


TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services 
SUBJECT: Preparation of Ten Year Financial Plan - DMG Maximus
DATE: March 4, 2000

Needs: For the City Council to consider adoption of a resolution appropriating funds for preparation of ten year financial plan by DMG Maximus.

Facts:

1. A draft ten year financial plan was developed by staff relating specifically to General Fund facilities, infrastructure and operations or non-enterprise related operations.
2. This draft plan has been informally presented to Council but requires considerable refinement.
3. It has been determined that outside expertise would be highly beneficial to the refinement and finalization of a ten year financial plan as it relates to non-enterprise fund operations, General Fund facilities, infrastructure and operations.
4. Staff solicited a proposal from DMG Maximus to undertake this endeavor on behalf of the City. A copy of their proposal is attached.
5. It is intended that DMG Maximus be engaged for only one component of the plan, preparation of the deferred maintenance items. DMG Maximus will not be engaged to undertake the revenue estimating component.
6. Should the Council move forward with authorizing outside assistance as proposed by DMG Maximus, a budget appropriation in the amount of \$20,000 representing \$16,100 for the hourly work plus travel and expenses. This represents only the cost for the deferred maintenance component of DMG Maximus' proposal.

Analysis
and
Conclusion:

City staff has identified a number of General Fund financial challenges facing the City over the next ten years. These challenges include meeting the City's deferred maintenance needs, maintenance and operational needs of newly constructed or about to be constructed facilities, infrastructural improvements to meet needs of a growing community and operational needs to meet the increased service demands of the public we serve.

Fiscal
Impact:

Engaging the services of an outside professional to assist in the preparation of a ten year financial plan will require an appropriation from General Fund reserves in the amount of \$20,000.

Options:

- a. That the Council adopt the attached resolution approving a \$20,000 budget appropriation for the preparation of a ten year financial plan and authorize the City Manager to execute a contract with DMG Maximus for said services; or
- b. Amend, modify, or reject the above option.

RESOLUTION NO. 00-

A RESOLUTION OF THE CITY OF EL PASO DE ROBLES
APPROVING BUDGET APPROPRIATION FOR THE
PREPARATION OF A TEN YEAR FINANCIAL PLAN

WHEREAS, City staff has prepared a draft ten year financial plan; and

WHEREAS, these draft plan has identified numerous needs which will have a significant impact upon the City's financial resources; and

WHEREAS, it would be in this City's best interest to bring in a third party professional to refine and complete said plan; and

WHEREAS, the City has received a proposal from DMG Maximus to assist in this endeavor; and

WHEREAS, a budget appropriation would be needed since current appropriations are not sufficient to cover expenditures for this work.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles that a budget appropriation in the amount of \$20,000 is hereby approved to budget account 100-140-5224-125 for the preparation of a ten year financial plan.

BE IT FURTHER RESOLVED that the City Manager is hereby authorized to execute a contract with DMG Maximus to undertake the desired work to refine and complete the ten year financial plan.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 21st day of March 2000 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Duane Picanco, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

RECEIVED

JAN 24 2000

ADMINISTRATIVE SERVICES

Budgeting Services

for the
City of Paso Robles

January, 2000



MAXIMUS

Helping Government Serve The People

January 21, 2000

Mike Compton
Director of Administrative Services
City of Paso Robles
1000 Spring Street
Paso Robles, CA 93446

Dear Mr. Compton:

Enclosed is the proposal requested by The City of Paso Robles for budgeting services. It is good to be working on another project with you. We feel your proposed deadline of May 31, 2000 is reasonable and have made resources available in an effort to meet this timeline. We would like to begin the project by February 15, 2000 in order to ensure the success of meeting this deadline.

Should you have any questions or require additional information, please feel free to call me at (916) 485-8102. This proposal will remain in effect for 90 days from the date of this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joe Stimac', written in a cursive style.

