

Agenda Report

TO: CITY COUNCIL

DATE: September 11, 2000

FROM: CYNTHIA J. KURTZ, CITY MANAGER

SUBJECT: AUTHORIZATION TO AMEND THE FEE STRUCTURE OF CONTRACT NUMBER 16728 WITH PUBLIC HEALTH FOUNDATION ENTERPRISES, INC. FOR HUMAN RESOURCES MANAGEMENT SERVICES ASSOCIATED WITH GRANT-SUPPORTED ACTIVITIES IN THE PUBLIC HEALTH DEPARTMENT

RECOMMENDATION

It is recommended that the City Council authorize the City Manager to amend the fee structure of contract # 16,728 with Public Health Foundation Enterprises, Inc. (PHFE) by increasing the administrative fee for services from 9.5% to 15% of Total Modified Direct Cost (TMDC) beginning July 1, 2001.

BACKGROUND

The activities of the Pasadena Public Health Department (PPHD) are supported largely by state, federal and private grants. The majority of grant funds are used to cover personnel costs associated with fulfilling the mission of particular grants. These grants are typically designated for specific purposes requiring specialized skill-sets, within designated time periods and subject to changes beyond the City's control, including funding reductions. This situation does not easily lend itself to hiring permanent staff and compensating persons with benefits through the City's personnel system.

Accordingly, in July 1998, the City Council approved a contract with Public Health Foundation Enterprises (PHFE) as a means of facilitating the rapid mobilization and demobilization of staffing associated with grant-funded programs. PHFE is a private, non-profit corporation that provides comprehensive human resources services such as, recruitment, payroll and benefits to agencies such as the City of Pasadena that receive grant funding. The term of the contract was one year with five one-year extensions that automatically renew at the conclusion of the prior one-year period.

PHFE charges an administrative fee as a percentage of the total cost of services provided. Under the terms of the City's contract, this fee is equal to the rate approved by the federal government for its contract with PHFE for federally funded grant programs. Presently the fee is 9.5%.

Recently, PHFE notified the City that while it will continue to charge the federally approved rate for grants involving federal funds, beginning July 1, 2000, it introduced a separate fee structure for services related to state grants. This new rate is being introduced in response to increased costs of providing service. The new rate is 15% of Total Modified Direct Cost as defined by PHFE.

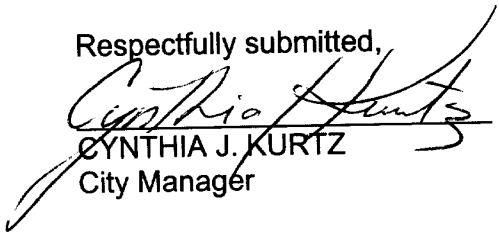
Since the City's existing contract with PHFE only allows for charges consistent with the federally approved rate, the contract must be amended before PHFE can charge a differing rate. Staff recommends approval of the new rate. Even with the moderate increase, PHFE remains a cost-effective and operationally effective means of meeting staffing needs associated with grant-funded programs.

The increased administrative overhead costs will have no impact on services to clients. The increased cost will be absorbed by individual programs and may impact non-staff costs such as those for travel, supplemental training, and materials and supplies. Staffing levels will remain the same in order to maintain compliance with grant requirements. Staff continually seeks additional funding to support increasing costs of existing programs and to initiate new services.

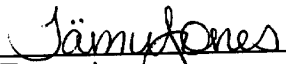
FISCAL IMPACT

Utilizing the proposed 15% fee will result in a net increase of 5.5% for PHFE's services in FY 2001. These fees are paid out of grant funds received, and estimates of these revenues have been included in the Department's budget for FY 2001.

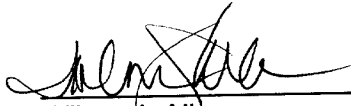
Respectfully submitted,


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