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# **COST ALLOCATION PLAN**

**Fiscal Year 2014-15**



# **City of Guadalupe**

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# INTRODUCTION

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## OVERVIEW

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### Purpose of the Plan

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The purpose of the City's Cost Allocation Plan is to identify the total costs of providing specific City services. Why is a separate cost accounting analysis required to do this? Because in almost all organizations—whether in the private or the public sector—the cost of producing goods or delivering services can be classified into two basic categories: direct and indirect costs.

“Direct costs” by their nature are usually easy to identify and relate to a specific service. However, this is not the case for “indirect costs.” As such, if we want to know the “total cost” of providing a specific service, then we need to develop an approach—a plan—for reasonably allocating indirect costs to direct cost programs.

### What Are Direct and Indirect Costs?

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Direct costs are those that can be specifically identified with a particular cost objective, such as street maintenance, police protection and water service. Indirect costs are not readily identifiable with a direct operating program, but rather, are incurred for a joint purpose that benefits more than one cost objective.

Common examples of indirect costs include accounting, legal services, human resources and building maintenance. Although indirect costs are generally not readily identifiable with direct cost programs, their cost should be included if we want to know the total cost of delivering specific services.

### Budgeting and Accounting for Indirect Costs

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Theoretically, all indirect costs could be directly charged to specific cost objectives; however, practical difficulties generally preclude such an approach for organizational and accounting reasons. As such, almost all organizations in both the private and public sector separately budget and account for direct and indirect costs at some level depending on their

financial reporting needs and the level of sophistication and complexity of their operations.

### Distributing Indirect Costs

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However, in order to determine the total cost of delivering specific services, some methodology for determining and distributing indirect costs must be developed, and that is the purpose of cost allocation plans: to identify indirect costs and to allocate them to benefiting direct cost programs in a logical, consistent and reasonable manner.

***Plan Goal: Reasonable Allocation of Costs.*** It is important to stress that the goal of the Cost Allocation Plan is a reasonable allocation of indirect costs, not a “perfect” one. By their very nature, indirect costs are difficult to link with direct costs. As such, in developing an allocation approach, it is important to keep this goal in mind balancing the cost and of effort of complicated allocation methods with the likely benefits from the end results.

## DETERMINING DIRECT AND INDIRECT COSTS

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The first step in preparing the City's Cost Allocation Plan is determining direct and indirect costs. Program costs that primarily provide service to the public are identified as direct costs, whereas the cost of programs that primarily provide services to the organization are identified as indirect costs.

Additionally, use allowance costs for City Hall have also been developed. In accordance with generally accepted accounting principles, only operating costs are considered in preparing the cost allocation plan. As such, capital outlay, debt service, interfund transfers and “pass-through” costs (such as solid waste billing for the Valley Refuse and Garbage Company) are excluded from the calculations.

## ALLOCATING INDIRECT COSTS

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For general purposes, the City-wide indirect cost rate can be used as the basis for allocating indirect costs. The indirect cost rate is simply the ratio

## INTRODUCTION

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between indirect and direct costs, which can be easily computed for the City as a whole once the direct and indirect cost base has been determined.

### **Citywide Indirect Cost Rate**

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Provided in Table 1 (page 4) is a summary of direct and indirect costs for the City of Guadalupe based on the approved 2014-15 Budget, along with the resulting citywide indirect cost rate. By applying the overall indirect cost rate to any specific direct cost program, the total cost of the program can be determined. For example, with an overall indirect cost rate of 26.1%, the total cost for a direct program of \$100,000 in Guadalupe would be \$126,100 with this approach.

### **Bases of Allocation**

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This method of cost allocation assumes that all indirect costs are incurred proportionately to the direct cost of the program. However, this may not be a reasonable assumption in all cases, as the benefit received from certain types of support service programs may be more closely related to another indicator of activity than cost.

For example, if a program service is primarily delivered through contract and does not have any City staffing directly associated with it, distributing payroll preparation and Human Resources costs to it may result in an inequitable allocation of costs. Because of this, the City's Cost Allocation Plan establishes separate *bases of allocation* for each major indirect cost category. With this approach, indirect costs can be allocated to each direct cost program in a fair, convenient, and most importantly, consistent manner. Provided in Table 2 (page 6) is a summary of the primary methods of allocation used in distributing indirect costs to direct cost programs.

Some of these costs lend themselves to an easily justified, rational approach of distribution. For example, payroll and human resources costs are related to the number of employees serviced. Other costs may appear to be arbitrarily distributed; however, the allocation bases are consistent with generally accepted accounting principles, and recognize the concept that the cost of developing the information necessary to perform the cost allocations should not exceed the benefits likely to be gained.

