



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Planning and Development Services

Meeting Date: February 26, 2024

Report #:2401-2547

TITLE

Approval of Amendment No. 1 to Professional Services Agreement S21180224 with Matrix Consulting Group for a Planning and Development Services Fee Study in the Amount of \$56,500 for a total Not to Exceed of \$138,000 and Extension of the Contract Term through January 31, 2026. Environmental Assessment: Exempt in Accordance with CEQA Guidelines Section 15061(3)(b).

RECOMMENDATION

Staff recommends that the City Council approve and authorize the City Manager designee to execute Amendment No.1 to Contract S21180224 with Matrix Consulting Group (Attachment A) for a Planning and Development Services Fee Study in an amount not-to-exceed \$56,500 and extend the term of the contract through January 31, 2026. This amendment results in a revised total contract not-to-exceed \$138,000.

EXECUTIVE SUMMARY

Staff recommends the approval of an amendment to agreement S21180224 with Matrix Consulting Group for the purpose of expanding and completing the Planning and Development Services costs of services study. In 2021, staff completed a request for proposals (RFP) and initiated a contract with Matrix consulting to reexamine the structure and update fees for service due to the merging of the former Planning and Community Environment and Development Services Departments. As the study progressed, unanticipated variables were identified, and additional analysis was required. Staff also recommends extending the contract through January 2026 to allow adequate time for post implementation refinements to the fees.

BACKGROUND

Fees for service are charged to recover eligible costs incurred in providing a special service from which one or more individuals obtain a benefit. California State Law, Government Code 66014(a), states that fees for services charged by local governments may not exceed the estimated reasonable cost of providing the service for which the fee is charged. Council is not

bound to set fees to match the cost of provided services; however, fees cannot be set above the cost of service for one fee to compensate for a lower cost recovery decision of another fee. Planning and Development Services fees are generally established for the purpose of fully recovering the costs reasonably borne by the City in providing service. Although there are some areas in which the City Council may wish to recover lesser amounts, a high level of cost recovery for most planning and development fees is consistent with the City's User Fee Cost Recovery Level Policy, adopted by the City Council on June 17, 2019¹. The City of Palo Alto's fees are approved by City Council and published in the Municipal Fee Schedule.

In Fiscal Year 2020, Planning and Community Environment (PCE) and Development Services (DS) merged into the Planning and Development Services (PDS) Department. Concurrently, the Transportation division, which was previously in Planning and Community Environment, established the Office of Transportation. To align department-wide fees, staff pursued a cost of services study to determine the staff time and related costs associated with each fee-related service. The outcome of the study would provide fee adjustments, eliminate redundant or no longer applicable fees, and establish new fees for City Council consideration and approval.

On August 24, 2020, the City released a request for proposals and six firms responded to the RFP. Based on the criteria of experience and costs, the evaluation panel selected Matrix Consulting Group as the best vendor to perform the study. On February 21, 2021, the City entered into a contract with Matrix Consulting Group to conduct a comprehensive review and analysis of existing PDS fees and to provide a recommendation on appropriate fee levels and structure. This contract expired on December 31, 2023.

ANALYSIS

As the study proceeded, staff and Matrix Consulting Group determined that under the new department structure, an organizational management study was required for the Fire Prevention Program before further work could be completed. Although this program area is led by the Fire Department, a portion of these activities are housed within Development Services, the results of the organizational update would inform the broader PDS cost of services analysis. Staff initiated work with Matrix Consulting Group to begin the study on the Fire Prevention Program in January 2022. Due to staff transitions and vacancies for both Fire and Planning and Development Services, this study was paused and resumed in early 2023. The Fire Prevention Program organizational study is now in its final phase of completion and the Planning and Development Services Department is now able to resume the larger PDS cost of services study.

Staff is requesting an amendment to the contract to allow for the refreshing of the PDS cost of services analysis, ensuring that fees are properly aligned with the new department structure.

¹ <https://portal.laserfiche.com/Portal/DocView.aspx?id=1238&repo=r-704298fc&searchid=1c593ffe-9a00-4e62-bff3-31cf6c995354>

The amendment will also include an extended timeline to address any post-implementation questions that may arise once new fees are adopted and implemented.

FISCAL/RESOURCE IMPACT

Funding for the initial contract was included in the Fiscal Year 2021 Adopted Operating Budget. Additional funding has been requested through the Fiscal Year 2024 Mid-Year process and upon approval, no additional funding is required at this time.

STAKEHOLDER ENGAGEMENT

Planning and Development Services and partner departments, including Public Works and Fire, have been engaged in the development of this study. Upon completion, staff will advance the results of the cost of services study to Finance Committee and City Council for policy considerations, discussion and approval of potential policy and fee updates.

ENVIRONMENTAL REVIEW

Approval of this contract is exempt from California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(3)(b).

ATTACHMENTS

Attachment A: S21180224 Amendment No.1 - Matrix Consulting Group

APPROVED BY:

Jonathan Lait, Planning and Development Services Director