



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Jason Simpson, City Manager

Prepared by: Shannon Buckley, Assistant City Manager

Date: June 11, 2024

Subject: Agreement with Willdan Financial Services for an Updated Cost Allocation Plan and User Fee Study.

Recommendation

Approve and authorize the City Manager to execute a Professional Services Agreement with Willdan Financial Services for a Cost Allocation Plan (CAP) and User Fee Study in an amount not to exceed \$29,875 plus ten percent contingency of \$2,988 as approved by the City Attorney.

Background

An updated CAP and User Fee Study and analysis is recommended every five years to address a growing city's evolving needs. On May 7, 2024, the City requested a proposal from Willdan Financial Services to provide an updated CAP and User Fee Study. The City engaged Willdan in 2015 to perform a CAP, User Fee Study, and Development Impact Fee Study, which was adopted in 2018.

Discussion

A Cost Allocation Plan is a comprehensive study that determines the fair and equitable allocation of the cost of the City's central administrative functions: City Administration, Finance, Human Resources, City Clerk, and City Attorney. The study will analyze each function, determine its cost, and develop the appropriate allocation bases necessary to distribute costs to the receiving operating departments within the City. The City employs a Cost Allocation Plan to spread administrative costs, but needs updating. A User Fee Study is conducted to accurately, fairly, and reasonably determine the total cost for City departments to provide services to the individuals and businesses within the community, such as plan checks, inspection, permitting, and other development-related services. As part of a general cost recovery strategy, local governments adopt user fees to fund programs and services that provide limited or no direct benefit to the community. As cities struggle to maintain service levels and demand variability, they have become

increasingly aware of subsidies provided by the General Fund and have implemented cost-recovery targets.

Unlike most revenue sources, cities have more control over the user fees they charge to recover costs or the subsidies they can institute. The recent trend for municipalities is to update their fee schedules to reflect the actual costs of certain public services primarily benefitting users. User Fees recover costs associated with providing specific services benefitting the user, reducing the use of General Fund monies for such purposes. In addition to collecting the direct cost of labor and materials associated with processing and administering user services, it is common for local governments to recover support costs. Support costs relate to a local government's central service departments that are properly allocable to the local government's operating departments. Central services support cost allocations were derived from the City's Cost Allocation Plan. As labor effort and costs associated with the provision of services fluctuate over time, a significant element in the development of any fee schedule is its flexibility to remain current. Approval of the fee study will not constitute approval of any new fees. The City Council must separately approve any new or increased fees that the fee study may recommend following appropriate notice and hearing as requirements.

Fiscal Impact

Funds are budgeted in the FY23-24 Annual Operating Budget.

Attachments

Attachment 1 – Willdan Professional Services Agreement

Attachment 2 – Proposal LE Cap User Fee