiting City department, operating unit or fund. At this point the project team would begin customizing the Cost Plan model in order to meet the City's specified needs, including:

- Ensuring methodologies and assumptions comply with Federal regulations and general accounting principals.
- Providing the ability to add or remove direct or indirect costs as needs and programs change.
- Customizing cost allocation summary schedules and narratives in a format that best allow the City to apply them prospectively for future budgets.

The draft Cost Allocation Plan will provide clear documentation regarding the basis for allocations, and the methodologies applied to achieve the plan's final result. The Draft Cost Allocation Plan will be discussed and reviewed with each participating department as well as Executive staff.

CITY OF MANHATTAN BEACH, CALIFORNIA
Proposal to Perform a Cost Allocation Study and Comprehensive Fee and Rate Study

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • Delivery and discussion of the Draft Full Cost Allocation Plan and indirect rates • Draft narrative report that explains the analysis 	<ul style="list-style-type: none"> • Review and provide requests for changes or points of discussion to the consultant
Estimated Hours: 48	Estimated Hours: Approximately 2 hours for each administrative function in the study

Task 4 Finalize and Present the Cost Allocation Plan

Upon City review and acceptance of the revised Cost Allocation Plan, the project team will prepare and provide to the City a final electronic version of the plan, including all necessary supporting documentation. Along with presenting the Cost Allocation Plan to the City’s management group and City Council, at the City’s discretion, the project team would present the plan to stakeholders or receivers of cost in order to ensure understanding and consensus regarding the methodologies and assumptions used in the plan.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • One to two rounds of revisions to finalize the Full Cost Allocation plan • 6 Copies of the Final Full Cost Allocation Plan and e-version of the analytical model, as well as a Final narrative report that explains the analysis • Discussion and advice on implementation. 	<ul style="list-style-type: none"> • Review and approve final Full Cost Allocation plan
Estimated Hours: 40	Estimated Hours: Approximately 1 hour for each administrative function in the study

Task 5 Provide Cost Plan Analytical Summary Table and Model, as Well as Training for City Staff

The City wishes to have the ability to update the final version of the Cost Allocation Plan, including the ability to add, revise or remove direct and indirect costs so the plan can be easily adapted to a range of activities both simple and complex.

Our technical cost plan model, produced in Microsoft Excel, provides the ability for the City to adapt and continuously update the cost allocation plan from year to year as the organization changes. While the model is structured in Excel, the technical model is *proprietary* and for internal use by City staff only. By having our model based in Excel, the requirements for software training, cost of new software products, updates, licensing or other additional support, would be minimized.

CITY OF MANHATTAN BEACH, CALIFORNIA
Proposal to Perform a Cost Allocation Study and Comprehensive Fee and Rate Study

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • Computer based summary table of the final version of the Cost Allocation Plan and Technical Model • Four (4) hours of on-site training for appropriate Finance Department staff. 	<ul style="list-style-type: none"> • Attend training session with Matrix Consulting Group
Estimated Hours: 4	Estimated Hours: Training attendance – 4 hours

3. COMPREHENSIVE USER FEE STUDY

The City is looking to ensure that all fees are reasonable, fair, rational, and defensible. The City wishes to review its current fee services, including: Community Development, Police and Clerk, and identify potential new fees, as well as strengthen its current fee structure so that it is capable of recovering the full cost of services. The following tasks provide a detailed look at our proposed work plan, including a narrative, associated activities, and projected staff time requirements.

Task 1 Determine and Review Initial Documentation

Along with the data requested for the Cost Allocation Plan, the project team will provide the City with a written “Data Collection List” for the User Fee Study. This data request typically includes basic budgetary, revenue, and staffing information, along with a list of all current fees being charged by the City.

Before our first on-site visit, we will review this information to familiarize ourselves with strengths, weaknesses and opportunities for improvement related to the City’s existing fee structure. In addition, we will familiarize ourselves with the budgetary and staffing structures relevant to fees for service.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • List of basic data requirements for the Study 	<ul style="list-style-type: none"> • Basic data requirements for the Study as listed by MCG (staffing, salary, budget, etc)
Estimated Hours: 8	Estimated Hours: 1 - 2 hours for Finance

Task 2 Project Initiation – Establish the City’s Goals and Objectives for the Study, and Identify Trends and Plans Which Impact Cost Recovery Analysis and Policy.

