



# City of San Antonio

## Agenda Memorandum

**File Number:**18-3169

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**Agenda Item Number:** 17.

**Agenda Date:** 5/17/2018

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** All

**SUBJECT:**

City-wide Cost Allocation Plans

**SUMMARY:**

An ordinance authorizing the execution of a professional services agreement with MGT of America Consulting, LLC ("MGT") in amount not to exceed \$183,250.00 for the preparation of two (2) City-wide cost allocation plans. The contract will be for an initial three (3) year term for fiscal years ending September 30, 2019, 2020, and 2021. The City has the option to renew the contract for two (2) additional one (1) year terms for fiscal years 2022 and 2023 upon approval from the Deputy Chief Financial Officer.

**BACKGROUND INFORMATION:**

The City contracts with qualified service providers in providing cost allocation plans described herein. The City incurs both direct and indirect costs in the performance of its responsibilities. Direct costs are costs that can be specifically or readily identified with a specific cost objective or program. Indirect costs are costs necessary for the effective and efficient operation of City programs, but which cannot be directly assigned to one service. Indirect costs can include citywide central services and departmental administration and support.

The City contracts to have two central services cost allocation plans, a full-cost indirect cost rate proposal for Capital Management Services (CMS) capital projects, and indirect cost rates for specific departments under Uniform Guidance. The Central Services Cost Allocation Plans are: Full-Cost Central Services Cost Allocation Plan and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Central Services Cost Allocation Plan (Uniform Guidance). Each Cost Allocation Plan has unique characteristics and uses. The Full-Cost Central Services Cost Allocation Plan is utilized to identify and recover central services costs from non-general fund sources other than grant funded programs. The Uniform Guidance Central Services Cost Allocation Plan is utilized to identify and recover central services costs from programs funded by Federal and State funds, when allowed.

In addition to the Cost Allocation Plans, the full-cost indirect cost rate proposal for CMS capital projects allows the City to determine the rate with which to charge debt funded and other capital projects managed through our Transportation and Capital Improvements Department. Furthermore, the City recovers indirect costs through the application of departmental indirect cost rates developed in accordance with Uniform Guidance. The rates are developed and documented for specific City departments in the City's Indirect Cost Rate Proposal.

On March 27, 2018, the Finance Department issued a Request for Proposals (RFP) for preparation of cost allocation plans services with a submission deadline of April 10, 2018. Three qualified proposals were received and evaluated by an evaluation committee consisting of representatives from the Finance Department, Pre-K 4 SA, Transportation & Capital Improvements Department and the Office of Management and Budget. The committee based its decision on several weighted factors, to include Experience, Background and Qualifications; Proposed Plan; Price; Small Business Economic Development Advocacy (SBEDA) Program including the Small Business Enterprise (SBE) Prime Contract Program; Local Preference Program and the Veteran-Owned Small Business Preference Program. Based on the evaluation committee's scoring, MGT was selected for award recommendation.

The Local Preference Program (LPP) was applied in the evaluation of responses for this contract; however, the highest ranked firm is not a local business.

The Veteran-Owned Small Business Preference Program was applied in the evaluation of responses received for this contract; however, the highest ranked firm is not a veteran-owned business.

The RFP additionally included an option for the City to request the Respondent to assist City staff with the development/ best practices of future cost allocation plans for Workers' Compensation, Liability and Purchasing & General Services. The qualified Respondent will further provide best practices obtained from other cities relating to indirect cost charges allocated to grants.

MGT has prepared the City's cost allocation plans since fiscal year 2013. Prior to fiscal year 2013, the City utilized Maximus Inc. MGT exceeded the terms of their recent contract with the City.

#### **ISSUE:**

City Council action is required to authorize the award of the proposed contract. This contract is consistent with the City's policy and previous actions to employ qualified service providers to prepare the City's cost allocation plans.

Authorization of this agreement allows the City to recover allowable costs, provides more transparency when developing the annual budget, and allows the City the ability to complete the calculation in time to incorporate accurate appropriations into future budget adoptions. In addition, timely calculations assist in ensuring grant compliance set forth under the Uniform Guidance, and the ability to request indirect cost recoveries in future grant applications.

This contract will be awarded in compliance with the Small Business Economic Development Advocacy (SBEDA) Program, which requires contracts be reviewed by a Goal Setting Committee to establish a requirement and/or incentive unique to the particular contract in an effort to maximize the amount of small, minority, and women-owned business participation on the contract. The Goal Setting Committee applied the SBE Prime Contract Program with ten (10) evaluation preference points. MGT was not awarded any points as it is not a certified SBE firm located within the San Antonio Metropolitan Statistical area.

**ALTERNATIVES:**

Should the contract with MGT not be approved, the City will be delayed in its calculation of the fiscal year 2019 cost allocation figures as well as department grant recovery rates, and may not be able to have the figures and rates calculated in time for the fiscal year 2019 budget adoption. In addition, it may impede the City's annual budget process and accurate financial reporting.

**FISCAL IMPACT:**

Finance is requesting City Council authorization of an agreement with MGT to prepare City-wide cost allocation plans for a total amount not to exceed \$183,250.00 for a three (3) year term, beginning May 2018 and ending on September 30, 2020, with an option to renew for an additional two (2), one (1) year periods.

Funds will be appropriated annually, by fiscal year, with fiscal year 2019 figure and rate calculations services to be incurred during fiscal year 2018 totaling \$34,750.00. Funding for fiscal year 2019's calculation is **available and budgeted** within the General Fund.

**RECOMMENDATION:**

Staff recommends approval of an ordinance authorizing an agreement with MGT for the preparation of two (2) cost allocation plans for a total amount not to exceed \$183,250.00 for a three (3) year term, beginning May 2018 and ending on September 30, 2020, with an option to renew for an additional two (2), one (1) year periods.