### **Summary of Indirect Cost Allocations**

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A summary of the indirect cost allocations is provided in Tables 5.1 through 5.4 (pages 9 through 12), followed by the detailed allocations for each specific indirect cost program (Tables 6.1 through 6.6, pages 13 to 23).

### **Simple Method of Allocating Costs**

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In performing the cost allocations, all indirect costs have been allocated only to direct cost programs rather than using a more complex sequential allocation system. Although there are some conceptual difficulties with this approach, since all indirect costs are ultimately allocated to direct programs, the difference in the end result is insignificant. However, the cost of preparation, review and audit is significantly reduced; and how indirect costs are allocated is much more transparent.

For example, the cost of general administration by the City Administrator's office is allocated solely to direct cost programs based on their operating budget. However, as the general administration program also benefits the other indirect cost programs such as human resources, finance and building maintenance, the cost allocations could appear to be distorted since no allocations are made to them. Similarly, payroll preparation also benefits the general administration program (in fact, it also benefits itself).

Under a more sophisticated, two-step system, the cost of the general administration program would be allocated to the other indirect costs programs, and iterative allocations then made to direct cost programs until all indirect costs are distributed. However, this process is extremely time consuming (and places far more reliance on the underlying significance of the allocation bases than may be appropriate) and results in the same basic cost allocations as the simpler method since all indirect costs are allocated in the final product. Again, as noted above, the plan's goal is a reasonable allocation of costs, not a "perfect" one.

## INTRODUCTION

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### USES OF THE COST ALLOCATION PLAN

By identifying total program costs, the Cost Allocation Plan can be used as an analytical tool in many financial decision-making situations, including:

- **Grant Administration.** Under federal cost accounting policies (Circular A-87), it is permissible to include indirect costs in accounting for grant programs. By establishing indirect cost rates, the cost allocation plan can be used in recovering the total costs (direct and indirect) associated with implementing grant programs.
- **Reimbursement Transfers.** The Cost Allocation Plan identifies the costs incurred by the General Fund in providing administrative support services to the City's other funds such as enterprise operations and special revenue funds.
- For example, although the City's administrative, legal services, finance, human resources and building maintenance programs are budgeted and accounted for in the General Fund, these programs provide support services to other City funds. The Cost Allocation Plan provides a clear methodology for determining this level of support in for the reimbursement of these costs. Recommended reimbursement transfers based on the Cost Allocation Plan compared with budget estimates are provided in Table 7 (page 24).
- **General Fund User Charges.** Similar to ensuring that enterprise fund revenues fully recover their costs, the Cost Allocation Plan can also be used in determining appropriate user fees for General Fund services, such as planning applications, building permits and recreation activities, in ensuring that full cost of services are considered in setting rates.
- **Labor Rates.** In preparing the Budget, the City has developed full compensation costs for each of its regular employees. Along with accounting for paid leave (such as vacation, sick and holidays), "full cost" hourly labor rates can be developed that appropriately include indirect costs.

- **Contracting-Out for Services.** By identifying total costs, the cost allocation plan can also be helpful in analyzing the costs of contracting for services versus performing services in-house.

### PLAN PREPARATION

In a true cost accounting system, indirect costs would be computed and allocated on an ongoing basis throughout the fiscal year based on actual costs. However, frequent updating in municipal finance would not serve any specific purpose—such as unit price control in a manufacturing company—but it would consume significant accounting resources. As such, the City's Cost Allocation Plan is prepared annually based on the budget adopted by the Council.

### SUMMARY

The Cost Allocation Plan makes determining total program costs possible by establishing a reasonable methodology for identifying and allocating indirect costs to direct cost programs. Because of this, the Cost Allocation Plan can be a valuable analytical tool in a number of situations, including allocating organizational resources, performing expense analyses, evaluating the costs of performing services in-house versus contract, establishing fees designed for full cost recovery, recovering indirect costs associated with grant programs and reimbursing support service costs provided by the General Fund to other funds.

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**DIRECT AND INDIRECT COST SUMMARY****Table 1**

<b>DIRECT COSTS</b>	
General Fund	
Police	1,303,200
Fire	354,000
Parks & Recreation	118,100
Permits	109,900
Special Revenue Funds	
Street & Roads Funds	381,800
Public Safety Funds	179,800
Lighting and Landscape Maintenance	65,500
Enterprise Funds	
Water Fund Operating	1,087,400
Wastewater Fund Operating	603,900
Transit Fund	355,000
<b>TOTAL DIRECT COSTS</b>	<b>\$4,558,600</b>

<b>INDIRECT COSTS</b>	
City Council	9,500
City Administration	464,200
City Attorney	51,000
Finance	379,800
Building Maintenance	105,500
City Hall Use Allowance	178,300
<b>TOTAL INDIRECT COSTS</b>	<b>\$1,188,300</b>

<b>OVERALL INDIRECT COST RATE</b>	
Indirect Costs Divided by Direct Costs	26.1%

Under generally accepted accounting principles, capital outlay, debt service, interfund transfers and pass-through payments are usually excluded in calculating indirect cost rates; accordingly, only operating costs (less transfers) are considered in the City's cost allocation plan.

