



**CITY OF PALO ALTO
CITY COUNCIL
Special Meeting
Monday, February 26, 2024
Council Chambers & Hybrid
5:30 PM**

Agenda Item

7. 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).



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

**AMENDMENT NO. 1 TO CONTRACT NO. S21180224
BETWEEN THE CITY OF PALO ALTO AND MATRIX CONSULTING GROUP**

This Amendment No. 1 (this “Amendment”) to Contract No. S21180224 (the “Contract” as defined below) is entered into as of December 20, 2023 by and between the CITY OF PALO ALTO, a California chartered municipal corporation (“CITY”), and MATRIX CONSULTING GROUP, a California Corporation located at 1650 S. Amphlett Boulevard, Suite 213, San Mateo, CA 94402 (“CONSULTANT”). CITY and CONSULTANT are referred to collectively as the “Parties” in this Amendment.

RECITALS

A. The Contract (as defined below) was entered into by and between the Parties hereto for the provision of conducting a comprehensive review of the department’s existing fees, as detailed therein.

B. The Parties now wish to amend the Contract S21180224 in order to extend the term by thirty (30) months, changing the expiration from December 31, 2023, to June 30, 2026 and to increase compensation by Fifty Six Thousand Five Hundred Dollars (\$56,500) from Eight One Thousand Five Hundred Dollars (\$81,500) to a new total not to exceed compensation of One Hundred Thirty Eight Thousand Dollars (\$138,000).

NOW, THEREFORE, in consideration of the covenants, terms, conditions, and provisions of this Amendment, the Parties agree:

SECTION 1. Definitions. The following definitions shall apply to this Amendment:

Contract. The term “Contract” shall mean Contract No. S21180224 between CONSULTANT and CITY, dated February 15, 2021.

a. **Other Terms.** Capitalized terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Contract.

SECTION 2. Section 2. TERM of the Contract is hereby amended to read as follows:

The term of this Agreement shall be from the date of its full execution through June 30, 2026, unless terminated earlier pursuant to Section 19 (Termination) of this Agreement.

SECTION 3. Section 3. NOT TO EXCEED COMPENSATION of the Contract is hereby amended to read as follows:

The compensation to be paid to CONSULTANT for performance of the Services shall be based on the compensation structure detailed in Exhibit C, entitled “COMPENSATION,” including any reimbursable expenses specified therein, and the maximum total compensation shall not exceed **One Hundred Twenty-One Thousand Seven Hundred Dollars (\$121,700)**. The hourly schedule of

Vers.: Aug. 5, 2019

rates, if applicable, is set out in Exhibit C-1, entitled "SCHEDULE OF RATES." Any work performed or expenses incurred for which payment would result in a total exceeding the maximum compensation set forth in this Section 4 shall be at no cost to the CITY.

☒ Optional Additional Services Provision (This provision applies only if checked and a not-to-exceed compensation amount for Additional Services is allocated below under this Section 3.)

In addition to the not-to-exceed compensation specified above, CITY has set aside the not-to-exceed compensation amount of **Sixteen Thousand Three Hundred Dollars (\$16,300)** for the performance of Additional Services (as defined below). The total compensation for performance of the Services, Additional Services and any reimbursable expenses specified in Exhibit C, shall not exceed **One Thirty-Eight Thousand Dollars (\$138,000)**, as detailed in Exhibit C.

"Additional Services" means any work that is determined by CITY to be necessary for the proper completion of the Project, but which is not included within the Scope of Services described at Exhibit A of the original contract. CITY may elect to, but is not required to, authorize Additional Services up to the maximum amount of compensation set forth for Additional Services in this Section 3. CONSULTANT shall provide Additional Services only by advanced, written authorization from CITY.

SECTION 4. The following exhibit(s) to the Contract is/are hereby amended, as indicated below, to read as set forth in the attachment(s) to this Amendment, which is/are hereby incorporated in full into this Amendment and into the Contract by this reference:

- a. Exhibit "B" entitled "SCHEDULE OF PERFORMANCE", AMENDED, REPLACES PREVIOUS.
- b. Exhibit "C" entitled "COMPENSATION", AMENDED, REPLACES PREVIOUS.
- c. Exhibit "C-1" entitled "SCHEDULE OF RATE", ADDED, AMENDED, REPLACES PREVIOUS.

SECTION 5. Legal Effect. Except as modified by this Amendment, all other provisions of the Contract, including any exhibits thereto, shall remain in full force and effect.

SECTION 6. Incorporation of Recitals. The recitals set forth above are terms of this Amendment and are fully incorporated herein by this reference.

(SIGNATURE BLOCK FOLLOWS ON THE NEXT PAGE.)

