

**REPORT TO CITY COUNCIL
Council Agenda of 8/14/2018**


Annette Muñoz, Finance Director

- SUBJECT** 2018-19 Cost Allocation Plan
- RECOMMENDATION** Review the Fiscal Year 2018-2019 Cost Allocation Plan with Changes and Approve Resolution 2018-49.
- DISCUSSION**

At the July 31, 2018 special meeting Council approved the FY 2018-2019 Budget. The last column of Page B-1 of the Budget titled “Transfers to General Fund” included the estimated transfers to the General Fund (see attached). The amounts shown in the last column of page B-1 were used as a placeholder until the 2018-19 Cost Allocation Plan was completed.

The 2018-19 Cost Allocation Plan is the calculation of costs for services provided by the General Fund to the Street, Lighting and Landscape, CDBG and Enterprise Funds. Pages 1 through 3 of the Plan explain the purpose of the Cost Allocation Plan as well as the difference between direct and indirect costs and the methods used to determine the cost allocations.

General Fund Reimbursement Transfers located on page 24 of the Cost Allocation Plan show the “Per Estimate Table 2” amounts that were included on page B-1 of the 2018-19 approved Budget). Page 24 also shows the “2018-19 Per the Cost Allocation Plan” and the last column shows the amounts to be used (see “Use” column).

The differences between the “Per Estimate Table 2” column and the “Use” column on page 24 are relatively small except for the Water fund. Staff is recommending to use the \$110,000 for the Water fund and not the \$293,500 due to budget constraints. The Transit Fund will need to stay at \$35,000 as changes are allowed only by approval from the Department of Transportation.

Below is a summary of the changes for General Fund Reimbursement Transfers:

<u>Fund</u>	<u>7/31/18 Approved Budget</u>	<u>8/14/18 Cost Allocation Plan</u>	<u>Change</u>
Streets	95,600	95,200	<400>
Light & Lndscp Dist	9,900	15,000	5,100
CDBG Microenterprise	500	500	-0-
Water Fund Operating	110,000	110,000	-0-
Wastewater Fund Operating	200,000	205,900	5,900
Transit Fund	35,000	35,000	-0-
Successor Agency	<u>125,000</u>	<u>125,000</u>	<u>-0-</u>
Total	\$576,000	\$586,600	\$10,600

FISCAL IMPACT

Increase to the General fund of \$10,600

Attachments

2018-19 Budget page B-1 "Transfers to General Fund"

2018-19 Cost Allocation Plan

Resolution 2018-49

TRANSFERS TO GENERAL FUND

TRANSFERS TO GENERAL FUND	Actual 2015-16	Actual 2016-17	Budget 2017-18	Budget 2018-19
Enterprise Funds				
3810 Water	251,600	281,900	280,600	110,000
3815 Wastewater	177,700	177,300	194,500	200,000
3831 Transit	35,000	35,000	35,000	35,000
Sub-Total Enterprise Funds	464,300	494,200	510,100	345,000
Street Funds				
71 Measure A	60,000	30,500	76,400	76,400
20 Gas Tax	37,100	42,900	19,200	19,200
22 LTF - Roads	700	8,600	-	-
Sub-Total Street Funds	97,800	82,000	95,600	95,600
Other Funds				
67 CDBG Micro	2,250	15,000	2,250	500
65 Lighting District	13,100	8,300	7,600	7,600
60 Lighting & Landscape District	3,000	2,400	2,300	2,300
Sub-Total Other Funds	18,350	25,700	12,150	10,400
26 Successor Agency Operating	59,770	80,000	80,000	125,000
Grand Total General Fund Transfers	640,220	681,900	697,850	576,000
	Transfers based on Cost Allocation Study	Transfers based on Cost Allocation Study	Transfers based on Cost Allocation Study	

COST ALLOCATION PLAN

Fiscal Year 2017-18



City of Guadalupe

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INTRODUCTION

OVERVIEW

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

Purpose of the Plan

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?

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

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

Distributing Indirect Costs

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

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

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

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

Provided in Table 1 (page 4) is a summary of direct and indirect costs for the City of Guadalupe based on the approved 2017-18 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 21.4%, the total cost for a direct program of \$100,000 in Guadalupe would be \$121,400 with this approach.

Bases of Allocation

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 3 (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

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

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.

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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 are based on the Cost Allocation Plan compared with budget estimates are provided 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.