**SUMMARY OF EXCLUDED COSTS AND OTHER ADJUSTMENTS**

**Table 2**

**RECONCILIATION TO 2014-15 BUDGET**

<b>Excluded Costs and Other Reconciling Adjustments</b>	
<i>Less Non-Budget Costs</i>	
City Hall Use Allowance	(178,300)
City Council	(9,500)
Lighting and Landscape Maintenance	(65,500)
<i>Plus Excluded Costs</i>	
General Fund Reimbursement Transfers	
Special Revenue Funds	
Street & Roads Funds	125,000
Public Safety Funds	26,000
Enterprise Funds	
Water Fund Operating	200,000
Wastewater Fund Operating	150,000
Solid Waste Trash Fund	15,000
Transit Fund	35,000
Other Transfers	
Police to Public Safety Funds	52,800
Gas Tax to Solid Waste	28,000
Solid Waste to Affordable Housing	10,000
Capital Outlay	
General Fund	1,500
Special Revenue Funds	
Street & Roads Funds	-
Public Safety Funds	8,000
CDBG - Legion Hall	495,000
Enterprise Funds	
Water Fund	729,000
Wastewater Fund	410,000
Transit Fund	83,900
Debt Service	
Water Fund	65,000
Wastewater Fund	67,000
Pass-Throughs	
Solid Waste Fund	555,300
<b>Total</b>	<b>\$2,803,200</b>

<b>Cost Allocation Plan</b>	
Indirect	1,188,300
Direct	4,558,600
<b>Total</b>	<b>\$5,746,900</b>

Under generally accepted accounting principles, capital outlay, debt service interfund transfers and pass-through payments are usually excluded in calculating indirect cost rates; accordingly, only operating costs (less transfers and pass-throughs) are considered in the City's Cost Allocation Plan.

This schedule identifies these excluded costs, and along with other adjustments ("such as non-budgeted" use allowance costs), reconciles the direct and indirect costs used in the Cost Allocation Plan with the adopted budget.

<b>2014-15</b>	
<b>Total: All City Funds</b>	<b>\$8,550,100</b>

**BASIS OF INDIRECT COST ALLOCATIONS**

**Table 3**

INDIRECT COST PROGRAM	BASIS OF ALLOCATION
City Council	Operating Budget
City Administration	
General Administration	Operating Budget
Program Supervision	Assigned Program
Human Resources	Full-Time Equivalent Staffing
City Attorney	Operating Budget
Finance	
General Finance	Operating Budget
Payroll	Full-Time Equivalent Staffing
Utility Billing	Water and Wastewater Funds
Business License Tax	General Fund Operating Budget
Building Maintenance	Assigned Space/Operating Budget
City Hall Use Allowance	Assigned Space/Operating Budget



**CITY ADMINISTRATION PROGRAM COSTS**

**Table 4.1**

	General Administration	Program Supervision	Human Resources	Total
<b>Staffing</b>	<b>Percent</b>			
City Administrator	0.20	0.75	0.05	1.00
Administrative Assistant	0.20	0.75	0.05	1.00
Human Resources Coordinator			1.00	1.00
<b>Allocated Cost</b>				
City Administrator	29,300	109,600	7,300	146,200
Administrative Assistant	17,300	65,100	4,300	86,700
Human Resources Coordinator	-	-	53,000	53,000
<b>Total Staffing</b>	<b>46,600</b>	<b>174,700</b>	<b>64,600</b>	<b>285,900</b>
Percent	16.3%	61.1%	22.6%	100.0%
<b>Other Operating Costs</b>	<b>14,100</b>	<b>53,100</b>	<b>19,600</b>	<b>86,800</b>
<b>Total Allocated</b>	<b>60,700</b>	<b>227,800</b>	<b>84,200</b>	<b>372,700</b>
<b>Direct Allocations</b>				
Planning (Permits)				26,500
Animal Regulation (Police)				65,000
<b>TOTAL</b>				<b>\$464,200</b>

