

ORDINANCE NO. 1074

AN ORDINANCE AUTHORIZING THE CITY ADMINISTRATOR TO EXECUTE A CONTRACT WITH FCS GROUP TO CONDUCT A COST OF SERVICES/USER FEE ANALYSIS WITHIN THE ADMINISTRATIVE DEPARTMENTS OF THE CITY OF CANBY; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Canby wishes to conduct a cost of service analysis of its administrative departments and study their relationship in providing support to one another as well as to the direct service departments throughout the City of Canby and evaluate the fees currently being charged for services provided within the City; and

WHEREAS, the City wishes to employ FCS Group of Redmond, Washington to conduct this analysis; and

WHEREAS, FCS Group has proposed a personal services contract for providing the analysis of the cost of services and user fees, now therefore

THE CITY OF CANBY ORDAINS AS FOLLOWS:

Section 1. The City Administrator is hereby authorized and directed to make, execute and declare in the name of the City of Canby and on its behalf, an appropriate personal services contract with FCS Group of Redmond, Washington, an independent contractor, to conduct a cost of services/user fee analysis within the administrative departments of the City of Canby in an amount not to exceed \$31,500.00. A copy of said contract is attached hereto, marked as Exhibit "A", and by this reference fully incorporated herein.

Section 2. Emergency Declared.

It being necessary for the health, safety and general welfare of the citizens of Canby, that this analysis be completed as soon as possible, an emergency is hereby declared to exist and this ordinance shall take effect immediately upon its enactment after final reading.

SUBMITTED to the Canby City Council and read the first time at a regular meeting thereof on Wednesday, May 16, 2001, and ordered posted in three (3) public and conspicuous places in the City of Canby as specified in the Canby City Charter and to come before the City Council for final reading and action at a regular meeting thereof

on Wednesday, June 6, 2001, commencing at the hour of 7:30 P.M. in the Council Meeting Chambers at Canby City hall in Canby, Oregon.

Chaunee Seifried
Chaunee Seifried
City Recorder

PASSED on second and final reading by the Canby City Council at a regular meeting thereof on the 6th day of June, 2001, by the following vote:

YEAS 4

NAYS 0

Terry L Prince
Terry L Prince, Mayor

ATTEST:

Chaunee Seifried
Chaunee Seifried, City Recorder

PERSONAL SERVICES AGREEMENT

THIS AGREEMENT is between the CITY OF CANBY (City) and
FCS Group (Contractor).

- A. City requires services which Contractor is capable of providing, under terms and conditions hereinafter described.
- B. Contractor is able and prepared to provide such services as City requires, under those terms and conditions set forth.

The Parties Agree a Follows:

- 1. Scope of Services. Contractor's services under this Agreement are set forth in Exhibit "A", attached hereto.
- 2. Contractor Identification. Contractor shall furnish to City its employer identification number as designated by the Internal Revenue Service, or Contractor's Social Security Number, as City deems applicable.
- 3. Compensation:
 - A. City agrees to pay Contractor according to the proposed rate schedule submitted with the Contractor's proposal.
 - B. City agrees to pay Contractor within 30 days after receipt of Contractor's itemized statement. Amounts disputed by the City may be withheld pending settlement.
 - C. City certifies that sufficient funds are available and authorized for expenditure to finance costs of the Agreement.
- 4. Contractor is Independent Contractor.
 - A. Contractor's services shall be provided under the general supervision of the City Administrator. Contractor shall be an independent contractor for all purposes and shall be entitled to no compensation other than the compensation provided for under Paragraph #3 of this Agreement.
 - B. Contractor certifies that it is either a carrier-insured employer or a self-insured employer as provided in Chapter 656 of the Oregon Revised Statutes.
 - C. Contractor hereby represents that no employee of the City, or any

partnership or corporation in which a City Employee has an interest, will or has received any remuneration of any description from Contractor, either directly or indirectly, in connection with the letting or performance of this contract, except as specifically declared in writing.

