

Overview of Results of Full Cost Allocation Plan Study



Presentation Goals

- ◆ Introduce Matrix Consulting Group
- ◆ Discuss project goals and objectives
- ◆ Overview of Cost Allocation Plan
- ◆ Review of Results
- ◆ Outline Options



Firm Highlights

- ◆ We are in our 14th year providing financial and management analytical services to local government.
- ◆ We have five offices nationwide, with our headquarters in Mountain View, CA.
- ◆ The key staff for this project included:
 - Courtney Ramos, Project Manager and the leader of our Financial Services practice; and
 - Khushboo Hussain, Lead Analyst with experience in both Financial Services and Management studies.
 - Jessica Deshong, Data Analyst and Model Developer



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Scope of Services

- ◆ Develop Full Cost Allocation Plan
 - Identify Central Support Services (i.e. HR, Payroll, Budget)
 - Allocate direct and indirect costs
- ◆ Develop OMB Compliant Cost Allocation Plan
 - Ensure compliance with cost principle standards (OMB 2 CFR Part 225)
- ◆ Review and document allocations of internal service funds
- ◆ Provide an Electronic Model
 - Allow for the addition of new programs, departments, or funds
 - Ability to run different scenarios based on expenditures or allocation metrics



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Cost Allocation Plan Process

- ◆ Identify departments that provide services primarily to other City or Agency departments (e.g. City Manager, Finance, HR, etc.)
- ◆ Work with staff to understand the services they provide in support of other departments or agencies.
- ◆ Determine the best allocation method for each service identified utilizing tangible data and statistics.
- ◆ Ensure allocations are fair and equitable to all receivers.



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Cost Allocation Plan Overview

- ◆ A document designed to identify and allocate indirect costs of central service and other administrative support cost centers to the users of those services in a "fair and equitable" manner.
- ◆ Benefits / Uses:
 - ➔ Provides a detailed picture of the total indirect / administrative cost associated with Funds, Departments, Divisions, or Programs.
 - ➔ Can help justify cost reimbursement transfers from Non-General Funds to the General Fund.
 - ➔ Can be used to justify indirect grant reimbursement requests.



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Full Cost vs. OMB

◆ Full Cost Plan:

- Can be based on Actual or Budgeted Expenditures
- Is typically used to justify transfers to the General Fund
- Can be incorporated into Fee Studies in order to show the full cost of providing services

◆ OMB:

- Must be based on Actual Expenditures
- Is typically used for recovering state or federal grant funding
- Used in future funding requests



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Full Cost Plan - Overview

- ◆ The Full Cost Allocation Plan included **\$4,411,574** of costs associated with:

DEPARTMENT	FY 16-17 Actual Expenditures
City Council	\$ 189,397
City Manager	\$ 620,754
Legal Services	\$ 398,516
City Clerk	\$ 984,711
Personnel (HR)	\$ 167,218
Finance	\$ 2,033,245
Parks & Rec Administration	\$ 17,733
Vehicle Replacement Fund	\$ -
Equipment Replacement Fund	\$ -
Facility Maintenance Fund	\$ -
TOTAL	\$4,411,574

- Internal Service Funds were only included in order to allocate incoming indirect costs.



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Full Cost Plan – Total Allocation

- ◆ The Full Cost Allocation Plan allocated **\$4,108,300** (93%) in cost to all City Funds and Departments:

DEPARTMENT	Allocated Costs	Unallocated Costs	Total Cost
City Council	\$ 483,976	\$ -	\$ 483,976
City Manager	\$ 703,968	\$ -	\$ 703,968
Legal Services	\$ 126,537	\$ -	\$ 126,537
City Clerk	\$ 480,792	\$ 230,316	\$ 711,108
Personnel (HR)	\$ 192,366	\$ -	\$ 192,366
Finance	\$ 1,902,464	\$ 72,958	\$ 1,975,422
Parks & Rec Administration	\$ 97,748	\$ -	\$ 97,748
Vehicle Replacement Fund	\$ 7,299	\$ -	\$ 7,299
Equipment Replacement Fund	\$ 44,933	\$ -	\$ 44,933
Facility Maintenance Fund	\$ 68,216	\$ -	\$ 68,216
TOTAL	\$ 4,108,300	\$ 303,274	\$ 4,411,574

- Costs associated with Risk Management and Elections, along with Business Licensing were not allocated.



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Full Cost Plan – Allocation Comparison

- ◆ The City is budgeted to collect **\$332,050** from non-general fund sources in FY 18. The Cost Plan calculated the total potential recovery at **\$709,277**.

Fund	FY 18 Budgeted Recovery	Total Potential Recovery	Difference
220 – Citywide L&L Dist.	\$ 87,269	\$ 168,904	\$ 81,635
221 – Victoria by the Bay L&L Dist.	\$ 5,232	\$ 28,048	\$ 22,816
222 – Hercules Village L&L Dist.	\$ 1,426	\$ 14,083	\$ 12,657
223 – Baywood Assess 04-1 L&L Dist.	\$ 503	\$ 14,295	\$ 13,792
224 – Bayside Assess L&L Dist.	\$ 3,238	\$ 12,284	\$ 9,046
231 – Stormwater Assessment	\$ 17,263	\$ 30,421	\$ 13,158
262 – State Gas Tax	\$ 28,311	\$ 50,821	\$ 22,510
263 – Measure "C" Street	\$ 11,779	\$ 34,176	\$ 22,397
420 – Sewer Enterprise	\$ 129,831	\$ 356,245	\$ 226,414
460* - Equipment Replacement	\$ 24,051		\$ (24,051)
470* - Facility Maintenance	\$ 23,147		\$ (23,147)
TOTAL	\$ 332,050	\$ 709,277	\$ 377,227

- The indirect charges associated with these funds are already being recovered through the MCG Proposed Allocation



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Implementation Options

◆ Full Cost

- Review current indirect charges, and determine if recovery increases are feasible.
- Determine if additional indirect charges should be recovered for identified Funds and Departments.

◆ OMB:

- Review current grants to determine if submittal of OMB plan is needed.
- Educate departmental staff about the existence of OMB plan, and how it can be incorporated into grant proposals.



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Questions and Comments



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