Joe Stimac
Project Consultant

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EXECUTIVE SUMMARY



■ Background

The City of Paso Robles is requesting consulting assistance to develop a 10 year financial Plan. The consultant proposes to aide the City by providing projections of annual and deferred maintenance costs, a Citywide revenue forecast and potential overall assistance in producing a 10 year financial plan.

■ Objectives

In order to ensure that the project serves the needs of the City of Paso Robles, we have designed a process which encompasses the following broad objectives:

- Ten year annual/deferred maintenance cost projection
- Ten year citywide revenue forecast

■ Approach to the Study

Our approach with all our clients is to provide our services with as little disruption to city staff as possible, while at the same time ensuring that staff is fully informed about the process and understands the results.

Some of the highlights of our approach are as follows:

- A consultant team with experience in creating forecasts, and knowledge of how local government works.
- A study approach which emphasizes continual interaction with city staff.

Our goal is to provide the best possible service in order to meet the City's needs while maintaining the professional integrity of the product. A detailed description of our approach will follow in the fourth section of this proposal.

DMG-MAXIMUS, Inc.

■ General Information

DMG-MAXIMUS, Inc., founded in 1976, is recognized as the leading firm providing a broad range of management, financial, operational, and human resource consulting services to local and state governments throughout the country. Our clients include over 2,000 governments, universities, and other public sector and not-for-profit organizations.

Consultants of DMG-MAXIMUS have been called upon to examine virtually every facet of local government operations. Major public sector services offered by DMG-MAXIMUS include:

- Cost allocation and indirect overhead rates
- Revenue enhancement (user fee determination, impact fee analysis)
- Fleet management and internal service fund analysis
- Operations improvement
- Revenue/ Cost Projections
- Executive recruitment

DMG-MAXIMUS provides services to clients throughout the United States from the firm's central office in Chicago and regional offices located in Sacramento, California; Columbus, Ohio; St. Paul, Minnesota; Midlothian, Virginia; Raleigh, North Carolina; Atlanta, Georgia; and Dallas, Texas. In addition, the firm has local offices in 23 other cities.

Nationally, DMG-MAXIMUS employs 268 consulting professionals. In total, DMG-MAXIMUS has 341 employees, including part-time specialists and clerical support. Locally, our Western Region's main office is in Sacramento, with other offices in Burlingame; Irvine; and Portland, Oregon. Our Sacramento office includes 29 professionals.

■ Project Staff

We will be staffing this project entirely with consultants from our Sacramento office. DMG-MAXIMUS will provide a team of highly skilled consultants for the City of Paso Robles' cost projections and revenue forecast. DMG-MAXIMUS's employees undergo off site training as a group twice a year, in addition to individual training in such areas as management and personal development, software systems, and others specific to our industry.

Our experience in both specific applications and general project management means the client obtains the best result with the minimum disruption of city operations.

DMG-MAXIMUS proposes the following staff:

Project Director	Mr. Richard Pearl
Project Consultant	Mr. Joe Stimac
Technical Associate	Mr. Charles A. Long

STAFF RESUMES



■ Richard Pearl – Project Director

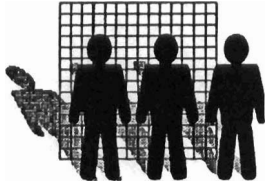
Mr. Pearl is a vice president and has been with the firm for twenty-two years. Mr. Pearl manages the region's cost and revenue enhancement group. Mr. Pearl has worked with over 100 clients in seven states, preparing and negotiating both citywide cost plans and indirect cost rate proposals. His California experience over the last seventeen years includes cost plan preparation for 40 cities, including many of the larger cities – Long Beach, Fresno, Anaheim, Pasadena, Torrance, and Santa Clara. Mr. Pearl managed comprehensive citywide user fee analyses for the cities of Anaheim, Torrance, Livermore, Santa Monica, Whittier, Beverly Hills, Vacaville, El Segundo, Carlsbad, Palmdale, Stockton, Lodi and Long Beach. Mr. Pearl received his Bachelor's degree in Political Science from the University of Bridgeport and attended the Graduate School of Public Administration at Pennsylvania State University (finance emphasis). His direct local government experience includes employment in the Rochester City Manger's Office in New York. In his position as senior administrative analyst, Mr. Pearl participated in all phases of budget preparation, cost/efficiency studies, and government funding.