5. Subcontractors and Assignment. Contractor shall neither subcontract any of the work, nor assign any rights acquired hereunder, without obtaining prior written approval from City. City, by this Agreement, incurs no liability to third persons for payment of any compensation provided herein to Contractor.
6. Work is Property of City. All work performed by Contractor under this Agreement shall be the property of the City. City agrees that the Contractor may use its work in other assignments if all City of Canby data and references are removed.
7. Term.
 - A. This Agreement may be terminated by:
 1. Mutual written consent of the parties.
 2. Either party, upon thirty (30) days written notice to the other, delivered by certified mail or in person.
 3. City, effective upon deliver of written notice to Contractor by certified mail, or in person, under any of the following:
 - a. If Contractor fails to provide services called for by this Agreement within the time specified or any extension thereof.
 - b. If services are no longer required.
8. Professional Standards. Contractor shall be responsible to the level of competency presently maintained by others practicing the same type of work in City's community, for the professional and technical soundness, accuracy and adequacy of all work and materials furnished under this authorization.
9. Legal Expense. In the event legal action is brought by City or Contractor against the other to enforce any of the obligations hereunder or arising out of any dispute concerning the terms and conditions hereby created, the losing party shall pay the prevailing party such reasonable amounts for attorneys fees, costs, and expenses as may be set by the court both at trial and all appeals therefrom.
10. Modifications. Any modification of the provisions of this Agreement shall be in writing and signed by the parties.

11. Notices. Any notice, bills, invoices, reports, or other documents required by this Agreement shall be sent by the parties by United States mail, postage paid, or personally delivered to the address below. All notices shall be in writing and shall be effective when delivered. If mailed, notices shall be deemed effective forty-eight (48) hours after mailing unless sooner received.

CITY: Mark Adcock, City Administrator
City of Canby
182 N. Holly Street
Canby, OR 97013

CONTRACTOR:

David W. Findlay
PRESIDENT, FCS GROUP
8001 164th Ave NE
Redmond, WA 98052

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly appointed officers.

CONTRACTOR:

FCS GROUP
By: *David W. Findlay*
Date: 4-25-01

CITY OF CANBY:

By: *Mark Adcock*
Date: *June 7, 2001*

Exhibit "A"

CITY OF CANBY, OREGON

PROPOSAL TO CONDUCT A COST OF SERVICES / USER FEE ANALYSIS

SCOPE OF WORK

The following narrative task plan describes the study tasks and sub-task work elements to complete the project.

TASK I - DATA COLLECTION

I.1 Conduct Preliminary Kick-Off Meeting

A meeting will be conducted with the entire group of departmental managers who will be involved throughout the study as users of the findings. This meeting will review the preliminary data needs list, which will be provided immediately after contract award and will include such items as budget data, actual fee revenue and associated expenditures, permit volumes, etc. In addition, we will strategize to determine the best way for FCS Group to conduct any on-site data collection required.

I.2 Identify Current/Candidate Services for User Fees

The current fee-generating activities will be identified, and the Consultant team will work with the City staff to identify additional services where cost-based fees may be appropriate but are not currently charged. In this initial sub-task, we will determine the appropriate level of detail in terms of data generation and modeling needed for each fee-generating area.

I.3 Review Organization and Corresponding Data

FCS Group will review the functions of the administrative departments and functions in the City (e.g., Administration, Finance, and Technical Services) and their relationship in providing support to one another as well as to the direct service departments and functions throughout the City (e.g., Planning, Parks, Police, Wastewater Treatment Plant, Streets, Building, etc.). As part of this effort, we will review the City's budget, organizational charts, and fund structure to identify the departmental functions, responsibilities, and finances. We will develop a list of departments and their organizational units, and as requested in the RFP, we will divide the services and departments into the following three major categories.

- Support Services
- Direct Services Benefiting Specific Individuals
- Direct Services Delivered to the Community at Large

In our approach, those services benefiting specific individuals can be considered "private benefit" and those delivered to the community at large can be considered "public benefit". This concept is discussed further in Task IV.

I.4 Collect Detailed Time Data/Estimates



The most important data element required for the study is estimates of how time is spent, using self-reported estimates by City staff if timekeeping data is not available. The needed estimates will be collected using a structured data collection form. FCS Group will guide City staff through completion of the form, which will identify direct time estimates for fee-generating activities and for related indirect activities by staff providing direct services. Salary and benefits data will be required for all positions involved in fee-generating activities.