**FINANCE PROGRAM COSTS**

**Table 4.2**

	General Finance	Payroll	Utility Billing	Business License Tax	Total
<b>Staffing</b>	<b>Percent</b>				
Finance Director	75.0%	5.0%	15.0%	5.0%	100.0%
Business Manager	10.0%	62.5%	25.0%	2.5%	100.0%
Account Clerk	67.5%		30.0%	2.5%	100.0%
Account Clerk: Part-Time	15.0%		75.0%	10.0%	100.0%
	<b>Allocated Cost</b>				
Finance Director	90,507	6,034	18,101	6,034	120,676
Business Manager	10,579	66,120	26,448	2,645	105,792
Account Clerk	54,626	-	24,278	2,023	80,928
Account Clerk: Part-Time	5,760	-	28,800	3,840	38,400
<b>Total Staffing</b>	<b>161,500</b>	<b>72,200</b>	<b>97,600</b>	<b>14,500</b>	345,800
Percent	46.7%	20.9%	28.2%	4.2%	100.0%
Other Operating Costs	15,900	7,100	9,600	1,400	34,000
<b>TOTAL</b>	<b>\$177,400</b>	<b>\$79,300</b>	<b>\$107,200</b>	<b>\$15,900</b>	<b>\$379,800</b>

**SUMMARY OF INDIRECT COST ALLOCATIONS**

**Table 5.1**

	DIRECT COST PROGRAM SUMMARY			Total
	General Fund	Special Revenue Funds	Enterprise Funds	
City Council	3,900	1,300	4,300	9,500
City Administration				
General Administration	25,100	8,400	27,200	60,700
Program Supervision	169,800	24,900	124,600	319,300
Human Resources	52,000	18,200	14,000	84,200
City Attorney	21,000	7,000	23,000	51,000
Finance				
General Finance	73,400	24,400	79,600	177,400
Payroll	49,000	17,100	13,200	79,300
Utility Billing			107,200	107,200
Business License Tax	15,900			15,900
Building Maintenance	82,600	7,600	15,300	105,500
City Hall Use Allowance	139,700	12,700	25,900	178,300
<b>TOTAL INDIRECT COSTS</b>	<b>\$632,400</b>	<b>\$121,600</b>	<b>\$434,300</b>	<b>\$1,188,300</b>

Total Direct Costs	1,885,200	627,100	2,046,300	4,558,600
Total Costs	\$2,517,600	\$748,700	\$2,480,600	\$5,746,900
Indirect Cost Rate	33.5%	19.4%	21.2%	26.1%

**SUMMARY OF INDIRECT COST ALLOCATIONS**

**Table 5.2**

	<b>GENERAL FUND</b>				<b>Total</b>
	<b>Police</b>	<b>Fire</b>	<b>Parks &amp; Recreation</b>	<b>Permits</b>	
City Council	2,800	700	200	200	3,900
City Administration					
General Administration	17,300	4,700	1,600	1,500	25,100
Program Supervision	73,900	8,900	7,100	79,900	169,800
Human Resources	36,900	9,800	1,900	3,400	52,000
City Attorney	14,500	4,000	1,300	1,200	21,000
Finance					
General Finance	50,700	13,800	4,600	4,300	73,400
Payroll	34,700	9,300	1,800	3,200	49,000
Utility Billing					
Business License Tax	11,000	3,000	1,000	900	15,900
Building Maintenance	26,900	12,500	35,300	7,900	82,600
City Hall Use Allowance	45,400	21,300	59,600	13,400	139,700
<b>TOTAL INDIRECT COSTS</b>	<b>\$314,100</b>	<b>\$88,000</b>	<b>\$114,400</b>	<b>\$115,900</b>	<b>\$632,400</b>

Total Direct Costs	1,303,200	354,000	118,100	109,900	1,885,200
Total Costs	\$1,617,300	\$442,000	\$232,500	\$225,800	\$2,517,600
Indirect Cost Rate	24.1%	24.9%	96.9%	105.5%	33.5%

**SUMMARY OF INDIRECT COST ALLOCATIONS**

**Table 5.3**

	SPECIAL REVENUE FUNDS			Total
	Streets & Roads	Public Safety	Lighting & Landscape	
City Council	800	400	100	1,300
City Administration				
General Administration	5,100	2,400	900	8,400
Program Supervision	17,800		7,100	24,900
Human Resources	6,800	11,400		18,200
City Attorney	4,300	2,000	700	7,000
Finance				
General Finance	14,900	7,000	2,500	24,400
Payroll	6,400	10,700		17,100
Utility Billing				
Business License Tax				
Building Maintenance	6,200	1,000	400	7,600
City Hall Use Allowance	10,400	1,700	600	12,700
<b>TOTAL INDIRECT COSTS</b>	<b>\$72,700</b>	<b>\$36,600</b>	<b>\$12,300</b>	<b>\$121,600</b>
Total Direct Costs	381,800	179,800	65,500	627,100
Total Costs	\$454,500	\$216,400	\$77,800	\$748,700
Indirect Cost Rate	19.0%	20.4%	18.8%	19.4%

