

**MEMORANDUM  
FINANCE  
DEPARTMENT**

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**TO:** Mr. Thomas Thomas, City Manager  
**SUBJECT:** Cost Allocation Study

**Number:** 042-14  
**Date:** 03/18/2014

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The City has funds budgeted in the 2013/14 budget to complete a cost allocation study. Records indicate the last full study was completed in the 1980's and a partial updated study was completed in 2006. The city relies upon this study to determine appropriate reimbursement to the General Fund for services provided to enterprise funds. Since the last study in 2006, the city has limited adjustments to the annual transfers for services to general wage increases. As you might expect, the amounts can become skewed over time.

Staff distributed 25 proposals as well as posted the RFP on the City's website. A pre-bid phone conference was held and attended by 5 interested vendors. The Services requested included:

- Develop an overhead cost allocation model for calculating the full costs of providing each City service. The model needs to be able to be adjusted going forward as direct and overhead costs, as well as organizational structure, changes occur.
- Present a draft plan to staff and City Council
- Collect and document comments and concerns from staff and Council members and prepare final plan
- Provide Allocation template for City staff to update annually with budgeted amounts.

The City received two complete bid responses and held phone conferences with both vendors. Both proposals were similar in price and hours. The responding vendors were:

Maximus Consulting Services, Inc.	Springfield, Illinois
MGT of America, Inc.	Bay City, Michigan

Though the committee agreed that both firms were competent and able to provide the services requested, staff is recommending the contract be awarded to MGT of America, Inc.. Staff is recommending this based upon the following qualifications:

- The developed model is customized for the City and will be provided to the City at the completion of the project.
- The Microsoft-based cost allocation plan system will allow Rock Island staff to add, delete, update or modify the final cost allocation plan results in future years. MGT of America will provide training either at the conclusion of the project or during a six month follow up visit, whichever works best for the City.

**Recommendation: Council approve the contract for Overhead Cost Allocation Study and award the contract to MGT of America, Inc. for an amount not to exceed \$17,000.**

**Submitted by:** Cynthia Parchert, Finance Director  
Linda Barnes, Accounting Supervisor  
Jaymie Lum, Auditor  
Donald Reichert, Budget Coordinator  
Kim Reda, Collections Supervisor  
Ben McCready, Assistant to the City Manager

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**Approved:** Thomas Thomas, City Manager