

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 fund resources.

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, Civic Plaza, 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 results 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

<u>Cost Centers</u>	2004-05 Estimated Allocations	2005-06 Projected Allocations
Aviation	\$5,233,000	\$5,311,000
Cable Communications	29,000	29,000
City Prosecutor	1,709,000	1,735,000
Civic Plaza	2,000,000	2,030,000
Community Services	2,435,000	2,472,000
Development Services	3,571,000	3,625,000
Downtown Development	118,000	120,000
Economic Development	821,000	833,000
Engineering and CIP Programs	1,148,000	1,165,000
Fire	8,020,000	8,140,000
Golf Courses	370,000	376,000
Housing	3,367,000	3,417,000
Human Services	4,122,000	4,184,000
Library	1,890,000	1,918,000
Municipal Court	1,560,000	1,583,000
Neighborhood Services	1,365,000	1,386,000
Neighborhood Services-CDBG	1,032,000	1,047,000
Parks and Recreation	8,153,000	8,275,000
Planning	1,267,000	1,286,000
Police	17,589,000	17,853,000
Public Defender	178,000	181,000
Public Transit	4,509,000	4,577,000
Solid Waste Management	3,946,000	4,005,000
Sports Facilities	116,000	118,000
Street Lighting	238,000	242,000
Street Transportation	5,240,000	5,318,000
Substance Abuse Screening	35,000	36,000
Tax, Licensing and Collections	2,194,000	2,227,000
Video Productions	545,000	553,000
Wastewater	2,242,000	2,276,000
Water	<u>7,017,000</u>	<u>7,122,000</u>
 Total	 <u>\$92,059,000</u>	 <u>\$93,440,000</u>