DIRECT AND INDIRECT COST SUMMARY

Table 1

DIRECT COSTS		INDIRECT COSTS	
General Fund		City Council	11,217
Police 01 4200	1,741,129	City Administration	352,291
Fire 01 4220	608,158	City Attorney	110,000
Parks & Recreation 01 4300	154,239	Finance	498,718
Permits 01 4405	293,889	Building Maintenance & Non Departmental	260,617
General Street Improvements(01 4451)	-	City Hall Use Allowance	183,400
Special Revenue Funds			
Street & Roads Funds (20,22,71,83)	360,307		
Public Safety Funds (57,42,40,43)	269,319		
Lighting and Landscape Maintenance (60, 65, 63)	142,711		
Library Fund (28)	7,408		
Public Facilities Fund (36)	-		
Park Development Fund (38)	-		
CDBG Fund (67)	-		
Capital Facilities Fund (76)	-		
Enterprise Funds			
Water Fund Operating (10)	1,626,600		
Wastewater Fund Operating (12)	950,324		
Solid Waste Fund (15)	-		
Transit Fund (23)	471,882		
TOTAL DIRECT COSTS	\$6,625,966	TOTAL INDIRECT COSTS	\$1,416,243

OVERALL INDIRECT COST RATE	
Indirect Costs Divided by Direct Costs	21.4%

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 2018-19 BUDGET

Excluded Costs and Other Reconciling Adjustments	
Less Non-Budget Costs:	(183,400)
City Hall Use Allowance	
Plus Excluded Costs:	
General Fund Reimbursement Transfers	
Special Revenue Funds	95,600
Street & Roads Funds	
Public Safety Funds	
Enterprise Funds	
Water Fund Operating	110,000
Wastewater Fund Operating	200,000
Transit Fund	35,000
Lighting/Landscape Districts	9,900
CDBG Misc	500
Other Transfers	
Measure A to Solid Waste	-
Capital Outlay	
General Fund (Parks)	-
General Fund (Street Improvements)	36,200
Special Revenue Funds	
Street & Roads Funds	1,357,995
Public Safety Funds	-
Capital Facilities Fund	-
Enterprise Funds	
Water Operating Fund	71,500
Water Capital Fund	34,144
Wastewater Operating Fund	230,000
Wastewater Capital Fund	460,000
Sewer Bond Fund	16,100
Pasadena Lighting & Landscape	6,108
Debt Service	
Police	32,030
Fire	14,000
Parks & Rec	4,500
Non-Departmental	101,429
Streets (20)	20,900
Water Operating Fund	72,860
Wastewater Operating Fund	93,940
Pass-Throughs	
Total	2,819,306

Cost Allocation Plan	
Indirect	1,416,243
Direct	6,625,966
Total	\$8,042,209

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.

2018-19	\$10,861,515
Total: All City Funds	

BASIS OF INDIRECT COST ALLOCATIONS

Table 3

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

CITY ADMINISTRATION PROGRAM COSTS

Table 4.1

Staffing	General Administration	Program Supervision	Human Resources	Total
City Administrator	0.20	0.75	0.05	1.00
Administrative Assistant	0.40	0.55	0.05	1.00
Human Resources Coordinator			1.00	1.00
Allocated Cost				
City Administrator	29,916	112,187	7,479	149,582
Administrative Assistant	45,152	62,083	5,644	112,879
Human Resources Coordinator	-	-	62,527	62,527
Total Staffing	75,068	174,270	75,650	324,988
Percent	23.1%	53.6%	23.3%	100.0%
Other Operating Costs	6,306	14,639	6,355	27,300
Total Allocated	81,374	188,909	82,005	352,288
Direct Allocations				
Animal Regulation (Police)				58,358
TOTAL				\$410,646

FINANCE PROGRAM COSTS

Table 4.2

	General Finance	Payroll	Utility Billing Percent	Business License Tax	Total
Staffing					
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-Britt	67.5%	-	30.0%	2.5%	100.0%
Account Clerk-Rivas	5.0%	-	85.0%	10.0%	100.0%
Allocated Cost					
Finance Director	120,116	8,008	24,023	8,008	160,155
Business Manager	13,527	84,546	33,819	3,382	135,274
Account Clerk-Britt	65,951	-	29,312	2,443	97,705
Account Clerk-Rivas	3,980	-	67,653	7,959	79,592
Total Staffing	203,600	92,600	154,800	21,800	472,800
Percent	43.1%	19.6%	32.7%	4.6%	100.0%
Other Operating Costs	11,300	5,100	8,500	1,200	26,100
TOTAL	\$214,900	\$97,700	\$163,300	\$23,000	\$498,686

SUMMARY OF INDIRECT COST ALLOCATIONS

Table 5.1

	DIRECT COST PROGRAM SUMMARY				Total
	General Fund	Special Revenue Funds	Enterprise Funds	Funds	
City Council	4,736	1,320	5,161		11,217
City Administration					
General Administration	34,355	9,576	37,443		81,374
Program Supervision	56,673	37,782	94,455		188,909
Human Resources	56,538	7,131	18,336		82,005
City Attorney	46,441	12,945	50,614		110,000
Finance					
General Finance	90,729	25,289	98,703		214,721
Payroll	67,358	8,496	21,846		97,700
Utility Billing			163,300		163,300
Business License Tax	23,000				23,000
Building Maintenance/Non Dept	204,907	17,297	38,414		260,617
City Hall Use Allowance	144,196	12,172	27,032		183,400
TOTAL INDIRECT COSTS	\$728,931	\$132,007	\$555,305		\$1,416,243

