



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: AUGUST 1, 2023

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: FIFTH AMENDMENT TO PROFESSIONAL CONSULTANT SERVICES AGREEMENT FOR USER FEES AND CHARGES STUDY WITH MGT OF AMERICA CONSULTING, LLC TO EXTEND THE TERM FOR ONE YEAR ENDING ON JUNE 30, 2024, AND INCREASE CONTRACT AMOUNT BY \$29,880 PLUS 10% CHANGE ORDER AUTHORITY FOR A REVISED TOTAL CONTRACT NOT-TO-EXCEED AMOUNT OF \$84,177.50

ISSUES:

Approve the Fifth Amendment to the Professional Consultant Services Agreement for the User Fees and Charges Study with MGT of America Consulting, LLC, to extend the agreement for one year to June 30, 2024, in the amount of \$29,880 plus 10% change order authority in the amount of \$2,988 for a total of \$32,868; and a revised total contract amount of \$84,177.50.

RECOMMENDATIONS:

That the City Council:

1. Approve the Fifth Amendment to User Fees and Charges Study Agreement with MGT of America Consulting, LLC to extend the term by one year to June 30, 2024, in the amount of \$29,880; and
2. Authorize 10% change order authority in the amount of \$2,988 for unforeseen changes in service to include, but not limited to, requests to increase or change the scope of work; and
3. Authorize the City Manager or designee to execute the Fifth Amendment for the User Fees and Charges Study with MGT of America Consulting, LLC, including making minor and non-substantive changes.

BACKGROUND:

A user fee study is typically performed by local governments every 3-5 years to adjust for changing costs and circumstances. Fee studies help manage the City's growth-related fiscal challenges by aligning supply and demand, reducing subsidization, setting realistic

expectations for cost recovery, properly funding needed programs, and creating greater transparency within the community for citywide services.

The original professional service contract with MGT of America Consulting, LLC, in the amount of \$46,645, was effective from April 13, 2021, to December 2021. The contract had provisions for two options to extend for additional three month terms. The terms of the contract were extended as follows:

- 1st Amendment – extended to March 31, 2022
- 2nd Amendment – extended to December 31, 2022, with the option to renew two times at three months each
- 3rd Amendment – extended to March 31, 2023
- 4th Amendment – extended to June 30, 2023

DISCUSSION:

User Fees & Charges Study

A User Fees & Charges Study is a review of the City's existing fees for services excluding rate-based fees like electric, water, refuse, sewer, and parking. The study involves multiple City departments and identifies the cost of providing services and comparing the result to the current fee amount to determine whether it's recovering the full cost of the service provided. The fee study also provides an opportunity to add new fee recommendations or remove outdated fees or services.

The last comprehensive update to the City's user fees and charges was approved by the City Council in September 2015. In March 2021, the City engaged MGT of America Consulting, LLC to conduct a comprehensive user fees and charges study (excluding Development Impact Fees). The principal goal of the study is to help the City determine the full cost of the services that the City provides. In concert with that goal, MGT of America Consulting, LLC established a series of additional objectives, including:

- Developing a rational basis for setting fees.
- Identifying subsidy amount, if applicable, of each fee in the model.
- Ensuring compliance with State law.
- Developing an updatable and comprehensive list of fees; and
- Maintaining accordance with City policies and goals

The study results will help the City better understand its true costs of providing services and will serve as a basis for making informed policy decisions regarding the most appropriate fees, if any, to collect from individuals and organizations that require individualized services from the City.

The fee study also includes a survey that compares similar fees charged by other local government agencies around Southern California. The purpose of the comparative study is to help identify cost similarities and differences between agencies. This information provides additional data to help make informed decisions about proposed fee adjustments, cost allocation, and the resulting effect on City revenue.

MGT of America Consulting, LLC collaborated with City staff to gather data based on the Fiscal Year 2020-2021 budget and Fiscal Year 2019-2020 (pre-pandemic) volume data for analysis in preparation for public outreach. In March 2022, the study was placed on hold due to the impending departure of the City Manager. In the interim, the cost of providing services has increased, most particularly with City Council approval of salary and benefit adjustments with the City's various labor unions. Additionally, the City has largely recovered from the effects of the pandemic, with fee-related activities returning to normal. As such, the data used for the current fees and charges study must be refreshed to ensure an accurate accounting of the cost of service. The fee study will resume following the adoption of the amended Fiscal Year 2023-2024 Budget, which incorporates the fiscal impact of labor negotiations and other cost adjustments.

The Fifth Amendment to the Professional Consultant Services Agreement with MGT, LLC includes a revised scope to incorporate the cost of the data refresh, and the comparative study refresh at an estimated cost of \$29,880.

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolutions No. 23914 Section 1104(b) and 1104(d) which state that Awarding Entity approval will be needed on "Any Change Order which causes the contract price to exceed \$50,000, if the Contract and/or Purchase Order was not previously approved by the Awarding Entity" and "A Contract amendment which extends the term of the agreement beyond one year of the original expiration date."

Development Impact Fees

Development impact fees (DIF) are a one-time charge to new development imposed under the Mitigation Fee Act. The Mitigation Fee Act authorizes a local government agency to impose fees on development projects to offset the cost of public improvements that are needed to serve those developments. These fees require a nexus study to establish a reasonable relationship between the development paying the fee, the size of the fee, and the use of fee revenues.

The City is in the process of developing a separate Request for Proposals for Development Impact Fee nexus studies. The DIF study will encompass all of the City's existing development impact fees, as well a consideration of new impact fees.

STRATEGIC PLAN ALIGNMENT:

The comprehensive user fees and charges study aligns with **Strategic Priority 5 – High Performing Government** and the following goals:

- **Goal 5.3:** Enhance communication and collaboration with community members to improve transparency, build public trust, and encourage shared decision-making.
- **Goal 5.4:** Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.
- **Goal 5.5:** Foster a culture of safety, well-being, resilience, sustainability, diversity, and inclusion across the city organization.

The action aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The comprehensive user fees and charges study is objective documentation of the cost of providing services. The project is designed to be an inclusive and transparent process that incorporates community engagement and the involvement of City Boards & Commissions, as appropriate. Community outreach will be conducted with full transparency, open to all interested individuals and groups, and with a goal of educating participants, listening to and addressing concerns, and incorporating feedback into the final fee recommendations.
2. **Equity** – The Riverside community at large is invited to participate in community engagement efforts and public meetings related to the user fees and charges study. Equity is a major consideration when recommending fee levels to ensure that City services and programs are accessible to all.
3. **Fiscal Responsibility** – The fee study will inform the public and City leadership of the costs of providing individual services and will include recommendations to align the cost of service to the users benefitting from the service and reduce the subsidy of services currently borne by general revenue sources, such as taxes.
4. **Innovation** – The community engagement aspect of the study will help the City to ensure that the results are aligned with the community's changing needs.
5. **Sustainability & Resiliency** – By realigning the costs of a service to the benefitting user and thereby reducing the subsidy of services from general government revenues, the City is enhancing the preservation of general revenue sources without compromising the needs of the future through unsustainable subsidies.

FISCAL IMPACT:

The total fiscal impact of this action is \$29,880 plus 10% change order authority in the amount of \$2,988 for a total of \$32,868. Funds are available in the General Fund, Non-Departmental account 7223700-450247.

Prepared by: Kristie Thomas, Finance Director/Assistant Chief Financial Officer

Certified as to availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer

Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer
City Treasurer

Approved as to form: Phaedra A. Norton, City Attorney

Attachment: Fifth Amendment for User Fees and Charges Study with MGT of America Consulting, LLC