To effectively analyze and present the full cost of providing City services, it is important that the project team develops an understanding of key issues which impact and shape the City’s service delivery and cost recovery policies. To develop this perspective and customize the structure of the project, we plan to conduct an initial meeting with the City’s management staff to solidify the exact parameters of the Study. It is essential to conduct an initial meeting of this nature to ensure the project meets the

City's expectations and requirements. As a "user fee" study, the Matrix Consulting Group does not propose to evaluate any fines, taxes, utility rates, or impact fees. Services and activities included in the study are those that are defined specifically by an estimate of staff time devoted to providing each service.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • On-site meeting with City management involved in or impacted by the Study • Project Management Plan 	<ul style="list-style-type: none"> • Designated project management representative • Approval of work plan as provided by the Matrix Consulting Group
Estimated Hours: 10	Estimated Hours: 0.5 hours per executive staff member attending the meeting

Task 3 Develop a Schedule of Current and Potential Fees for Service.

The scope of this effort will be the fees charged by the City for the departments identified. Current as well as potential fees and charges will be identified and documented. This involves discussion with each department to identify the areas of greatest potential cost recovery, and to structure and expand existing fee schedules for both optimum cost recovery and fairness and equitability to the applicant for services.

At this time, the project team will request volume statistics to be used for staff utilization and cost/revenue comparisons later in the analysis. The City will be responsible for providing this data.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • On-site meeting to discuss and revise fee structures for each department • Thorough review of existing documentation and analyses that support the Department's current fee structure and operations 	<ul style="list-style-type: none"> • Participation in discussion of existing and proposed fee items for the analysis • Review, comment, and approval of fee structure report prepared by the Matrix Consulting Group
Estimated Hours: 30	Estimated Hours: 3 hours per department

Task 4 Conduct Time and Activity Data Gathering Workshop 1

The project team will conduct a total of two workshops to gather time and activity estimates for each service included in the study, using the following approach:

- Interview key personnel from each department and analyze the various activities being performed within it that are both revenue and non-revenue generating. Document basic process steps in application / permit processing.
- Establish the net available hours for each employee. This starts with the full-time total of 2,080 hours per year, less reductions for leaves and also for estimated

“non-billable” time spent in meetings and supervisory or clerical roles.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> Facilitation of two-days of meetings related to available net hour calculations, documentation of service levels and global processes associated with provision of services 	<ul style="list-style-type: none"> Attendance at workshop meetings Provision of follow up data or discussion as needed
Estimated Hours: 20	Estimated Hours: 2 - 4 hours per department

Task 5 Conduct Time and Activity Data Gathering Workshop 2

In each department’s review, 100% of staff available hours are identified to both fee and non-fee related services to ensure a complete and defensible analysis.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> 1 - 2 iterations of review to achieve a defensible and reasonable allocation of staff time to fee and non-fee activities 	<ul style="list-style-type: none"> Attendance at workshop meetings Provision of follow up data or discussion as needed
Estimated Hours: 20	Estimated Hours: 1 - 3 hours per department

Task 6 Perform a Total Cost Analysis

The Matrix Consulting Group’s costing model is built based on the City’s operations, budget detail and intended uses for the results. This method is a customized approach, specific to each jurisdiction, for cost analysis of user fee services. This costing method uses time and annual activity level data to establish the cost of providing services on both a unit and annual level. Once the time spent for a fee activity is determined for each individual or position, the team will use its fee and rate software to apply applicable City costs to the calculation of the full cost of providing each service. The following table describes the typical costs considered as applicable to fees.

Cost Component	Description
Direct	Salaries, benefits and allowable departmental expenditures
Departmental Overhead	Departmental administration/management and clerical support
Citywide Overhead	City costs associated with central service costs, such as payroll, human resources, budgeting, City management, etc. Established through the results of the City-wide Full Cost Allocation plan.
Plans, Policies and Systems Maintenance	Examples: Records management and technology related costs.

Resulting costs are presented on a unit and annual level, and are compared to the existing fee schedule and revenue reports. The City will obtain information about cost recovery surpluses and deficits on both a detailed (per unit) and global (annualized) level, as well as an understanding of cost components for each service.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> Detailed documentation of current charges versus the actual cost of providing services from both a cost per unit and annual cost perspective 	<ul style="list-style-type: none"> Provision of follow up data or discussion as needed
Estimated Hours: 26	Estimated Hours: 1 - 3 hours per department

Task 7 Review / Revise the Fee Study Results with Departments and City Management

Because the analysis of fees for service is based on estimates and information provided by City staff, it is extremely important that all participants are comfortable with our methodology and with the data they have provided. Once the Department agrees that the analysis reflects the reasonable costs of providing services, City management will have an opportunity to review the results. The project team will address:

