

**CITY OF SAN ANTONIO  
OFFICE OF MANAGEMENT & BUDGET  
CITY COUNCIL AGENDA MEMORANDUM**

**TO:** Mayor and City Council

**FROM:** Peter Zanoni, Management & Budget Director

**SUBJECT:** COST ALLOCATION PLANS & INDIRECT COST RATE PROPOSAL  
For FY 2006

**DATE:** April 7, 2005

**SUMMARY AND RECOMMENDATION**

This ordinance authorizes the execution of a contract with MAXIMUS, Inc. to prepare the Cost Allocation Plans and Indirect Cost Rate Proposal for use in the FY 2005-2006 budget process for an amount not to exceed \$34,409.00. The ordinance also authorizes up to three additional successive one year renewals subject to funding.

Staff recommends approval of this ordinance.

**BACKGROUND INFORMATION**

The City of San Antonio 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 which cannot be directly assigned to one service. Indirect costs can include citywide central services and departmental administration and support.

The City annually prepares three central services cost allocation plans and an indirect cost rate proposal. The Central Services Cost Allocation Plans are: Full-Cost Central Services Cost Allocation Plan, Central Services Cost Allocation Plan, and OMB A-87 Central Services Cost Allocation Plan. 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 programs funded with sources other than grant funds and the Airport Enterprise Fund. The Central Services Cost Allocation Plan is utilized to identify and recover central services costs from programs funded with the Aviation Enterprise Fund. The OMB A-87 Central Services Cost Allocation Plan is utilized to identify and recover central services costs from programs funded by Federal and State funds. The OMB A-87 Central

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Services Cost Allocation Plan is used to develop the Indirect Cost Rate Proposal. This Proposal includes a maximum negotiable indirect cost rate that the City of San Antonio can apply to programs funded by Federal and State grant funds.

The Office of Management issued a Request for Proposals (RFP) on December 16, 2004 for a professional service contract for the preparation of necessary cost allocation plans and an indirect cost rate proposal. The deadline for submission of proposal was January 18, 2005. Outreach efforts included mailing 71 Interested Parties letters, advertising in the Express News on December 16 and 19, 2004 and January 2, 2005, and posting notice of RFP on the City's website.

Two proposals, one MAXIMUS, Inc. and one from Interactive Voice Applications, Inc. (IVA) were received in response to the RFP. The initial RFP included a task requiring the respondent to "Assist OMB and ERM staff in the development of the Indirect Cost Plan and Cost Allocation Plan module in SAP." City staff removed that task subsequent to the receipt of the proposals. On February 25, 2005, each firm was asked to submit their "Best and Final Cost Proposal" reflecting removal of the SAP related task. Both firms submitted revised cost proposals.

A committee of departments directly and frequently impacted by the Cost Allocation Plans and Indirect Cost Rate Proposal was assembled to review and score each proposal. The committee consisted of representatives from the Finance Department, Health Department, and Aviation Department in addition to the Office of Management and Budget. Additionally, both proposals were scored by the Economic Development Department for Small Business Economic Development Advocacy (SBEDA) compliance. Based on specific evaluation criteria scores developed by the committee, MAXIMUS was selected as the recommended firm to develop Cost Allocation Plans and the Indirect Cost Rate Proposal to be used in FY 2005-2006.

### **POLICY ANALYSIS**

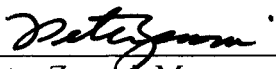
The City utilizes the Cost Allocation Plans and Indirect Cost Rate Proposals to determine the maximum costs recoverable by Federal and State grants and from City Funds other than the General Fund. Prior to 1995, local governments were required to submit for review and approval an indirect cost rate proposal for each department that utilized an indirect cost rate. The proposal had to be submitted to each department's cognizant Federal agency for review and approval. Currently, local government departments are only required to develop an indirect cost rate proposal in accordance with OMB A-87 and maintain the proposal and related supporting documentation for audit. Submittal of proposals is not required unless specifically requested by the cognizant agency.

**FISCAL IMPACT**

The total cost of this contract is \$34,409. Funds for this development of these plans were allocated in the FY 2005 General Fund Adopted Budget. The one-year contract includes up to three additional successive one year terms subject to future funding.

**COORDINATION**

This briefing has been coordinated with the City Attorney's Office, the Contract Services Department, the Economic Development Department, the Aviation Department, the Health Department, and the Finance Department.



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Peter Zanolli, Management & Budget Director  
Office of Management & Budget



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Erik Walsh, Assistant to the City Manager