1.5 Cross Reference Cost and Revenue Data, Fee Schedules, and Fee Statistics

Inventory the fee schedules and cross reference them with the revenue data categories, volume statistics, and any costs specific to individual activities to ensure that the cost of service analysis is structured to reflect a reasonable level of detail for data reporting and updating.

1.6 Data Collection Follow-up/Refinement

Based on the results of the prior tasks, supplemental data needs will be identified and processes defined for generating needed information.

TASK II – INDIRECT COST ALLOCATION PLAN

II.1 Identify Indirect Costs and Allocation Factors

Once the support services have been identified in Task I, FCS Group will analyze the budget and staffing levels of the departments providing support services, review the direct service departments and functions receiving support services, and identify general workload measures available to allocate costs to the direct service departments. The total costs of providing support services will be identified, and a framework for allocating the costs to direct service departments will be developed. This analysis provides a key element in establishing the full cost of service by ensuring that the costs of running the "business" of government, such as management, finance, personnel, etc., are fully reflected in fees for service.

II.2 Develop Overhead Calculation Method

FCS Group will pursue development of a "Two-Step" calculation method for the City. The method will conform with generally accepted accounting principles as well as conform with all appropriate pronouncements and guidelines set forth by the Government Accounting Standards Board. The "Two Step" method involves first allocating overhead department costs to all departments, including the overhead departments themselves. Next, the remaining costs associated with each overhead department will then be allocated to the direct services benefiting specific individuals and those delivered to the community at large. Development of an overhead rate per direct service will be calculated. Each allocation will be based on existing workload measures (e.g., FTEs, operational budget, etc.) provided by the City. The calculations will be developed within a spreadsheet model built in Microsoft Excel 97. [Note: If diverse and sufficient workload measures are not available to meet the requirements of a Two-Step allocation or the City desires a simplified approach, FCS Group will complete a One-Step process in

which overhead department costs are allocated only once out to the direct service departments.]

II.3 Review Findings with City Staff

Conduct a meeting with City staff to review the indirect overhead methodology and findings before the rates are applied in the user fee study.

TASK III - CALCULATE THE FULL COST OF DIRECT SERVICES

III.1 Calculate Direct Costs of Direct Services

Using the time and salary data, a spreadsheet model will be created to calculate the direct costs of the fee-generating services in the two direct service categories. These costs may include both work on specific activities and efforts associated with related general services, such as public information provided at the counter. This analysis will also include an allocation of non-salary costs associated with fee-generating services.

III.2 Calculate Indirect Costs

Indirect costs, salary and non-salary, associated with staff providing direct services will be identified and summarized to produce separate indirect cost layers. Clerical support costs will be quantified as indirect support costs.

III.3 Allocate Department and City Support Services Costs

The management costs for each department will be identified and allocated between fee-generating and other activities. In addition, City overhead costs as identified in Task II will be allocated to fee-generating activities.

III.4 Calculate the Full Cost of Service

For both the direct service categories, we will combine the results of the previous sub-tasks to produce the full cost of service, expressed both as total dollars and dollars per direct hour. The full cost layers will include some or all of the following elements:

- Support Services Costs
- Departmental Administrative Costs
- Direct Service Provision
- Related Departmental Activities, may include:
 - Policy Development
 - Public Information
 - Administrative Support
- Indirect Activities that are allocated between fee-generating and non-fee-generating work, such as Vacation/Sick Leave/Holiday and General Training.

- Associated Non-labor Costs, such as supplies, rent, and telephone.

TASK IV – FEE EVALUATION

IV.1 Compare Full Cost Results to Revenues Collected

Prepare a comparison of the full costs of fee-generating services versus the projected revenues for the current budget year (2000/01) and actual revenues in 1999/2000. Compare the workload in these periods to validate results.