SIGNATURES OF THE PARTIES

IN WITNESS WHEREOF, the Parties have by their duly authorized representatives executed this Amendment effective as of the date first above written.

CITY OF PALO ALTO

City Manager

APPROVED AS TO FORM:

City Attorney or designee

MATRIX CONSULTING GROUP

Officer 1

By:

Name: Richard Brady

Title: President

rbrady@matrixcg.net

Officer 2

By:

Name: Courtney Ramos

Title: Vice President

cramos@matrixcg.net

Attachments:

- EXHIBIT B – AMENDMENT NO. 1, (AMENDED, REPLACES PREVIOUS)
- EXHIBIT C – AMENDMENT NO. 1 (AMENDED, REPLACES PREVIOUS)
- EXHIBIT C-1 – AMENDMENT NO. 1 (ADDED, AMENDED, REPLACES PREVIOUS)

EXHIBIT B
SCHEDULE OF PERFORMANCE, AMENDMENT NO. 1
(AMENDED, REPLACES PREVIOUS)

CONSULTANT shall perform the Services so as to complete each milestone by dates specified below. The time to complete each milestone may be increased or decreased by mutual written agreement of the Project Managers for CONSULTANT and CITY so long as all work is completed within the term of the Agreement.

Deliverables	Schedule
Task 1: Research & Data Collection	Completed by June 30, 2025
Task 2: Department Collaboration, Presentations, & Training	Completed by June 30, 2025
Task 3: Flat Fees	Completed by June 30, 2025
Task 4: Valuation Based Fees	Completed by June 30, 2025
Task 5: Deposit Based Fees Structure	Completed by June 30, 2025
Task 6: Report and Template Creation	Completed by June 30, 2025
Task 7: Post Implementation Analysis	Completed by June 30, 2026

EXHIBIT C
COMPENSATION, AMENDMENT NO. 1
(AMENDED, REPLACES PREVIOUS)

The CITY agrees to compensate the CONSULTANT for professional services performed in accordance with the terms and conditions of this Agreement, and as set forth in the budget schedule below. Compensation can also be calculated based on the hourly rate schedule attached as exhibit C-1 up to the not to exceed budget amount for each task set forth below.

CONSULTANT shall perform the tasks and categories of work as outlined and budgeted below. The CITY's Project Manager may approve in writing the transfer of budget amounts between any of the tasks or categories listed below provided the total compensation for Basic Services, including reimbursable expenses, and the total compensation for Additional Services do not exceed the amounts set forth in Section 4 of this Agreement.

The compensation to be paid to CONSULTANT under this Agreement for all services, additional services, and reimbursable expenses shall not exceed the amount(s) stated in Section 3 of this Agreement. CONSULTANT agrees to complete all Services and Additional Services, including reimbursable expenses, within this/these amount(s). Any work performed or expenses incurred for which payment would result in a total exceeding the maximum amount of compensation set forth in this Agreement shall be at no cost to the CITY.

BUDGET SCHEDULE:

	Project	Project	Data	Total
	Executive	Manager	Analyst	Cost
USER FEE STUDY				
Task 1: Research & Data Collection				
Research	0	2	2	\$500
Comparative Survey	2	0	20	\$2,350
Use of City Software	2	2	0	\$650
Deferred Revenue Procedures Review	4	8	8	\$2,700
Amendment No. 1				
Comparative Survey		2	16	\$2,800
Deferred Revenue Procedures Review	2	4	10	\$2,800
<i>Subtotal Task 1</i>	<i>10</i>	<i>20</i>	<i>56</i>	<i>\$11,800</i>
<i>Subtotal Task 1 Additional Services (Contingency)</i>				<i>\$1,550</i>
Task 2: Dept Collaboration, Presentation, Training				
Kickoff Meeting	2	2	2	\$850
Staff Interviews (Data Workshops)	0	12	0	\$1,800
Stakeholder Presentations	2	2	0	\$650
Staff Training	0	4	6	\$1,200
Amendment No. 1				