- Economic and revenue impacts of proposed and recommended fee levels and methodologies, including fee affordability for small projects and applications
- Implementation strategies that consider both policy issues and goals for optimum cost recovery. While it is generally desirable to eliminate any subsidies, discussions regarding the feasibility of raising fees based on political climate, legal restrictions, and social and economic consequences must occur.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> Approval of analytical results at the Department and City management levels Formulation of cost recovery recommendations and associated revenue impacts 	<ul style="list-style-type: none"> Review of final analytical model documentation Attendance at meetings related to discussion of results and economic policy implications Follow up data or discussion as needed
Estimated Hours: 14	Estimated Hours: 1 - 3 hours per department

Task 8 Conduct a Fee Comparison Survey to Similar Jurisdictions

The project team will work with the City to identify up to 10 comparable jurisdictions targeted for the fee comparison survey. We will also develop the survey tools and select up to 10 of the most appropriate fee items in each Department for benchmarks (with Department concurrence). Then, we will administer the survey, collect comparative data, conduct the comparison, and document the results.

CITY OF MANHATTAN BEACH, CALIFORNIA
Proposal to Perform a Cost Allocation Study and Comprehensive Fee and Rate Study

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • Survey of fees in similar jurisdictions • Written comparative summary of the results 	<ul style="list-style-type: none"> • Review of proposed jurisdictions and list of comparable fees to be included in the survey
Estimated Hours: 12	Estimated Hours: 1 hour per department studied

Task 9 Prepare a Final Report and Master User Fee Schedule

Upon conclusion of the fee study, we will prepare a detailed report that summarizes the results of each of the previous work tasks. This report will include:

- A narrative describing the services included in the study, as well as the methodology, any revenue enhancement and operational recommendations specific to your organization and based on our extensive experience with hundreds of jurisdictions, as well as key decision making points to be considered.
- Appendices that compare existing and potential cost recovery on a unit and annual basis by department.

The report would be reviewed and revised and finalized with department and City management.

Project Deliverable - MCG	City Services Required
<ul style="list-style-type: none"> • Preparation and approval of the Final City-wide User Fee Study report • Delivery of Final Report 	<ul style="list-style-type: none"> • Review and approval of Final Report drafts.
Estimated Hours: 10	Estimated Hours: 1 hour per reviewer

Task 10 Present the Final Report to the City Council

The presentation of results to City officials is critical to the success of the project. Because the product from the study is often controversial, the objective of this final step is to present a succinct summary that provides decision makers with key information. The firm will attend and present the Study at up to two City Council study meetings, concurrent with the Cost Allocation Plan. Additional meetings can be arranged at cost.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • Presentation of Study results at two regularly scheduled Board study sessions or meetings. 	<ul style="list-style-type: none"> • Preparation discussion with the consultant and review of any presentation materials required for Board meetings • Preparation of City Staff Report
Estimated Hours: 12	Estimated Hours: 4 hours Finance Department

Task 11 Provide User Fee Automatic Update Model, Technical Model and Training

Our technical user fee model, produced in Microsoft Excel, provides the ability for the City to update fees as costs and staffing fluctuate from year to year, either by incorporating CPI or Cost of Living percentage increases, or through fee updates.

Project Deliverable – MCG	City Services Required
<ul style="list-style-type: none"> • Excel-based summary schedule to allow staff to annually adjust fee schedules based on a percentage increase (CPI or otherwise) • Excel-based fee model and training 	<ul style="list-style-type: none"> • Approval of application and attendance at training related to updating fees on an annual basis
Estimated Hours: 8	Estimated Hours: 1 - 3 hours for the City's rep.

4. SPECIFIC WORK PRODUCTS

The specific products the City would receive during the study, as well as end products associated with each project contained in the scope of the study are outlined below:

(1) Cost Allocation Plan

The end product of a Cost Allocation Plan is often several hundred pages long. Included in this report is the following information:

- **Executive Summary** – This section of the report provides background and methodology used to compile the plan, along with project steps. Includes a guide for reading the plan and an organizational chart showing the overall structure of the City.
- **Summary Schedules** – The report provides various schedules summarizing the information contained in the report, including results of the plan shown at the “bottom-line” level of analysis, a list of functions and allocation bases and sources, as well as a list of the Central Service and Receiving departments.
- **Detailed Analysis Breakdown** – For each department included as a Central Service department, a short narrative description of the department, its services and its core functions is provided, as well as an accounting of the expenditures allocated, detailed allocation bases for each function, and a summary of total costs allocated.