■ Joe Stimac – Project Consultant

Mr. Stimac is a consultant in our Sacramento office, specializing in cost allocation and budget studies for cities, counties, and special districts. During his tenure with DMG-MAXIMUS he has prepared analyses for nearly twenty cities and counties. Recent projects include a revenue forecasting study for the San Francisco Planning Department and a cost recovery procedures program for the Stockton Engineering Department. Prior to joining DMG-MAXIMUS Mr. Stimac worked in the banking industry and also designed a database used in an environmental study of the Great Basing for The University of California at Davis. He received a BA and BS from Aquinas College with majors in accounting, business

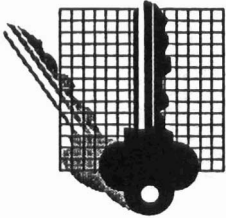
administration, and philosophy. In 1997 he completed a MA in analytical philosophy from the Claremont Graduate School.



■ Charles A. Long – Technical Associate

DMG-MAXIMUS is pleased to have secured the services of Mr. Charles Long to participate with us in this project. Mr. Long brings an impressive list of local government credentials to our team. He has 25 years of diverse experience in local government, including eight years service as city manager in Fairfield, California, a city with a national reputation for innovation. Prior to his tenure as city manager, he served as redevelopment director, finance director, and assistant city manager. Mr. Long served four years as a municipal finance consultant prior to joining Fairfield and conducted research on capital financing and land use planning. He has recently served as interim finance director in the cities of Modesto and Fremont, where he is involved in changing the budget system in both these organizations. Mr. Long most recently teamed with DMG-MAXIMUS in a budget restructuring project for the City of Davis, CA.

SCOPE OF SERVICES



■ Summary Statement

The City of Paso Robles is developing a ten year financial plan intended to be used as a management tool for administrative services, city manager and the city council. DMG-MAXIMUS has been asked to develop parts of the ten year plan. Based on discussions with the Director of Administrative Services, City Manger, and what we understand are the needs of the City, two main objectives were identified for this study.

- Develop a ten year projection of annual/deferred maintenance costs for the city's buildings, landscape, parks, major equipment and pavement operations.
- Develop a ten year revenue forecast for city revenues using regression analysis.

■ Approach

Each objective requires a different approach. For example, revenues are often tied to the vitality of the city's economy. Alternately, costs are influenced more by non-economic factors. These types of differences are considered in our approach to creating projections and forecasts.

- Develop a ten year projection of annual maintenance and deferred maintenance. Develop a well defined concept of annual and deferred maintenance and establish the distinguishing characteristics. Through interviews with the maintenance departments, calculate the expected annual/deferred maintenance costs over the next 10 years for all major city assets. Using the detailed fixed asset listing, the results of

the interviews, and the time value of money, calculate annual/deferred maintenance cost for each of the next ten years.

- **Develop a ten year Revenue forecast for city revenues.** Historical revenue data for the entire city will be analyzed with economic factors representative of the Paso Robles economy. In light of the historical revenues and historical economic factors, revenues often conform into three types of distributions i.e. revenues linked to the specific local economic factors, revenues that gradually increase with the cost of living or some other linear increase, and revenues that are volatile and apparently unpredictable.

■ Work Plan

Our proposed work plan is described on a step-by-step basis in the following paragraphs.

STEP 1 – PROJECT INITIATION

The purpose of this step is to establish the liaison and working relationships necessary to ensure that project objectives are met. Therefore, upon signing the contract, Joe Stimac will meet with Paso Robles representatives to:

- review in detail our proposal and approach
- establish working and reporting relationships
- confirm dates and schedules

STEP 2 – OBTAIN AVAILABLE ASSET AND REVENUE INFORMATION

DMG-MAXIMUS will identify the sources of financial information to be used for the preparation of the budget study. At minimum a detailed fixed asset listing, historical revenue data and historical maintenance data will be needed.

