AUTHORIZE THE EXECUTION OF A THREE-YEAR CONTRACT WITH MGT OF AMERICA, INC. IN THE AMOUNT OF $127,800 FOR CONSULTING SERVICES RELATED TO THE COST ALLOCATION PLAN

RECOMMENDATION

It is recommended that the City Council approve a motion executing a contract with MGT of America, Inc. for consulting services related to a study of central services overhead costs to develop a Total Cost Allocation Plan, Indirect Cost Recovery Rates, and a Cost Recovery Allocation Plan that complies with the Federal Office of Management and Budget (OMB) Circular A-87 to be used by the City.

It is further recommended that the City Manager be authorized to take appropriate and necessary actions to carry out the purpose and intent of the motion.

Summary

The City requires the use of consulting services by a qualified consulting firm to complete a Total Cost Allocation Plan, Indirect Cost Recovery Rates, and a Cost Recovery Allocation Plan that complies with the Federal Office of Management and Budget (OMB) Circular A-87 to be used by the City. The purpose of the Cost Plan is to ensure that the City is using comprehensive cost allocation rates to accurately and reasonably account for the true costs of services.

DISCUSSION

Background

The City of Stockton should annually prepare both a Total Cost Allocation Plan and an OMB Circular A-87 Cost Recovery Allocation Plan. Allocated costs identified in the two plans are combined to calculate the total cost of services for fee setting. These costs are then made part of the City’s annual budget and become costs in the City’s financial records, which are audited annually. The Total Cost Allocation Plan identifies central services that provide support to the City’s various other funds. This plan isolates central services costs provided to all City departments such as the City Manager’s Office, City Clerk’s Office, the Human Resources Department, and the Administrative Services Department. This plan ensures that the City is utilizing data-driven, defensible and comprehensive cost allocation rates to accurately and reasonably account for the true cost of providing central and other shared services to operate City programs.

OMB Circular A-87 “Cost Principles for State, Local and Indian Tribal Governments” provides principles and standards for determining both direct and indirect costs applicable to federal grants and contracts with state and local governments. To comply with the Circular, the City must annually
complete an OMB Circular A-87 Cost Recovery Allocation Plan. Examples of grant programs requiring compliance with OMB A-87 include Community Development Block Grant funds, U.S. Housing and Urban Development funds, and various other federally and state funded grant programs. This plan allows the City to distribute costs while maintaining compliance with OMB A-87 standards.

Present Situation

Request for Proposals (RFP) were sent electronically to firms, posted to the City’s web site, and advertised in The Record. Two consulting firms responded, MGT of America (MGT) proposed providing the services to the City at an annual cost of $42,600 and Matrix which proposed providing the services to the City at an annual cost of $37,000. No local firms submitted proposals.

A selection committee was formed to review the responses to the RFPs received. The selection committee included representatives from Administrative Services, Economic Development, Fire, Municipal Utilities, Police, and Public Works departments. The committee met August 27, 2015 to review proposals from the responding qualified consulting firms.

The selection committee reviewed the proposals and agreed unanimously that the MGT proposal was the most responsive. Following the committee’s evaluation, reference checks were done and a three-year contract was negotiated for performance of the cost allocation plan services (Attachment A). The City has negotiated a fixed price contract of $127,800 for the three year contract term, with an annual “not to exceed” dollar amount of $42,600 based on a defined scope of work for the development of the Cost Plans.

With Council approval, the Administrative Services Department will enter into a three-year contract with the selected firm, with the option to extend the contract in one year increments, for two additional years. Extension of the contract beyond the initial three-year period will require concurrence of both the City and contracting firm, and the total contract period is not to exceed five years.

FINANCIAL SUMMARY

Sufficient funds are available in account 010-0131-510 (Non-Departmental) for the annual cost of $42,600 for preparing the Cost Allocation Plan by MGT of America, Inc. The total cost of this three year contract will be $127,800. In subsequent years, the contract will be funded as part of the annual budget development process.

Attachment A - Professional Services Agreement with MGT of America