Kickoff Meeting		2	2	\$700
Staff Interviews (Data Workshops)		8		\$1,600
Stakeholder Presentations	8	12		\$4,400
Staff Training		2	6	\$1,300
<i>Subtotal Task 2</i>	<i>12</i>	<i>44</i>	<i>16</i>	<i>\$12,500</i>
<i>Subtotal Task 2 Additional Services (Contingency)</i>				<i>\$1,125</i>
Task 3: Flat Fees				
Current & Potential Fees	2	8	12	\$2,750
Fully Burdened Hourly Rates	0	10	16	\$3,100
Total Cost Analysis	4	14	26	\$5,400
Legal Review Fees	2	8	2	\$1,750
Recommended Fee Workbook(s)	4	14	20	\$4,800
Departmental Surcharges	4	14	4	\$3,200
Amendment No. 1				
Current & Potential Fees		2	4	\$1,000
Fully Burdened Hourly Rates		8	16	\$4,000
Total Cost Analysis	2	12	20	\$5,900
Recommended Fee Workbook(s)		6	8	\$2,400
Departmental Surcharges	4	12	2	\$3,700
<i>Subtotal Task 3</i>	<i>22</i>	<i>108</i>	<i>130</i>	<i>\$38,000</i>
<i>Subtotal Task 3 Additional Services (Contingency)</i>				<i>\$5,250</i>
Task 4: Valuation-Based Fees	12	38	52	\$13,000
Amendment No. 1	4	16	36	\$9,600
<i>Subtotal Task 4</i>	<i>16</i>	<i>54</i>	<i>88</i>	<i>\$22,600</i>
<i>Subtotal Task 4 Additional Services (Contingency)</i>				<i>\$3,250</i>
Task 5: Deposit-Based Fees				
Total Cost Analysis	2	8	10	\$2,550
Policies	2	4	0	\$950
Amendment No. 1				
Total Cost Analysis		2	4	\$1,000
<i>Subtotal Task 5</i>	<i>4</i>	<i>16</i>	<i>14</i>	<i>\$4,500</i>
<i>Subtotal Task 5 Additional Services (Contingency)</i>				<i>\$875</i>
Task 6: Report & Template Creation				
Prepare Final Report	16	20	16	\$7,400
Recommended Fee Workbook(s)	0	8	10	\$2,200
Master Fee Schedule	0	0	8	\$800
User Fee Model(s)	0	4	10	\$1,600
Amendment No. 1				
Prepare Final Report	8	20	16	\$8,400
Recommended Fee Workbook(s)		2	8	\$1,600
Master Fee Schedule			6	\$900
User Fee Model(s)		4	10	\$2,300

<i>Subtotal Task 6</i>	<i>24</i>	<i>58</i>	<i>84</i>	<i>\$25,200</i>
<i>Subtotal Task 6 Additional Services (Contingency)</i>				<i>\$3,000</i>
Task 7: Post Implementation Analysis	4	14	22	\$5,000
Amendment No. 1				\$2,100
<i>Subtotal Task 7 Additional Services (Contingency)</i>				<i>\$1,250</i>
Sub-total for Services – Original Contract				\$65,200
Sub-total for Services – Amendment No. 1				\$56,500
Reimbursable Expenses (if any)				\$0.00
Total for Services and Reimbursable Expenses				\$121,700
Additional Services (if any, per Section 4)				\$16,300
Maximum Total Compensation				\$138,000

REIMBURSABLE EXPENSES

The administrative, overhead, secretarial time or secretarial overtime, word processing, photocopying, in-house printing, insurance, and other ordinary business expenses are included within the scope of payment for services and are not reimbursable expenses. CITY shall reimburse CONSULTANT for the following reimbursable expenses at cost. Expenses for which CONSULTANT shall be reimbursed are: **\$0.00**

All requests for payment of expenses shall be accompanied by appropriate backup information. Any expense anticipated to be more than \$500.00 shall be approved in advance by the CITY's project manager.

ADDITIONAL SERVICES

The CONSULTANT shall provide additional services only by advanced, written authorization from the CITY. The CONSULTANT, at the CITY's project manager's request, shall submit a detailed written proposal including a description of the scope of services, schedule, level of effort, and CONSULTANT's proposed maximum compensation, including reimbursable expenses, for such services based on the rates set forth in Exhibit C-1. The additional services scope, schedule and maximum compensation shall be negotiated and agreed to in writing by the CITY's Project Manager and CONSULTANT prior to commencement of the services. Payment for additional services is subject to all requirements and restrictions in this Agreement.

EXHIBIT C-1
SCHEDULE OF RATES, AMENDMENT NO. 1
(ADDED, AMENDED, REPLACES PREVIOUS)

CONSULTANT's schedule of rates is as follows:

Original Contract Rates:

Position	Rate
Project Executive	\$175.00
Project Manager	\$155.00
Data Analyst	\$100.00

Amendment No. 1 Rates

Position	Rate
Project Executive	\$300.00
Project Manager	\$250.00
Data Analyst	\$150.00

CITY and CONSULTANT may at any time, during the duration of contract, mutually agree to add new position titles, rates, and adjust listed rates so long as the changes do not increase the not to exceed amount as noted in Section 3 of this Amendment No. 1.