Once the plan has been completed, the project team will provide City staff with training on how to update the model annually. The products with this training include:

- **Analytical Model** – An Excel-based Cost Allocation Model, tailored specifically to the City's needs, providing for the addition or removal of future departments, receivers, or costs.
- **Detailed Documentation** – All documentation used in the preparation of the plan, including expenditures and allocation data, as well as memos detailing any important decisions made.
- **Training Manual** – A manual detailing how to use the analytical model, screen shots of all data input locations, a glossary of terms and an update checklist.

We are proud of our hands-on approach to training and our clients speak highly of our commitment of support to them.

(2) Master Fee Schedule

The documentation to be provided to the City in association with the Master Fee Schedule is as follows:

- **Final Report** – A final report detailing the summary conclusions of the study, as well as the key areas in each department that need to be addressed. This report will show the City's overall surplus or deficit with regard to fee services. Appendices to the report will contain the overall results for each department included in the study, as well as comparative survey data.
- **Departmental Detail** – For each department included in the study, detailed backup documentation will be provided, consisting of fees included, Net Available Hours calculated, costs and expenditures associated with the department, time estimates provided by staff, and summary of results on a per fee or unit basis as well as annually.
- **Excel-based Model** – Models tailored specifically for each department will provide the ability to add or delete fees and positions as future needs arise.

Once the study has been finalized, training will be provided either to Finance or identified departmental staff on the options for annual updates.

5. TRAINING

The Matrix Consulting Group has provided training to client staff on numerous occasions, both in management reviews and cost analysis. While most of the knowledge transfer occurs during project interviews and review sessions, our firm prides itself on its commitment to ensuring client understanding of all project aspects, including project objectives, possible project outcomes, and implementation scenarios. All of our professional staff are skilled at leading interviews, focus groups, and comparative surveys as part of our typical scopes of work.

4. KEY PERSONNEL

This section of our proposal describes our firm's structure, qualifications, relevant experience, and staff expertise.

1. FIRM QUALIFICATIONS

The Matrix Consulting Group specializes in providing analytical services to local governments to assist them in providing highly responsive, efficient, and effective services to their residents. Our market and service focus is financial, management, staffing and operations analysis of local government. Our firm's history and composition are summarized below:

- Our market and service focus is financial, management, staffing and operations analysis of local government.
- We were founded in 2002. However, our staff have worked together in this and other consulting organizations as one team for between 10 and over 30 years.
- We currently have five offices – our headquarters is in nearby Mountain View, California. We also have offices in Texas; Illinois (2 offices); and Massachusetts.
- While we are a national firm, we are incorporated in the State of California.
- We currently have 15 full-time and 5 part-time staff.

The professional staff of the Matrix Consulting Group have conducted hundreds of cost allocation plan, user fee, and indirect cost rate analyses for cities and counties throughout California and elsewhere in the United States.

2. PROJECT TEAM

Each member of our proposed project team has successfully managed or participated in similar studies to the City's requested scope of work. The team members proposed for this project are all full-time employees of the Matrix Consulting Group and have worked with each other as part of a team on hundreds of projects over the course of their careers with this and other firms. We have proposed as members of our project team, our most experienced staff who perform cost allocation and user fee evaluations:

- **Gary Goelitz**, a Senior Vice President with over 34 years of experience and as founder of our Organizational Review Practice, would serve as our Project Executive.

- **Courtney Ramos**, Financial Services Manager, will serve as our Project Manager on this engagement. Ms. Ramos leads our Financial Services practice covering the West Coast region of the United States, and has also been involved in many of our organizational studies over the last five years.

Summaries of the experience of our proposed project team are provided in the paragraphs below:

- **GARY GOELITZ** – Mr. Goelitz is a Senior Vice President with the Matrix Consulting Group, and has over 37 years of experience as an analyst in the public sector, both as a consultant and a manager in local government. Mr. Goelitz has served as a management analyst for the cities of Chula Vista (CA), Fremont (CA), Phoenix (AZ), and Beverly Hills (CA) as well as the Internal Audit Manager for Washoe County (NV). He has broad experience in financial services functions and has completed multiple analyses of these functions in the past several years – including Reno (NV), Nashville-Davidson County (TN), CPS Human Services, Hilton Head Island (SC), Salt Lake City (UT), Columbus (OH), Maricopa County (AZ), Washoe County (NV), Springfield (MA) and Barnstable (MA). Mr. Goelitz was the firm's project manager on the Bay Area Air Quality Management District project. He holds both B.A. and M.P.A. degrees from the University of Southern California. ***Mr. Goelitz would serve as the Project Executive for this study and will provide overall quality control.***
- **COURTNEY RAMOS** is a Manager with the Matrix Consulting Group. Since joining the firm in 2004, Ms. Ramos has managed as well as assisted with a number of cost allocation plan, user fee, management, operations, and staffing analyses for our California and national clients. Most recently, Courtney managed or participated in fee studies for the following jurisdictions: Sunnyvale, Fresno, Seal Beach, Santee, CCDC (San Diego), Bay Area Air Quality District, and Santa Barbara County, California. She has also played a significant role in cost allocation plan development for the cities of Elk Grove, Los Altos Hills, Richmond, Sacramento Public Libraries, Union Sanitary District, and Willits, California, as well as San Marcos, Texas, and Rockville, Maryland. In addition to her analytical work on client projects, Ms. Ramos developed the Cost Allocation Model used by the Matrix Consulting Group. She received an AS in Sociology, and an AA in Administration of Justice from Santa Barbara Community College, CA. ***Ms. Ramos will function as the Project Manager / Lead Analyst for this study.***
- **KHUSHBOO HUSSAIN** is a Consultant with the Matrix Consulting Group, based in our Mountain View office, and is part of our Financial Services Division. Most recently, Ms. Hussain has assisted with financial management studies for the following jurisdictions: Long Beach, Elk Grove, Willits, Fresno, San Pablo, and San Mateo. Prior to joining the Matrix Consulting Group, Ms. Hussain was an analyst in international relations and government service delivery. ***Ms. Hussain would provide project analyst support on this engagement.***

- **IAN BRADY** is a Consultant with the Matrix Consulting Group as part of our Management Services Division, and is based in our Mountain View office. Recently, Mr. Brady has worked on management studies for the Winnipeg Police Services, City of Hanford (CA) Citywide study, and the Orange County (FL) Pretrial Release Program. Before joining the Matrix Consulting Group as a full-time consultant, Mr. Brady had previously served in our firm as an intern for two years. He received his BA in Political Science from Willamette University in Salem, Oregon. ***Mr. Brady will assist in data collection and analysis, under the direction and guidance of one or more of the senior team members.***

5. FEE PROPOSAL

The Matrix Consulting Group is prepared to conduct this assessment at the level of detail described in the Work Plan section of this proposal for **\$38,000**, for professional time within our hourly rates. The table below provides a breakdown of team member hours and project costs by task.

Task	Project Executive	Project Manager	Project Analyst	Total Cost
COST ALLOCATION PLAN				
1. Review and Discuss Study Objectives	2	8	8	\$1,950
2. Interview Staff and Gather Data	0	16	8	\$2,600
3. Structure Custom Allocation Model	4	18	26	\$4,900
4. Finalize and Present Final Report	4	20	16	\$4,400
5. Analytical Model and Training				\$3,000
Subtotal CAP	10	62	58	\$16,850
COMPREHENSIVE FEE STUDY				
1. Data Collection / Review	0	4	4	\$800
2. Initiate Project – Goals & Objectives	2	4	4	\$1,150
3. Fee Structure	2	14	14	\$3,150
4. Data Workshop 1	0	12	8	\$2,100
5. Data Workshop 2	0	12	8	\$2,100
6. Total Cost Analysis	2	16	8	\$2,950
7. Review and Revise Results	2	8	4	\$1,650
8. Fee Comparison	0	4	8	\$1,100
9. Final Report / Master Fee Schedule	2	8	0	\$1,350
10. Present Final Report	4	8	0	\$1,700
11. Automatic Update/Model - Training				\$2,000
Subtotal Fee Study	14	90	58	\$20,050
TOTAL HOURS	24	152	116	
RATE PER HOUR	\$175	\$125	\$75	
TOTAL COST	\$4,200	\$19,000	\$8,700	\$36,900
TRAVEL				\$1,100
TOTAL PROJECT COST				\$38,000

We would be prepared to enter into a fixed price contract for any / all scopes of work included above. Our typical procedure for invoicing is to bill on a monthly basis for hours and expenses incurred on the project. We are also open to invoicing on a deliverable basis.

Should the City require the Cost Allocation Plan to be updated, these services could be provided for **\$11,000**, annually for a three-year period.

6. REFERENCES

The following provides references for recent projects that our firm, as well as the Project Manager, has worked on which have similar scopes of work, project deliverables, and project size.