STEP 3 – CONDUCT INTERVIEWS WITH DEPARTMENTAL REPRESENTATIVES

It is likely that the first two steps can be accomplished and the third step started in the first visit. For the revenue forecast only the director of administrative services will be interviewed in order to get as much historical revenue information as practically possible. The deferred maintenance projection will require a number of departmental interviews/meetings with the Street Maintenance Division, Park Maintenance Division, Fleet Maintenance Division, Building Maintenance Division and any significant contract labor who are not responsible for maintaining their own equipment.

STEP 4 - DATA COMPILATION, PLAN PREPARATION AND PROCESSING

DMG-MAXIMUS will evaluate all financial and statistical information. Results from the interviews will be integrated into the data.

For the revenue forecast the historical revenue data will be compared with historical economic factors. Where there is significant correlation, economic factors will be used to predict those revenue streams. Statistical analysis of the revenue streams will indicate other patterns. The revenue streams that do not have economic indicators will be forecasted with the best available method given the known history of the revenue.

The annual/deferred maintenance projection will draw heavily from the information gathered from the meetings with the divisions. From these meetings annual/deferred maintenance cost will be calculated in light of the estimated useful life of the assets and the estimated cost of performing the deferred maintenance as indicated by the division's representative.

STEP 5 - REVIEW DRAFT

For the maintenance projection, a number of working drafts will be given to representatives of the maintenance divisions prior to the compilation of a complete working draft. Drafts of the revenue forecast will be given to the director of administrative services for review.

Once the divisional drafts are approved, the information will be compiled in a format compatible with the rest of the 10 year financial plan. City staff will have a reasonable amount of time in which to review

the draft and report back to DMG-MAXIMUS with any changes to be made.

STEP 6 - PROJECT CLOSE OUT

This contract anticipates two drafts prior to final delivery of the analysis. Additional drafts will be charged on a time and expense basis.

In the final step of the process, DMG-MAXIMUS will answer any remaining questions.

PROFESSIONAL FEES, EXPENSES, AND PAYMENT SCHEDULE



■ Professional Fees & Expenses

DMG-MAXIMUS, Inc. is pricing this proposal to afford the City of Paso Robles flexibility in the scope of services they wish to pursue. We estimate that the maintenance projection will cost \$16,100 (fixed fee plus expenses) and the revenue forecast \$18,900 (fixed fee plus expenses) individually. If the city desires both the revenue forecast and the maintenance projection, a combined price of \$33,000 (fixed fee plus expenses) will be charged.

Maintenance project cost detail

Meetings		
Administrative Services	10 Hrs	
Street Maintenance	6 Hrs	
Park Maintenance	6 Hrs	
Fleet Maintenance	6 Hrs	
Building Maintenance	6 Hrs	
Travel	15 Hrs	
Computation	88 Hrs	
Drafts and Revisions	30 Hrs	
Maintenance project cost TOTAL	161 Hrs @ \$100.00 /Hr	= \$16,100*

Revenue Forecasting

Meetings		
Administrative Services	8 Hrs	
Data Gathering	56 Hrs	
Computation Time	80 Hrs	
Travel	15 Hrs	
Drafts and Revisions	30 Hrs	
Revenue Forecasting TOTAL	189 Hrs @ \$100.00/Hr	= \$18,900*

* Travel/Administrative expenses are in addition to this quoted amount.

In an effort to be conservative, the cost and scope of updates will be determined at the project's close.

Additional services related to the development of the 10 year plan (in the current calendar year) will be charged on an hourly basis at \$100.00 an hour plus expenses. Any presentations will be charged on a time and expense basis.

■ Payment Schedule

70% Due upon submission of draft .

30% Due upon submission of final draft.