CITY OF SEBASTOPOL

Sonoma County, California

REQUEST FOR PROPOSALS

COST ALLOCATION PLAN

Issue Date: September 23, 2026

Proposals Due: October 14, 2026 at 5:00 p.m. PDT

RFP Contact: Mary Gourley, City Manager

Email: mgourley@cityofsebastopol.gov

Phone: (707) 823-1153

Deliver electronic proposals (PDF) to: mgourley@cityofsebastopol.gov
Subject line: [FIRM NAME] – Cost Allocation Plan RFP

City of Sebastopol
7120 Bodega Avenue | P.O. Box 1776 Sebastopol, CA
95472 www.cityofsebastopol.gov

Proposals must be received by the due date and time. Late proposals will not be considered.

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I. INTRODUCTION

The City of Sebastopol ("City") is soliciting proposals from qualified professional consulting firms ("Consultant" or "Proposer") to conduct an independent evaluation of the City's existing cost allocation methodologies and develop an updated Cost Allocation Plan ("CAP" or "Plan"). The selected Consultant will review the current Cost Allocation Plan, evaluate existing allocation methodologies and practices, identify opportunities for improvement, and prepare a transparent, defensible, and user-friendly Cost Allocation Plan together with a flexible, well-documented Excel-based model that City staff can maintain and update annually.

The City seeks a Plan that accurately allocates costs among departments, funds, and programs; supports informed financial decision-making; enhances transparency; and provides a sustainable framework for future annual updates. The City also seeks recommendations regarding allocation methodologies, cost recovery practices, time-based costing approaches, and other improvements that may strengthen the accuracy, equity, and defensibility of cost allocations, particularly as they relate to enterprise fund operations.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this Request for Proposals (RFP). The City reserves the right to retain all proposals submitted and to use any ideas contained within a proposal regardless of whether the firm is ultimately selected. Submission of a proposal indicates acceptance of the conditions contained in this RFP unless specifically noted in the proposal and subsequently agreed to in the final professional services agreement.

To be considered, one electronic copy (PDF) of the complete proposal must be received by the City no later than

October 14, 2026 at 5:00 p.m. PDT

Proposals shall be submitted electronically to:

mgourley@cityofsebastopol.gov

with the subject line **"[FIRM NAME] – Cost Allocation Plan RFP."** Late proposals will not be considered.

The City reserves the right to reject any or all proposals, waive minor irregularities, request additional information from proposers, and negotiate with the selected firm as necessary to achieve the objectives of this RFP.

It is anticipated that consultant selection and contract award will occur on November 17, 2026, with the project kickoff scheduled for December 1, 2026. A draft report and model are expected by January 19, 2027, with final deliverables, training, and Council presentation anticipated on February 16, 2027.

A. Term of Engagement

The City intends to enter into a Professional Services Agreement with the selected Consultant for the development of a Cost Allocation Plan and supporting model. The agreement will be based on a time-and-materials compensation structure with a not-to-exceed contract amount and a clearly defined scope of work.

Progress payments will be made monthly based on actual hours worked and approved reimbursable expenses. The City will retain ten percent (10%) of all payments until final acceptance of the Cost Allocation Plan, Excel model, and all required deliverables.

B. Inquiries

All questions regarding this RFP, the proposal process, or technical aspects of the project shall be submitted electronically to:
Mary Gourley, City Manager
mgourley@cityofsebastopol.gov

To ensure a fair and consistent procurement process, proposers shall not contact City Council members, Enterprise Fund Oversight Committee members, or other City employees regarding this RFP. Unauthorized contact may result in disqualification from further consideration.

II. BACKGROUND

The City of Sebastopol is a general law city located in western Sonoma County, California, approximately 50 miles north of San Francisco. With a population of approximately 7,521 (2020 Census), Sebastopol is known for its agricultural heritage, commitment to sustainability, vibrant downtown, and high quality of life.

The City operates under a Council-Manager form of government with a five-member City Council elected at-large to staggered four-year terms. The Council appoints the City Manager and City Attorney.

