CENTRAL SERVICE COST ALLOCATIONS

BACKGROUND

The Citywide Cost Allocation Plan, originally established in the mid-1960s, allocates central service costs to City line departments.

These allocations are used to: (1) develop fees for various City services, (2) transfer the cost of support services to enterprise, capital, and special revenue funds resulting in inter-fund transfers (Aviation, Water, Wastewater, Solid Waste, Convention Center, Development Services, Sports Facilities, 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 FY 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 COSTS

Central service costs include the following:

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

Costs of a specific activity that are charged directly to another department are not included in the cost allocation plan. This leaves only "net" costs to be allocated. All "net" costs are allocated to the major service activities (cost centers) of the City using methodology that will produce an equitable distribution of costs. Examples of the methodology used to allocate costs are a building's square footage for building maintenance functions, and the number of a department's authorized employees for human resource-related activities.

BENEFITS

Accurate allocations of central service costs result in more equitable fees charged for services. User fees help to reduce the burden placed on the general tax base.

CENTRAL SERVICE COST ALLOCATIONS

ALLOCATION OF CITYWIDE SERVICE COSTS TO COST CENTERS

Cost Centers	2012-13 Estimated Allocations	2013-14 Projected Allocations
Aviation	$6,869,000	$6,869,000
Cable Communications	308,000	308,000
City Prosecutor	1,921,000	1,921,000
Community and Economic Dev	1,727,000	1,727,000
Community Services	4,519,000	4,519,000
Fire	8,459,000	8,459,000
Golf Courses	468,000	468,000
Housing	3,813,000	3,813,000
Human Services	3,738,000	3,738,000
Library	1,261,000	1,261,000
Municipal Court	5,788,000	5,788,000
Neighborhood Services	3,145,000	3,145,000
Neighborhood Services-CDBG	1,071,000	1,071,000
Parks and Recreation	6,608,000	6,608,000
Phoenix Convention Center	2,193,000	2,193,000
Planning and Development Svcs	3,682,000	3,682,000
Police	19,272,000	19,272,000
Public Defender	284,000	284,000
Public Transit – Transit 2000	4,690,000	4,690,000
Public Works - EAS	142,000	142,000
Solid Waste	6,709,000	6,709,000
Sports Facilities	115,000	115,000
Street Lighting	431,000	431,000
Street Transportation	5,454,000	5,454,000
Substance Abuse Screening	143,000	143,000
Tax, Licensing and Collections	1,596,000	1,596,000
Video Productions	347,000	347,000
Wastewater	5,387,000	5,387,000
Water	8,081,000	8,081,000
Total	$108,221,000	$108,221,000

Budgeted central service costs, which are shown as inter-fund transfers, are included on the applicable Fund Statement Schedules in Part III of this book.