



City of Grass Valley City Council Agenda Action Sheet

Title: Award of a Professional Services Agreement to ClearSource Financial Consulting for a Comprehensive User Fee Study and Overhead Cost Allocation Analysis.

CEQA: Not a project

Recommendation: That the City Council: (1) Award a Professional Services Agreement to ClearSource Financial Consulting for preparation of a Comprehensive User Fee Study and Overhead Cost Allocation Analysis in an amount not to exceed \$41,820; and (2) Authorize the City Manager to execute the agreement and any necessary documents consistent with the approved scope of work, pending legal review

Prepared by: Taylor Whittingslow, Deputy City Manager

Council Meeting Date: 08/25/2026

Date Prepared: 08/20/2026

Agenda: Administration

Background Information: The City of Grass Valley maintains a Master Fee Schedule establishing fees and charges for a wide range of services provided by City departments. While individual fees have been adjusted and updated over time by the cumulative Consumer Price Indexes (CPI) for Pacific Cities and US City Average for the month of January, the City has not completed a comprehensive nexus-based User Fee Study since 2005.

As a result, many of the City's existing user fees have not undergone comprehensive analysis in more than 20 years to determine the actual cost of providing the associated service. Establishing and maintaining this nexus is critical for a public agency. Governmental user fees must be supported by a reasonable relationship between the amount charged and the cost incurred by the City in providing the service.

Because the City's last comprehensive nexus-based User Fee Study was completed in 2005, staff believes completing this analysis is an important financial and administrative priority. Over the past two decades, the cost of personnel, benefits, technology, equipment, materials, contractual services, administrative support, and other overhead necessary to provide City services has changed significantly. City operations, staffing structures, service delivery methods, and regulatory requirements have also evolved.

Without a current cost-of-service study, it becomes increasingly difficult for the City to

demonstrate that its user fees accurately reflect the reasonable costs associated with providing those services. Conversely, without understanding the full cost of service, the City also cannot clearly identify the level at which taxpayers may be subsidizing services that primarily benefit an individual applicant or user.

A current, comprehensive cost-of-service analysis will provide the City with the documentation necessary to demonstrate and justify its rates, improve transparency, establish appropriate cost-recovery levels, and ensure that fees are based upon defensible and consistently applied methodologies.

On May 4, 2026, the City issued a Request for Proposals (RFP) seeking qualified firms to conduct a Comprehensive Fee Study and Overhead Cost Allocation Analysis. The RFP specifically requested an analysis of the total cost of providing City services, appropriate administrative and overhead allocations, and fully burdened hourly rates consistent with applicable laws governing public agency fees and charges.

The study does not include Proposition 218 utility rates or development impact fees, which were separately evaluated and updated in 2023.

Following the City's competitive RFP process, staff evaluated the submitted proposals based upon the criteria established in the RFP, including understanding of the City's needs, technical approach, experience and qualifications, allocation of resources, project leadership, and overall project cost. Based upon this evaluation, staff recommend the selection of ClearSource Financial Consulting.

ClearSource specializes in cost-of-service and cost-recovery analysis for California public agencies, including user and regulatory fee studies, consolidated fee schedules, cost allocation plans, indirect cost rates, and fully burdened hourly rates. ClearSource's proposed methodology specifically considers California's legal framework for governmental fees and focuses on establishing the estimated reasonable cost of providing services and ensuring a fair and reasonable relationship between the fee charged and the service provided. This is particularly important given the length of time since the City's last comprehensive study. The purpose of this project is not simply to increase or adjust fees. Rather, it is to establish a documented and defensible nexus between the City's actual cost of providing a service and the fee charged for that service.

The study will evaluate City services across departments and develop fully burdened hourly rates incorporating direct labor, operating costs, departmental administration, and Citywide overhead. The consultant will then use these costs, together with staff time and workload information, to determine the full cost of individual fee-supported services.

The completed study will allow the City Council to make informed policy decisions regarding appropriate cost-recovery levels. In some cases, Council may determine that full cost recovery is appropriate. In others, a public benefit or policy objective may justify subsidizing a portion of the service through other City revenues. ClearSource will assist the City in identifying these distinctions and establishing a consistent cost-

recovery framework.

The project will also provide the City with an updated consolidated fee schedule, supporting cost-of-service documentation, editable financial models, and tools that staff can use to update fees in future years. ClearSource will provide training to City staff so the resulting models can be maintained between comprehensive studies.

ClearSource anticipates completing final project reporting within approximately 150 days of project commencement, allowing the City to proceed through the public and legislative review process with the goal of implementing updated fees by July 1, 2027, if not earlier.

ClearSource Financial Consulting has proposed a total maximum contract amount of \$41,820 for completion of the Comprehensive Fee Study and Overhead Cost Allocation Analysis. The proposal allocates approximately \$12,300 to the Cost Allocation Plan and \$29,520 to the User Fee Study.

The project will be funded 100% by the General Fund. At the Fiscal Year 2026-27 Mid-Year Budget Review, staff will identify any available General Fund expenditure savings that can be applied toward the cost of the study. Any remaining balance not covered by identified savings will be funded through General Fund reserves.

The study itself will not establish the final amount of any City fee. Rather, recommendations for appropriate cost-recovery levels will be identified. Any proposed revisions to the City's Master Fee Schedule resulting from the study will be brought back to the City Council for consideration and approval through the appropriate public process.

Council Goals/Objectives: Approving the PSA for User Fee Study executes portions of work tasks towards achieving/maintaining Strategic Plan objectives of High-Performance Government and Quality Service.

Fiscal Impact: General Fund reserves will fund the \$41,820 to the extent other budgetary mid-year savings are not achieved.

Funds Available: Yes - Reserves

Account #: 100 - General Fund

Reviewed by: Interim City Manager

Attachments: Professional Services Agreement & ClearSource's proposal