The City provides a full range of municipal services, including police services, public works (streets, facilities, and parks), planning and building services, and administrative services. The City also owns and operates water and wastewater utility enterprise funds. Fire protection services are provided by the Gold Ridge Fire Protection District.

The City's most recently adopted budget (FY 2026-27) totals approximately $17.9 million. The adopted budget and supporting financial information are available on the City's website at City Budget Documents. The budget reflects ongoing fiscal challenges, including a projected General Fund deficit.

The City initiated a comprehensive review of its cost allocation methodology in FY 2023-24, resulting in the development of a new Indirect Cost Allocation Plan prepared by ClearSource Financial Consulting. The plan was presented to the City Council in February 2024 and incorporated into the FY 2024-25 budget, representing the first comprehensive review of the City's cost allocation practices since 2002. The plan is updated annually to support the City's ongoing commitment to financial transparency, accountability, and equitable cost allocation practices. Separately, the Sonoma County Civil Grand Jury issued a report in May 2026 that addressed municipal cost allocation practices.

The City is now seeking an independent evaluation of its current cost allocation methodologies and the development of an updated, transparent, defensible, and user-friendly Cost Allocation Plan. The selected consultant will assess existing methodologies, evaluate alternative allocation approaches where appropriate, and provide recommendations that support equitable cost recovery, financial transparency, and informed decision-making.

The City seeks a qualified consultant to perform a comprehensive review and update of the Cost Allocation Plan. The goals of this engagement include ensuring the Plan remains current with the City's organizational structure, services, and financial data; enhancing the transparency and usability of the supporting model; strengthening compliance with applicable legal and regulatory requirements; and supporting accurate and equitable allocation of costs among City departments, funds, and programs.

In addition, the Enterprise Fund Oversight Committee has expressed the importance of ensuring that enterprise fund allocations are transparent, understandable, and supported by clearly documented methodologies. The City encourages proposers to evaluate allocation approaches that are readily traceable to underlying cost drivers and that support compliance with applicable Proposition 218 and Proposition 26 requirements governing utility rates, fees, and charges.

III. PROJECT OBJECTIVES

The primary objective of this engagement is to produce a high-quality, defensible Cost Allocation Plan and accompanying dynamic model that enables the City to:

1. Accurately identify and allocate appropriate direct, indirect, and overhead costs across City departments, funds, services, and functions using well-documented, supportable methodologies.

2. Support transparent and equitable cost recovery, internal service charging, grant reimbursement claims, and enterprise fund allocations through methodologies that are clearly documented, readily traceable, and understandable to City staff, decision makers, auditors, and the public.

3. Provide City staff with a flexible, well-documented Excel model that can be easily updated annually or as

organizational changes occur, including the ability to perform scenario analyses for new or modified services.

4. Deliver clear documentation, training, and ongoing support so that the Plan and model remain practical management tools rather than static reports.

5. Identify policy, procedural, operational, or structural recommendations that would improve the City's cost accounting, cost recovery, and allocation practices.

6. Evaluate and recommend allocation methodologies that support compliance with applicable legal requirements, including Proposition 218 and Proposition 26 principles governing utility rates, fees, and charges.

7. Evaluate opportunities to utilize direct cost allocation, documented labor hours, activity-based costing, or other actual cost methodologies where practical and supportable, rather than relying exclusively on indirect allocation percentages.

IV. SCOPE OF SERVICES

The Consultant shall perform all work necessary to achieve the project objectives. The following scope is provided as a baseline; Proposers are encouraged to suggest refinements, enhancements, or alternative approaches that would deliver superior value while remaining within a reasonable budget and timeline.

Task 1: Project Initiation and Scope Refinement

- Conduct a kickoff meeting (virtual or on-site) with key City staff (City Manager, Administrative Services Director, department heads, and Enterprise Fund Oversight Committee representatives as appropriate) to confirm project goals, scope, timeline, data needs, and communication protocols.

- Review and discuss the City's current FY 2025-26 Cost Allocation Plan, the May 2026 Sonoma County Civil Grand Jury report, Enterprise Fund Oversight Committee work, and any specific concerns or priorities identified by the City.

