

# City of Galt

## Overhead Cost Allocation Update Presentation of Results and Model

Tuesday, May  
16, 2017



# Willdan Project Team

- Chris Fisher, Project Director
  - Cost-of-service expert
  - Resource coordination, QA/QC
  - Review of reports and models
  - 15 years experience at Willdan with cost of service studies, including cost allocation, user fee, impact fee, utility rates
- Tony Thrasher, Technical Project Lead
  - Lead analytical and modeling efforts, strategy development
  - Develop models, provide support and direction to analysts
  - Extensive Cost Allocation Plan (CAP), user fee (UF), utility rate experience
- Priti Patel, Financial Analyst
  - Assist with analytical and modeling efforts, additional support as necessary
  - Incorporate direct data and City feedback



# What is a Cost Allocation Plan?

- Cost Allocation Plan (CAP) ensures that costs associated with City central service departments are appropriately allocated to respective City operating functions.
- Tool that formulates an equitable methodology to identify and allocate indirect costs to direct cost programs
- Allocations should represent how operating departments use and benefit from central support services
- Used in the formation of personnel rates, budgeting, cost reimbursement, etc.



# Building Blocks of a Cost Allocation Plan

- Evaluate costs of central service departments to determine which amounts are appropriately allocable to each operating department and fund
- Identify the major functions of each central service
- Determine how branches utilize and benefit from central overhead service functions
- Identify distribution bases that best represent those functions and collect necessary data
- Allocate the cost of central services using the distribution bases



# City Departmental Structure

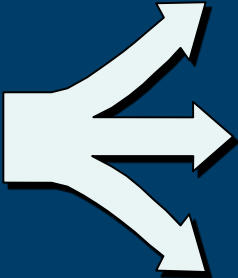
Central Service  
Departments

City Manager

Financial Services

City Clerk

**Central service  
departments provide  
support to operating  
departments**



Operating  
Departments

Building

Police

Water Fund

**Operating  
departments provide  
services directly to the  
public**



# Project Objectives

- Work with staff to understand objectives, challenges, and policy direction
- Develop defensible allocation of OH to departments, funds, enterprises
- Develop easily updatable full cost CAP and model
- Conduct interactive data gathering to ensure accuracy, integrity of model inputs, understanding of organization
- Provide accurate *custom model, analysis, report* - easy to interpret, clearly present data, methodology, approach, results



# Overhead Cost Allocation Process

- Kick-off discussion
- Gather financial and expenditure data
- Review and analyze expenditure to identify allocable costs
- Review existing CAP, identify what works and areas for improvement
- Identify central support and direct operating services, ISFs
- Interview Staff to:
  - Understand structure and functions of departments, divisions, and funds
  - Highlight and resolve issues or anomalies
  - Discuss appropriate, defensible allocation bases
- Gather necessary data regarding selected allocation bases
- Develop model to reflect City's budget structure
  - (i.e. fund, department, cost codes, etc.)



# OMB Compliant Option Included

- Grant, federal, and state funding programs often require compliance with the Super Circular and 2 CFR 200 Cost Principles for cost reimbursement
  - The Cost Principles identify additional cost types that are unallowable for reimbursement through a cost allocation plan. Examples Include
    - City Council, advertising, lobbying, contingencies, idle capacity, litigation, bad debt, etc.
  - The model can switch compliance for these purposes on and off as needed
- The report provided details both plans, this presentation shows the results for the Full or non OMB compliant plan





# Iterative Allocation Approach

- Most accurate and equitable
- Recommended by OMB
- Preserves the allocation methodology throughout the allocation process.
- First Step:
  - Identify allocable budget of each central service department
  - Distribute allocable budget to various city departments, based on functions provided and selected allocation bases
- Second Step:
  - Allocate indirect costs that were allocated to central service departments in first step is reallocated out using the same methodology in the first step
    - This second step is performed ad infinitum until all allocable cost is distributed to the operating functions.



# Example of Allocation Bases

Central Service Department	Total Allocable Cost	Agenda Frequency	Number of Full Time Equivalent Employees (FTEs)	Salaries & Benefits Budgeted	Accounts Payable	Number of Vehicles/ Equipment
City Manager	25%	50%	25%			
City Clerk	50%		50%			
Human Resources			50%	50%		
Financial Services	50%		25%		25%	
Central Shop						100%



# Summary of Allocable Costs

Allocable Cost Summary - Central Services		Fiscal Year 2016-2017	
		Unallocable	
	Total Cost	Cost	Allocable Cost
<b>Summary</b>	<b>\$ 5,427,912</b>	<b>\$ 794,385</b>	<b>\$ 4,633,527</b>
Central Service			
001: City Attorney	342,935	-	342,935
001: City Clerk	262,382	-	262,382
001: City Council	157,753	35,000	122,753
001: City Manager	438,783	30,000	408,783
001: Financial Services	1,182,062	-	1,182,062
001: Human Resources	360,282	-	360,282
001: Information Technology	543,052	145,400	397,652
001: Non-Departmental	1,209,660	583,985	625,675
001: Planning Commission	4,739	-	4,739
001: Public Works Building Maintenance	628,307	-	628,307
001: Public Works Central Shop	266,349	-	266,349
001: Treasurer	31,609	-	31,609



## Allocated Cost Summary

Fiscal Year 2016-2017

Operating Department / Division / Fund	Total Allocation	Direct Cost Base	
		Total Allowable FY 2017-18 Budget	Indirect Cost Rate
	<b>\$4,633,527</b>	<b>\$24,020,820</b>	<b>19%</b>
Operating Department			
001: Building Safety & Inspection Service	\$85,888	\$403,040	21%
001: Economic Development	\$14,062	\$99,978	14%
001: Library	\$8,077	\$26,904	30%
001: Planning Administration	\$142,313	\$459,567	31%
001: Police	\$1,357,899	\$6,247,552	22%
001: Public Works Admin	\$115,123	\$306,391	38%
001: Public Works Engineering	\$230,245	\$612,782	38%
002: Gas Tax - Maintenance	\$158,803	\$641,751	25%
003: Stormwater	\$73,192	\$344,174	21%
005: Water	\$350,003	\$2,624,176	13%
006: Culture and Recreation	\$831,767	\$3,483,214	24%
007: Wastewater	\$560,651	\$3,366,200	17%
009: Transportation Dev Act	\$36,316	\$187,000	19%
010: Intergovernmental Streets	\$2,966	\$0	
011: Capital Acq/Rec - Citywide	\$3,055	\$25,000	12%
012: Capital Reserve - Parks	\$14,829	\$0	
013: Capital Improv - Water	\$0	\$0	
014: Capital Improv - Wastewater	\$0	\$0	
022: Capital Improvement - Drainage	\$5,932	\$0	
029: Sac Transportation Authority	\$981	\$0	
031: WWTP Expansion	\$0	\$0	
032: NE L&L District	\$86,712	\$633,791	14%
033: WS L&L District	\$35,203	\$197,780	18%
037: Lighting & Landscape #3	\$22,731	\$87,587	26%
038: Community Facilities District 2005-0	\$21,087	\$177,879	12%
039: CFD 88-1 Refunding	\$1,250	\$12,400	10%
043: CCSD CIP Fund	\$27,352	\$343,000	8%
047: Public Safety Measure R	\$257,886	\$1,858,655	14%
048: Solid Waste	\$140,577	\$1,740,237	8%
051: Reassessment District 2015-1	\$568	\$5,075	11%
070: COPS - AB3229	\$48,061	\$136,688	35%

# Summary of Costs Allocated to Operating Departments



# Questions and Comments