**SUMMARY OF INDIRECT COST ALLOCATIONS**

**Table 5.4**

	ENTERPRISE FUNDS			Total
	Water	Wastewater	Transit	
City Council	2,300	1,300	700	4,300
City Administration				-
General Administration	14,500	8,000	4,700	27,200
Program Supervision	53,400	53,400	17,800	124,600
Human Resources	4,500	9,500		14,000
City Attorney	12,200	6,800	4,000	23,000
Finance				-
General Finance	42,300	23,500	13,800	79,600
Payroll	4,300	8,900		13,200
Utility Billing	71,800	35,400		107,200
Business License Tax				-
Building Maintenance	10,100	3,300	1,900	15,300
City Hall Use Allowance	17,000	5,600	3,300	25,900
				-
<b>TOTAL INDIRECT COSTS</b>	<b>\$232,400</b>	<b>\$155,700</b>	<b>\$46,200</b>	<b>\$434,300</b>
Total Direct Costs	1,087,400	603,900	355,000	2,046,300
Total Costs	\$1,319,800	\$759,600	\$401,200	\$2,480,600
Indirect Cost Rate	21.4%	25.8%	13.0%	21.2%

# INDIRECT PROGRAM COST ALLOCATION

Table 6.1

Indirect Cost Program	City Council
Budget	\$9,500
Base of Allocation	Operating Budget

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund			
Police	1,303,200	28.6%	2,800
Fire	354,000	7.8%	700
Parks & Recreation	118,100	2.6%	200
Permits	109,900	2.4%	200
Special Revenue Funds			
Street & Roads Funds	381,800	8.4%	800
Public Safety Funds	179,800	3.9%	400
Lighting and Landscape Maintenance	65,500	1.4%	100
Enterprise Funds			
Water Fund Operating	1,087,400	23.9%	2,300
Wastewater Fund Operating	603,900	13.2%	1,300
Transit Fund	355,000	7.8%	700
<b>Total Direct Cost Programs</b>	<b>4,558,600</b>	<b>100.0%</b>	<b>\$9,500</b>

# INDIRECT PROGRAM COST ALLOCATION

Table 6.2(a)

Indirect Cost Program	City Administration: General Administration
Budget	\$60,700
Base of Allocation	Operating Budget

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund			
Police	1,303,200	28.6%	17,300
Fire	354,000	7.8%	4,700
Parks & Recreation	118,100	2.6%	1,600
Permits	109,900	2.4%	1,500
Special Revenue Funds			
Street & Roads Funds	381,800	8.4%	5,100
Public Safety Funds	179,800	3.9%	2,400
Lighting and Landscape Maintenance	65,500	1.4%	900
Enterprise Funds			
Water Fund Operating	1,087,400	23.9%	14,500
Wastewater Fund Operating	603,900	13.2%	8,000
Transit Fund	355,000	7.8%	4,700
<b>Total Direct Cost Programs</b>	<b>4,558,600</b>	<b>100.0%</b>	<b>\$60,700</b>



**INDIRECT PROGRAM COST ALLOCATION**

**Table 6.2(b)**

Indirect Cost Program	City Administration: Program Supervision
Budget	\$319,300
Base of Allocation	Assigned Program

<b>Direct Cost Program</b>	<b>Percent of Total</b>	<b>Cost Allocation</b>	<b>Animal Regulation</b>	<b>Staff Planner</b>	<b>Total</b>
General Fund					
Police	4%	8,900	65,000		73,900
Fire	4%	8,900			8,900
Parks & Recreation	3%	7,100			7,100
Permits	23%	53,400		26,500	79,900
Special Revenue Funds					
Street & Roads Funds	8%	17,800			17,800
Public Safety Funds					
Lighting and Landscape Maintenance	3%	7,100			7,100
Enterprise Funds					
Water Fund Operating	23%	53,400			53,400
Wastewater Fund Operating	23%	53,400			53,400
Transit Fund	8%	17,800			17,800
<b>Total Direct Cost Programs</b>	<b>100%</b>	<b>\$227,800</b>	<b>\$65,000</b>	<b>\$26,500</b>	<b>\$319,300</b>

**INDIRECT PROGRAM COST ALLOCATION**

**Table 6.2(c)**

Indirect Cost Program	City Administration: Human Resources	
Budget	\$84,200	
Base of Allocation	Full-Time Equivalent Employees	