- Finalize a detailed work plan and data request list.

Task 2: Data Collection, Review, and Interviews

- Collect and review current and prior-year budgets, actual expenditure data, organizational charts, position control, time studies (if available), existing allocation methodologies, and supporting documentation.

- Conduct interviews and/or working sessions with department directors and key staff to understand operational activities, time allocation, service levels, and any unique cost drivers or allocation challenges.

- Document current practices, identify gaps or inconsistencies in the existing CAP, and note areas where allocation bases may be improved for defensibility or equity (particularly for water and sewer enterprise funds).

- Assess the City's current staff time tracking systems, time studies, and timekeeping processes. Identify gaps in time tracking data and recommend improvements or a time tracking framework/module to support accurate, ongoing cost allocations and future Plan updates.

Task 3: Development / Update of Cost Allocation Model and Plan

- Develop or substantially update a comprehensive Cost Allocation Model in Microsoft Excel (or mutually agreed equivalent) utilizing the most recent adopted budget (FY 2026-27) and available actual data.

- The model shall meet or exceed the following requirements:
  - Full allocation of General Fund and other central service costs (finance, HR, IT, City Manager, Clerk, facilities, etc.) to benefiting departments and funds using appropriate, documented allocation bases.
  - Clear identification of direct costs, indirect/overhead costs, and resulting full cost of services by

department/function.
  - Specific, transparent allocation to the Water and Sewer Enterprise Funds consistent with industry standards and applicable Proposition 218 and Proposition 26 requirements. The methodology shall be clearly documented and easily traceable to underlying cost drivers, allocation bases, and supporting data.
  - Ability for the City to easily add, revise, or remove cost pools, allocation bases, or organizational units from year to year.
  - Built-in scenario / "what-if" capability to estimate costs of new or expanded services.
  - User-friendly interface with clear instructions, dropdowns or input cells where appropriate, and automated calculations.
  - Identification of the total cost of providing each City service at the appropriate activity level and in a manner consistent with all applicable laws, statutes, rules, and regulations governing the collection of fees, rates, and charges by public entities.
  - Determination of the appropriate General and Administrative overhead allocations to City activities and applicable overhead rates for use in calculating the City's billable hourly rates.
  - Evaluate existing allocation methodologies and allocation bases and recommend modifications as necessary to improve transparency, defensibility, equity, and consistency with applicable legal requirements governing utility rates, fees, and charges. The Consultant should not assume that prior allocation percentages remain appropriate without independent analysis.
  - Evaluate alternative methodologies, including the feasibility of direct charging of enterprise-related activities based on documented labor hours, operational activity, or other measurable service drivers where appropriate.
  - Review allocation methodologies to identify and minimize potential duplication of costs between Water and Wastewater operations and other City functions.
  - Prepare a written Cost Allocation Plan report that documents the methodology, allocation bases, resulting percentages/rates, key assumptions, supporting rationale, and any recommendations for policy or procedural improvements. The report shall clearly explain the basis for enterprise fund allocations and document how the selected methodology supports transparency, traceability, and defensibility.

Task 4: Reporting, Presentations, and Training

- Conduct a minimum of two (2) meetings/presentations with the Enterprise Fund Oversight Committee (EFOC) and/or Budget Committee — one to present and review the draft Plan and model, and one to address feedback and revisions as needed.

- Deliver a minimum of two (2) presentations to the City Council — one preliminary presentation of the draft findings and one formal presentation of the final Cost Allocation Plan and model for adoption.

- Provide comprehensive documentation including a user guide or instructions for annual model updates.

- Conduct one (1) on-site or virtual training session (2–3 hours) for designated City staff on maintaining and updating the model and Plan.

- Remain available (at no additional cost beyond reasonable expenses) for up to 12 months after final delivery to answer questions or assist with minor refinements, and to support the City in the event of an audit or challenge to the Plan (subject to a mutually agreed scope and rate for significant additional work).

