

CENTRAL SERVICE COST ALLOCATIONS

BACKGROUND

The Citywide Cost Allocation Plan allocates central service costs. Central service cost allocations are assigned from City agencies that provide support services to the City line functions. Costs are allocated to a cost center to show total costs of a specific operation. Allocations not transferred are absorbed by the originating general fund operation and financed by general taxes.

The City's independent auditors and the Federal government have reviewed the Citywide Cost Allocation Plan.

Central service cost allocations were originally established in the mid-1960's. Periodic revisions keep the distribution of staff and administrative costs equitable.

Allocations are used to: (1) develop fees for various City services, (2) adding the cost of support services to enterprise, capital, and special revenue funds that result in inter-fund transfers (Water, Aviation, Wastewater, Solid Waste, Convention Center, Sports Facilities, Development Services, and Capital Improvement Program), and (3) prepare City bids to evaluate contracting for services.

UNALLOWABLE COSTS

The Federal government allows for an allocation to recover costs of indirect and support services in the administration of all Federal grants. However, some administrative costs of general government are unallowable.

Unallowable costs in the City government include portions of Banking and Cashiering, City Clerk's Office, City Manager's Office, Budget and Research Administration, Public information, Elections, and Mayor and Council. Starting in fiscal year 1985-86, a separate cost allocation plan was developed for non-federal purposes (fee recovery enterprise fund transfers). These allocations are higher because Federal unallowable costs are included.

CENTRAL SERVICE COST ALLOCATIONS

CENTRAL SERVICE COSTS

Central services include cost for the following:

| | | |
|--------------------------------|-----------------------------------|----------------------------|
| Accounting | Insurance | Personnel |
| Accounts Payable | Internal and External Auditing | Real Estate |
| Custodial Services | Labor Relations and Training | Safety |
| Electrical Maintenance | Legal Services | Switchboard |
| Facilities Maintenance | Material Management | Various Financial Services |
| Fringe Benefits Administration | Money Management and Debt Service | |
| General Management Services | Payroll | |

Costs of a specific activity that are charged directly to department line item budgets by the support function are not included in the cost allocation plan. This is a part of the regular cost accounting system that leaves only "net" costs to be allocated. All "net" costs are allocated to the major service activities (cost centers) of the City according to bases that will produce equitable distribution of costs. Examples of the various bases used to allocate costs are a building's square footage for building maintenance functions, and the number of a department's authorized employees for personnel-related activities.

BENEFITS

Accurate allocations of central service costs result in equitable fees charged for services. This helps determine the level of services for which the user is willing to pay. The government can then determine if the service should be expanded or reduced.

A history of accurate costs indicates true costs for the services performed and can be compared and measured to similar operations. An important step in making comparisons is to reconcile costs and services between jurisdictions to ensure similar comparisons.

User rates and fees generate revenues for services to the user. This helps prevent increases in general tax revenues paid by all and limits tax fund support to general government functions.

CENTRAL SERVICE COST ALLOCATIONS

ALLOCATION OF CITYWIDE SERVICE COSTS TO COST CENTERS

| Cost Centers | 2005-06 Estimated Allocations | 2006-07 Projected Allocations |
|--------------------------------|-------------------------------------|-------------------------------------|
| Aviation | \$ 6,121,000 | \$ 6,274,000 |
| Cable Communications | 40,000 | 40,000 |
| City Prosecutor | 1,663,000 | 1,704,000 |
| Convention Center | 2,095,000 | 2,147,000 |
| Community Services | 2,468,000 | 2,530,000 |
| Development Services | 3,664,000 | 3,756,000 |
| Downtown Development | 209,000 | 214,000 |
| Economic Development | 773,000 | 793,000 |
| Engineering and CIP Programs | 1,191,000 | 1,221,000 |
| Fire | 8,542,000 | 8,755,000 |
| Golf | 406,000 | 416,000 |
| Housing | 2,882,000 | 2,954,000 |
| Human Services | 3,581,000 | 3,670,000 |
| Library | 1,921,000 | 1,969,000 |
| Municipal Court | 1,591,000 | 1,631,000 |
| Neighborhood Services | 1,254,000 | 1,286,000 |
| Neighborhood Services-CDBG | 1,016,000 | 1,042,000 |
| Parks and Recreation | 8,206,000 | 8,411,000 |
| Planning | 1,141,000 | 1,169,000 |
| Police | 17,331,000 | 17,764,000 |
| Public Defender | 178,000 | 183,000 |
| Public Transit | 4,663,000 | 4,779,000 |
| Solid Waste Management | 4,136,000 | 4,240,000 |
| Sports Facilities | 155,000 | 159,000 |
| Street Lighting | 239,000 | 245,000 |
| Street Transportation | 5,114,000 | 5,242,000 |
| Substance Abuse Screening | 28,000 | 29,000 |
| Tax, Licensing and Collections | 1,965,000 | 2,014,000 |
| Video Productions | 502,000 | 515,000 |
| Wastewater | 2,238,000 | 2,294,000 |
| Water | <u>7,069,000</u> | <u>7,246,000</u> |
| Total | <u>\$92,382,000</u> | <u>\$94,692,000</u> |