<b>Direct Cost Program</b>	<b>Base of Allocation</b>	<b>Percent of Total</b>	<b>Cost Allocation</b>
General Fund			
Police	9.75	43.8%	36,900
Fire	2.60	11.7%	9,800
Parks & Recreation	0.50	2.2%	1,900
Permits	0.90	4.0%	3,400
Special Revenue Funds			
Street & Roads Funds	1.80	8.1%	6,800
Public Safety Funds	3.00	13.5%	11,400
Lighting and Landscape Maintenance			
Enterprise Funds			
Water Fund Operating	1.20	5.4%	4,500
Wastewater Fund Operating	2.50	11.2%	9,500
Transit Fund			
<b>Total Direct Cost Programs</b>	<b>22.25</b>	<b>100.0%</b>	<b>\$84,200</b>

# INDIRECT PROGRAM COST ALLOCATION

Table 6.3

Indirect Cost Program	City Attorney
Budget	\$51,000
Base of Allocation	Operating Budget

<b>Direct Cost Program</b>	<b>Base of Allocation</b>	<b>Percent of Total</b>	<b>Cost Allocation</b>
General Fund			
Police	1,303,200	28.6%	14,500
Fire	354,000	7.8%	4,000
Parks & Recreation	118,100	2.6%	1,300
Permits	109,900	2.4%	1,200
Special Revenue Funds			
Street & Roads Funds	381,800	8.4%	4,300
Public Safety Funds	179,800	3.9%	2,000
Lighting and Landscape Maintenance	65,500	1.4%	700
Enterprise Funds			
Water Fund Operating	1,087,400	23.9%	12,200
Wastewater Fund Operating	603,900	13.2%	6,800
Transit Fund	355,000	7.8%	4,000
<b>Total Direct Cost Programs</b>	<b>4,558,600</b>	<b>100.0%</b>	<b>\$51,000</b>

# INDIRECT PROGRAM COST ALLOCATION

Table 6.4(a)

Indirect Cost Program Budget	Finance: General Finance
Base of Allocation	\$177,400 Operating Budget

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund			
Police	1,303,200	28.6%	50,700
Fire	354,000	7.8%	13,800
Parks & Recreation	118,100	2.6%	4,600
Permits	109,900	2.4%	4,300
Special Revenue Funds			
Street & Roads Funds	381,800	8.4%	14,900
Public Safety Funds	179,800	3.9%	7,000
Lighting and Landscape Maintenance	65,500	1.4%	2,500
Enterprise Funds			
Water Fund Operating	1,087,400	23.9%	42,300
Wastewater Fund Operating	603,900	13.2%	23,500
Transit Fund	355,000	7.8%	13,800
<b>Total Direct Cost Programs</b>	<b>4,558,600</b>	<b>100.0%</b>	<b>\$177,400</b>

# INDIRECT PROGRAM COST ALLOCATION

Table 6.4(b)

Indirect Cost Program	Finance: Payroll
Budget	\$79,300
Base of Allocation	Full-Time Equivalent Staffing

<b>Direct Cost Program</b>	<b>Base of Allocation</b>	<b>Percent of Total</b>	<b>Cost Allocation</b>
General Fund			
Police	9.75	43.8%	34,700
Fire	2.60	11.7%	9,300
Parks & Recreation	0.50	2.2%	1,800
Permits	0.90	4.0%	3,200
Special Revenue Funds			
Street & Roads Funds	1.80	8.1%	6,400
Public Safety Funds	3.00	13.5%	10,700
Lighting and Landscape Maintenance			
Enterprise Funds			
Water Fund Operating	1.20	5.4%	4,300
Wastewater Fund Operating	2.50	11.2%	8,900
Transit Fund			
<b>Total Direct Cost Programs</b>	<b>22.25</b>	<b>100.0%</b>	<b>\$79,300</b>

**INDIRECT PROGRAM COST ALLOCATION**

Table 6.4(c)

Indirect Cost Program	Finance: Utility Billing
Budget	\$107,200
Base of Allocation	Water and Wastewater

<b>Direct Cost Program</b>	<b>Percent of Total</b>	<b>Cost Allocation</b>
General Fund		
Police		
Fire		
Parks & Recreation		
Permits		
Special Revenue Funds		
Street & Roads Funds		
Public Safety Funds		
Lighting and Landscape Maintenance		
Enterprise Funds		
Water Fund Operating	67.0%	71,800
Wastewater Fund Operating	33.0%	35,400
Transit Fund		
<b>Total Direct Cost Programs</b>	<b>100.0%</b>	<b>\$107,200</b>

# INDIRECT PROGRAM COST ALLOCATION

Table 6.4(d)