Task 5: Deliverables

- Final Cost Allocation Plan report in editable Microsoft Word format (and PDF).

- Fully functional, documented Excel Cost Allocation Model with all supporting schedules, allocation worksheets, summary reports, and user instructions.

- Executive summary suitable for Council and public distribution.

- Presentation materials (PowerPoint) for staff and Council meetings.

- Training materials and recorded session (if virtual) or detailed notes.
- All working papers and source data files organized and provided electronically.
- Memorandum documenting compliance with Proposition 218 and Proposition 26 principles and explaining the rationale for enterprise fund allocation methodologies.

V. SUBMITTAL REQUIREMENTS

To be considered responsive, proposals must address all items below in the order presented and be clear, concise, and professionally presented. Proposals should demonstrate the firm's understanding of the City's needs, relevant experience, and proposed approach.

A. Cover Letter / Transmittal Letter

The letter must be signed by an individual authorized to bind the firm contractually. It should briefly state the proposer's understanding of the work, commitment to perform within the stated timeline, why the firm believes it is best qualified, and confirmation that the proposal is a firm offer for 120 days. Include name, title, address, phone, and email of the primary contact person.

B. Project Approach and Proposed Scope of Work

Provide a detailed description of the firm's proposed approach, including how the City's current FY 2025-26 Cost Allocation Plan will be leveraged, any recommended enhancements to the scope or methodology, phased work plan with measurable deliverables, quality control processes, and communication plan with City staff.

C. Project Schedule and Timeline

Submit a realistic project schedule (Gantt chart or detailed table) from kickoff through final Council presentation and training. Identify critical path items and any assumptions regarding City staff availability or data turnaround times.

D. Experience and Qualifications

Provide a brief history of the firm (year established, ownership, primary location, relevant service lines). Describe the firm's specific experience completing Cost Allocation Plans or similar fiscal studies for California cities, counties, or special districts—preferably those of comparable size with enterprise utility funds. Highlight any work involving water/sewer allocations, review of Grand Jury reports, or complex multi-fund environments. Note key program advantages that differentiate the firm.

E. Sample Completed Reports

Provide (or make available via secure link) two (2) recent examples of Cost Allocation Plans or comparable comprehensive fiscal studies the firm has completed for California local government clients. Include a brief description of the project scope and outcome for each.

F. References

Provide a minimum of three (3) client references for similar work performed within the past five (5) years. For each reference include: client name and location, project description and dates, key personnel assigned from your firm, client contact name/title/phone/email, and whether the project is complete.

G. Resumes and Qualifications of Proposed Personnel

Identify the proposed Project Manager/Lead Consultant and all key team members, their roles, office location, relevant experience (especially CAP work for CA agencies), education, certifications, and licenses. Attach brief resumes (1–2 pages each) for key personnel. The lead consultant should have substantial hands-on experience developing defensible cost allocation plans.

H. Fee Schedule and Cost Proposal

Submit a detailed fee proposal on a task-by-task basis. Include:

• Estimated total hours and not-to-exceed fee for the entire scope.

• Breakdown by major task/phase showing hours by personnel classification (Partner/Principal, Senior Consultant, Analyst, etc.) and applicable hourly rates.

• Standard published hourly rates for all proposed personnel (these rates will be used for any authorized additional work).

• Assumptions underlying the estimate (e.g., number of on-site visits, data availability, City staff support level).

• Identification of any reimbursable expenses (travel within the Bay Area/North Bay is generally not reimbursable unless pre-approved; virtual meetings are preferred where effective).

The City will not be responsible for costs incurred in preparing the proposal.

I. Conflict of Interest

Disclose any actual or potential conflicts of interest. The City will not contract with a firm if any principal, officer, or immediate family member has served as an elected official, employee, or board/commission member of the City who could influence the contract, or if any financial interest would be affected by the engagement. Proposals may be disqualified on conflict grounds.

J. Proposed Changes to Standard Agreement

The selected firm will be required to execute the City's standard Professional Services Agreement (sample available upon request). Any requested modifications to the standard terms (insurance requirements, indemnification, ownership of documents, etc.) must be clearly stated in the proposal. The City reserves the right to reject proposals with unacceptable modifications.