Client	Contact Information	Description of Services
Long Beach, CA	Francine Wiegelman (562) 570-6770 Francine.Wiegelman@longbeach.gov	Citywide Full Cost Allocation Plan and OMB Compliant Plan Departmental Plans for Police, Fire, Health, & Public Works FY10-11 & 11-12
Vacaville, CA	Connie Donovan Assistant to the City Manager CDonovan@cityofvacaville.com (707) 449-5103	Cost Allocation Plan FY 11/12
Pasadena, CA	Richard Davis, Budget Administrator (626) 744-4355 rdavis@cityofpasadena.net	Cost Allocation Plan and User Fee Study FY11/12
San Bernardino, CA	Terrence Beaman, Deputy Director - Finance (909) 384-5144 tbeaman@cityofdhs.org	Cost Allocation Plan and User Fee Study FY10/11
San Mateo, CA	Doris Koo Treasury and Budget Manager (650) 522-7104	Cost Allocation Plan and Indirect Rate Analysis Sept. 2011 – March 2012

The points below provide further project descriptions for the references listed above, including issues addressed in the studies as well as recommendations implemented:

- **Long Beach, CA:** The Matrix Consulting Group has performed a Citywide Cost Allocation Plan and OMB compliant Plan for the City of Long Beach for the past two fiscal years. The project team has worked closely with staff in order to revise past allocations, and ensure that the plan accurately reflected services provided and received. Additionally, departmental plans for Police, Fire, and Health have been updated annually, with Public Works plans created within the past fiscal year. These plans allow the City to recover costs associated with Harbor and Port costs covered in their MOU's, as well as charge outside agencies and grants for cost recovery.
- **Vacaville, CA:** The Matrix Consulting Group performed a Citywide Cost Allocation Plan for the City of Vacaville. The project team worked closely with staff to tailor the plan to fit the City's needs, and to ensure understanding and consensus among allocation recipients. The project team also provided staff with

training and documentation in order to facilitate the City's desire to update the plan internally.

- **Pasadena, CA:** The Matrix Consulting Group performed a Citywide Cost Allocation Plan, OMB compliant plan and User Fee Study for the City of Pasadena. Focusing on the need for the City to justify transfers from their Water fund to the General fund, the project team looked at alternative methods for allocating costs, including incorporating Police and Fire utility support costs into the plan. Departments included in the Citywide User Fee study were: Animal Services, City Clerk, Library, Police, Planning, Building, and Public Works.
- **San Bernardino, CA:** The Matrix Consulting Group performed a Citywide Cost Allocation Plan and User Fee Study for the City of San Bernardino. Utilizing our unique cost allocation project approach we were able to identify roughly \$1.5 million of additional recoverable costs associated with Police, Fire, and Public Works support of Water and Utilities. Departments included in the Citywide User Fee study were: Animal Services, City Clerk, Library, Police, Planning, Building, and Public Works / Engineering.
- **San Mateo, CA:** The Matrix Consulting Group performed a Citywide Cost Allocation Plan and Indirect Cost Rate Analysis for the City of San Mateo. During the project the State's ruling abolishing the RDA was handed down, which impacted the results of the study. Our project team worked with staff to revise the plan and ensure that the most beneficial scenario was implemented in the final version of the plan.

We would be pleased to provide any other reference on request.

7. CONTRACT EXCEPTIONS

The Matrix Consulting Group does not take any exceptions, nor require any additions or deletions to the City's request for proposal or Professional Services Agreement.

8. REQUEST FOR PROPOSAL SIGNATURE PAGE

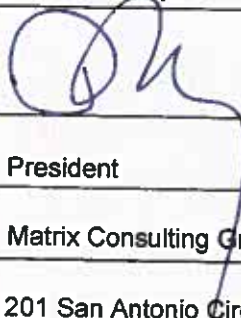
The following page provides the Signature Page as requested in the City's Request for Proposal.

SIGNATURE PAGE

The undersigned has checked carefully the entire Request for Proposal (RFP) #943-14, Cost Allocation and Fee Study. By signing this document, I attest that I am authorized to contractually bind the company listed, and will meet the Proposal requirements if awarded a contract.

Dated this 26th day of August, 2013

Name Printed: Richard Brady

Signature: 

Title: President

Company Name: Matrix Consulting Group

Business Address: 201 San Antonio Circle, Suite 148

City, State, Zip Code: Mountain View, CA 94040

Telephone Number: 650-858-0507

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E-mail: rbrady@matrixcg.net