Indirect Cost Program	Finance: Business License Tax
Budget	\$15,900
Base of Allocation	General Fund Operating Budget

<b>Direct Cost Program</b>	<b>Base of Allocation</b>	<b>Percent of Total</b>	<b>Cost Allocation</b>
General Fund			
Police	1,303,200	69.1%	11,000
Fire	354,000	18.8%	3,000
Parks & Recreation	118,100	6.3%	1,000
Permits	109,900	5.8%	900
Special Revenue Funds			
Street & Roads Funds			
Public Safety Funds			
Lighting and Landscape Maintenance			
Enterprise Funds			
Water Fund Operating			
Wastewater Fund Operating			
Transit Fund			
<b>Total Direct Cost Programs</b>	<b>1,885,200</b>	<b>100.0%</b>	<b>\$15,900</b>

**INDIRECT PROGRAM COST ALLOCATION**

**Table 6.5**

Indirect Cost Program	Building Maintenance	<i>Direct</i>	<i>Indirect</i>	<i>Total</i>
Budget	\$105,500	\$80,500	\$25,000	\$105,500
Base of Allocation	Assigned Space/Operating Budget	12,960	4,017	16,977

Direct Cost Program	Direct Cost Programs			Indirect Cost Programs			Total Cost Allocation
	Base of Allocation	Percent of Total	Cost Allocation	Base of Allocation	Percent of Total	Operating Allocation	
General Fund							
Police	3,178	24.5%	19,700	1,303,200	28.6%	7,200	26,900
Fire	1,713	13.2%	10,600	354,000	7.8%	1,900	12,500
Parks & Recreation	5,583	43.1%	34,700	118,100	2.6%	600	35,300
Permits	1,178	9.1%	7,300	109,900	2.4%	600	7,900
Special Revenue Funds	-						
Street & Roads Funds	654	5.0%	4,100	381,800	8.4%	2,100	6,200
Public Safety Funds	-			179,800	3.9%	1,000	1,000
Lighting and Landscape Maintenance	-			65,500	1.4%	400	400
Enterprise Funds	-						
Water Fund Operating	654	5.0%	4,100	1,087,400	23.9%	6,000	10,100
Wastewater Fund Operating	-			603,900	13.2%	3,300	3,300
Transit Fund	-			355,000	7.8%	1,900	1,900
<b>Total Direct Cost Programs</b>	<b>12,960</b>	<b>100.0%</b>	<b>\$80,500</b>	<b>4,558,600</b>	<b>100.0%</b>	<b>\$25,000</b>	<b>\$105,500</b>



# INDIRECT PROGRAM COST ALLOCATION

Table 6.6

Indirect Cost Program	City Hall Use Allowance	<i>Direct</i>	<i>Indirect</i>	<i>Total</i>
Budget	\$178,300	\$136,100	\$42,200	\$178,300
Base of Allocation	Assigned Space/Operating Budget	12,960	4,017	16,977

Direct Cost Program	Direct Cost Programs			Indirect Cost Programs			Total Cost Allocation
	Base of Allocation	Percent of Total	Cost Allocation	Base of Allocation	Percent of Total	Operating Allocation	
General Fund							
Police	3,178	24.5%	33,400	1,303,200	28.6%	12,000	45,400
Fire	1,713	13.2%	18,000	354,000	7.8%	3,300	21,300
Parks & Recreation	5,583	43.1%	58,500	118,100	2.6%	1,100	59,600
Permits	1,178	9.1%	12,400	109,900	2.4%	1,000	13,400
Special Revenue Funds				-			
Street & Roads Funds	654	5.0%	6,900	381,800	8.4%	3,500	10,400
Public Safety Funds				179,800	3.9%	1,700	1,700
Lighting and Landscape Maintenance				65,500	1.4%	600	600
Enterprise Funds				-			
Water Fund Operating	654	5.0%	6,900	1,087,400	23.9%	10,100	17,000
Wastewater Fund Operating				603,900	13.2%	5,600	5,600
Transit Fund				355,000	7.8%	3,300	3,300
<b>Total Direct Cost Programs</b>	<b>12,960</b>	<b>100.0%</b>	<b>\$136,100</b>	<b>4,558,600</b>	<b>100.0%</b>	<b>\$42,200</b>	<b>\$178,300</b>

Rental rates are conservatively based on a market rental rate of 87.5 cents per month per square feet based on three factors:

1. A recent appraisal for Successor Agency property shows market rents in the City ranging from 60 cents to \$1.20 per square foot per month for commercial uses. 87.5 cents is slightly below the middle of this range.
2. Commercial space is currently on the market for \$1.00 per square foot per month.
3. This market rate use allowance is made even more conservative based its application to “net” square footage (net of circulation, bathrooms, storage and other common areas), whereas commercial rates are typically based on “gross area.”