K. Insurance and Other

The selected Consultant will be required to maintain insurance meeting or exceeding the City's minimum requirements (Commercial General Liability $1M/$2M, Auto $1M, Workers' Compensation statutory, Professional Liability $1M/$2M). A certificate of insurance naming the City as additional insured will be required prior to contract execution. Proposers should confirm ability to meet these requirements.

VI. SUBMISSION OF PROPOSAL

Proposals must be submitted electronically as a single PDF file to Mary Gourley at mgourley@cityofsebastopol.gov no later than **October 14, 2026 at 5:00 p.m. PDT**. The email subject must read: "[FIRM NAME] – Cost Allocation Plan RFP". Proposals received after the deadline or that are incomplete will not be considered. The City reserves the right to reject any or all proposals, to waive minor irregularities, and to negotiate with one or more proposers.

VII. SELECTION CRITERIA AND PROCESS

Proposals will be evaluated based on the following criteria (not necessarily in order of weight):

1. Quality, completeness, and professionalism of the proposal and responsiveness to RFP requirements.
2. Demonstrated relevant experience performing Cost Allocation Plans and similar fiscal studies for California local governments, especially cities with enterprise utility funds.
3. Qualifications, experience, and availability of the proposed project team and lead consultant.
4. Soundness and creativity of the proposed approach and methodology, including how the existing CAP will be utilized and improved.
5. Reasonableness of the proposed fee relative to scope, and demonstrated ability to complete the project on schedule.
6. Strength of references and past performance on similar engagements.

7. Proposed management/communication plan and value-added recommendations.

After initial review, the City may invite one or more firms for interviews (virtual or in-person) or may proceed directly to contract negotiations with the highest-ranked proposer. Interviews, if held, are anticipated during the week of October 26, 2026. The City reserves the right to cancel this RFP, reject any or all proposals, or waive minor informalities if it is in the City's best interest.

VIII. ANTICIPATED TIMELINE

Note: The City reserves the right to adjust this schedule at its sole discretion. Proposers should build reasonable flexibility into their own schedules.

Date	Milestone
September 23, 2026	RFP Issued
September 30, 2026, at 5:00 p.m. PDT	Deadline for Written Questions
Week of October 5, 2026	City Responses and Addenda Issued
October 14, 2026, 5:00 p.m. PDT	Proposals Due
Week of October 26, 2026	Interviews (if required)
November 17, 2026 (City Council Meeting)	Proposed Contract Award
December 1, 2026	Project Kickoff Meeting
January 19, 2027	Draft Report & Model to City Staff
February 16, 2027 (City Council Meeting)	Final Report, Model, Training & Council Presentation

IX. QUESTIONS, ADDENDA, AND CITY WEBSITE

All questions must be submitted in writing via email to Mary Gourley at mgourley@cityofsebastopol.gov with the subject line "Cost Allocation Plan RFP Question – [FIRM NAME]". Questions must be received by the deadline listed in the timeline. Questions received after that date will not be answered. Responses to questions and any addenda will be posted on the City's website (www.cityofsebastopol.gov) under the Bids, RFPs, or Purchasing section (or equivalent). Proposers are solely responsible for checking the website for addenda prior to submitting a proposal. Oral communications are unofficial and non-binding.

X. ATTACHMENTS

The following will be made available upon request or via the City's website:

- Attachment A: Sample City of Sebastopol Professional Services Agreement (standard boilerplate)
- Attachment B: Most Recent Adopted City Budget (FY 2026-27) and Organizational Charts (Budget Documents)
- Attachment C: Current Cost Allocation Plan (FY 2025-26) for Reference (Cost Allocation Plan)
- Attachment D: Relevant Financial Policies and Prior Studies, as Applicable (Budget and Financial Policies)

By submitting a proposal, the Proposer acknowledges that they have read, understand, and agree to comply with all terms and conditions set forth in this Request for Proposals.