IV.2 Formulate Cost Recovery Objectives with City Staff/Management

Meet with City Staff/Management to determine if full costs should be recovered for all fees or whether there are certain costs or activities where less than full cost recovery is warranted. FCS Group characterizes this sub-task as the public versus private benefit analysis. Recognizing that costs not recovered from fees are paid for from other revenues, such as taxes, less than full cost recovery may be justifiable due to the benefit the service provides to the public at-large, based on City policy, or based on the practical consideration of whether the market can bear the full cost fee. One potential example of this is the cost recovery for swim programs. In our experience, swim center programs often do not recover the full cost of service for a variety of reasons that may include: the desire for equal access to programs regardless of means, the focus of specific programs to provide activities to target populations (youth, seniors), and the availability of lower cost competing facilities.

As we evaluate current and new fees we will identify the following:

- Unit service cost
- Current tax revenue subsidy
- Economic effects of increasing fees
- Cost recovery levels for fees

IV.3 Project Fees/Revenues

Based on the various fee recovery objectives and subsidy policies identified in the prior subtask, FCS Group will recalculate existing user fees and identify the range of fees based on the different recovery and tax subsidy alternatives. To assist in developing options and in making comparisons, we will collect some specific fee data from other nearby jurisdictions. FCS Group will also calculate new fees for services identified in Task 1 as not currently generating fee revenue and will estimate the impact on revenues from these new fees or fee changes. The recommended adjustments will be ranked to reflect the potential impacts on revenues to the City.

TASK V - STUDY REPORT

V.1 Prepare Executive Level Report

FCS Group will prepare documentation of the methodologies and objectives employed to provide the City with a clear explanation of its fee development approach and City management's basis for recommended cost recovery objectives. Study findings,

conclusions, and recommendations will be submitted as a "draft" for City review and input after we first meet with the City's key management personnel. This report will be at an "executive" level of detail summarizing the results of the study and will provide the City Council with policy options and priorities as developed in the previous task. The cost recovery alternatives will be formatted to clearly show the impacts at various cost recovery levels, expressed as percentages of costs to be recovered through fees. Revisions will be reflected, as appropriate to incorporate warranted changes suggested by the City, and copies of the final report will be provided, with the number to be determined in consultation with City staff. The detail of the analysis will be included as a technical appendix. The spreadsheet model used to conduct the analysis is not a deliverable product within the City's project scope.

TASK VI - PRESENTATION OF RESULTS

VI.1 - CONDUCT THREE STUDY SESSIONS TO PRESENT RESULTS

In addition to the study report in Task V, the FCS Group team will prepare a presentation for Canby's Budget Committee and the City Council that will address the findings of the study, methodologies employed, cost recovery objectives targeted, fee structures proposed, and implementation strategies developed. The purpose of the first two study sessions will be to present the methodology and draft fee recommendations and analysis to the City Council and Budget Committee. The last study session is planned for follow up on City Council and Budget Committee input and to present the final conclusions and recommendations.

If additional meetings are required, they can be added to the scope of work and budget at a cost of \$1,000 per meeting.

CITY OF CANBY, OREGON

PROPOSAL TO CONDUCT A COST OF SERVICES / USER FEE ANALYSIS

Canby Cost of Services / User Fee Analysis

PROPOSED BUDGET

Task	Consultant Hours				Estimated Budget	
	Principal Dunlap	Project Manager Moy	FCSG Consultants Various	Admin. Support	Total Hours	Labor Budget
Effective Hourly Billing Rates:	\$135	\$125	\$100*	\$60		
I - Data Collection	2	16	32	0	50	\$5,470
II - Indirect Cost Allocation	4	12	24	0	40	\$4,440
III - Full Cost Calculation	4	4	44	0	52	\$5,440
IV - Fee Evaluation	4	4	36	0	44	\$4,640
V - Study Report	6	32	24	7	69	\$7,630
VI - Presentation of Results	9	9	9	4	31	\$3,480
Total Estimated Labor Budget	29	77	169	11	286	\$31,100

ESTIMATED DIRECT EXPENSES	Cost
Transportation	[No Charge]
Meals & Lodging	[No Charge]
Presentation & Reproduction	\$350
Communications	50
Total Billable Expenses:	\$400

Total Estimated Direct Expenses \$400

TOTAL PROJECT BUDGET \$31,500

* The \$100 per hour rate is an average rate used for budgeting purposes. Actual rates may range from \$105 to \$90 per hour.