**GENERAL FUND REIMBURSEMENT TRANSFERS: BUDGET VERSUS ACTUAL**

**Table 7**

	2014-15 Budget	Cost Allocation Plan	Police Administration		Variance
			Allocated Cost (See Below)	Police Grant Limitation*	
Special Revenue Funds					
Street & Roads Funds	125,000	72,700			(52,300)
Public Safety Funds*	26,000	36,600	63,400	(74,000)	-
Lighting and Landscape Maintenance		12,300			12,300
CDBG - Microenterprise	15,000				(15,000)
Enterprise Funds					
Water Fund Operating	200,000	232,400			32,400
Wastewater Fund Operating	150,000	155,700			5,700
Transit Fund	35,000	46,200			11,200
<b>Total</b>	<b>\$551,000</b>	<b>\$555,900</b>	<b>\$63,400</b>	<b>(\$74,000)</b>	<b>(\$5,700)</b>

\*Assumes reimbursements are limited to the budget amount and reflects downward adjustment from the Preliminary Budget of \$60,000 due to discontinuing involvement in the countywide SBRNT program (drug task force).

**Allocation of Police Administration Costs**

Police Cost Summary	
Police Administration	
Staffing	
Police Chief	95,900
Office Manager	84,500
Records Technician	57,600
Supplies and Services	
Dispatch and Lab Services	55,000
Communications	5,600
Vehicle Maintenance & Fuel	39,500
Liability Insurance	15,000
Contract Services	15,000
Other Operating Costs	18,600
Total Police Administration	386,700
Direct Costs	
General Fund	916,500
Public Safety Grants	179,800
<b>Total Police Costs</b>	<b>\$1,483,000</b>

Allocation of Police Administration			
	Operating Budget	Percent	Allocation
General Fund	916,500	83.6%	323,300
Public Safety Grants	179,800	16.4%	63,400
<b>Total</b>	<b>\$1,096,300</b>	<b>100.0%</b>	<b>\$386,700</b>

**ALLOCATION BASES: FULL-TIME STAFFING**

**Table 8.1**

<b>DIRECT COST PROGRAMS</b>	
General Fund	
Police	9.75
Fire	2.60
Parks & Recreation	0.50
Permits	0.90
Special Revenue Funds	
Street & Roads Funds	1.80
Public Safety Funds	3.00
Lighting and Landscape Maintenance	-
Enterprise Funds	
Water Fund Operating	1.20
Wastewater Fund Operating	2.50
Transit Fund	-
<b>TOTAL DIRECT COST PROGRAMS</b>	<b>22.25</b>

<b>INDIRECT COST PROGRAMS</b>	
City Council	-
Administration	2.50
City Attorney	-
Finance	3.70
Building Maintenance	0.50
City Hall Use Allowance	-
<b>TOTAL INDIRECT COST PROGRAMS</b>	<b>6.70</b>

**TOTAL** **28.95**

**ALLOCATION BASES: ASSIGNED SPACE**

**Table 8.2**

<b>DIRECT COST PROGRAMS</b>	
General Fund	
Police	3,178
Fire	1,713
Parks & Recreation	5,583
Permits	1,178
Special Revenue Funds	
Street & Roads Funds	654
Public Safety Funds	
Lighting and Landscape Maintenance	
Enterprise Funds	
Water Fund Operating	654
Wastewater Fund Operating	
Transit Fund	
<b>TOTAL DIRECT COST PROGRAMS</b>	<b>12,960</b>

<b>INDIRECT COST PROGRAMS</b>	
City Council	1,523
Administration	1,377
City Attorney	-
Finance	1,117
Building Maintenance	-
<b>TOTAL INDIRECT COST PROGRAMS</b>	<b>4,017</b>

Cost\* @ \$0.875 per square foot per month \*\* \$136,100

**Total Cost** \$178,300      **Total Sq Ft** 16,977      \$42,200

	<b>Direct</b>	<b>Indirect</b>
Percent of Total Square Feet	76.3%	23.7%

\* Rental rates are conservatively based on a market rental rate of 87.5 cents per month per square feet based on three factors:

1. A recent appraisal for Successor Agency property shows market rents in the City ranging from 60 cents to \$1.20 per square foot per month for commercial uses. 87.5 cents is slightly below the middle of this range.
2. Commercial space is currently on the market for \$1.00 per square foot per month.
3. This market rate use allowance is made even more conservative based its application to “net” square footage (net of circulation, bathrooms, storage and other common areas), whereas commercial rates are typically based on “gross area.”

\*\* Excludes circulation, storage, restrooms and other common areas