Total Direct Costs	2,797,415	779,745	3,048,806	6,625,966
Total Costs	\$3,526,346	\$911,752	\$3,604,111	\$8,042,209
Indirect Cost Rate	26.1%	16.9%	18.2%	21.4%

SUMMARY OF INDIRECT COST ALLOCATIONS

Table 5.2

	GENERAL FUND					Total
	Police	Fire	Parks & Recreation	Permits		
City Council	2,948	1,030	261	498		4,736
City Administration						
General Administration	21,383	7,469	1,894	3,609		34,355
Program Supervision	71,582	5,667	9,445	28,336		115,031
Human Resources	40,748	10,187	2,886	2,717		56,538
City Attorney	28,905	10,096	2,561	4,879		46,441
Finance						
General Finance	56,470	19,724	5,002	9,532		90,729
Payroll	48,547	12,137	3,439	3,236		67,358
Utility Billing						
Business License Tax	14,315	5,000	1,268	2,416		23,000
Building Maintenance & Non Departmental	64,990	31,957	87,141	20,819		204,907
City Hall Use Allowance	45,735	22,488	61,322	14,651		144,196
TOTAL INDIRECT COSTS	\$395,622	\$125,755	\$175,221	\$90,692		\$787,289
Total Direct Costs	1,741,129	608,158	154,239	293,889		2,797,415
Total Costs	\$2,136,751	\$733,913	\$329,460	\$384,581		\$3,584,704
Indirect Cost Rate	22.7%	20.7%	113.6%	30.9%		28.1%

SUMMARY OF INDIRECT COST ALLOCATIONS

Table 5.3

	SPECIAL REVENUE FUNDS					Total
	Pub Fac, Library & Park Dev	Streets & Roads	Public Safety	Lighting & Landscape		
City Council	13	610	456	242		1,320
City Administration						
General Administration	91	4,425	3,308	1,753		9,576
Program Supervision		34,004		3,778		37,782
Human Resources		7,131				7,131
City Attorney	123	5,982	4,471	2,369		12,945
Finance						
General Finance	240	11,686	8,735	4,629		25,289
Payroll		8,496				8,496
Utility Billing						
Business License Tax						
Building Maintenance	69	13,393	2,506	1,328		17,297
City Hall Use Allowance	49	9,425	1,764	935		12,172
TOTAL INDIRECT COSTS	\$584	\$95,150	\$21,240	\$15,033		\$132,007
Total Direct Costs	7,408	360,307	269,319	142,711		779,745
Total Costs	\$7,992	\$455,457	\$290,559	\$157,744		\$911,752
Indirect Cost Rate		26.4%	7.9%	10.5%		16.9%

SUMMARY OF INDIRECT COST ALLOCATIONS

Table 5.4

	ENTERPRISE FUNDS				Total
	Water	Wastewater	Transit	Total	
City Council	2,754	1,609	799	5,161	
City Administration				-	
General Administration	19,976	11,671	5,795	37,443	
Program Supervision	37,782	37,782	18,891	94,455	
Human Resources	9,168	9,168		18,336	
City Attorney	27,004	15,777	7,834	50,614	
Finance				-	
General Finance	52,756	30,822	15,305	98,882	
Payroll	10,923	10,923		21,846	
Utility Billing	90,228	73,072		163,300	
Business License Tax					
Building Maintenance	25,178	8,844	4,392	38,414	
City Hall Use Allowance	17,718	6,224	3,090	27,032	
TOTAL INDIRECT COSTS	\$293,487	\$205,891	\$56,106	\$555,484	

Total Direct Costs	1,626,600	950,324	471,882	3,048,806
Total Costs	\$1,920,087	\$1,156,215	\$527,988	\$3,604,290
Indirect Cost Rate	18.0%	21.7%	11.9%	18.2%

INDIRECT PROGRAM COST ALLOCATION

Table 6.1

Indirect Cost Program
 Budget
 Base of Allocation

City Council
 \$11,217
 Operating Budget

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund			
Police	1,741,129	26.3%	2,948
Fire	608,158	9.2%	1,030
Parks & Recreation	154,239	2.3%	261
Permits	293,889	4.4%	498
Special Revenue Funds			
Street & Roads Funds	360,307	5.4%	610
Public Safety Funds	269,319	4.1%	456
Lighting and Landscape Maintenance	142,711	2.2%	242
Library Fund (28)	7,408	0.1%	13
Public Facilities Fund (36)			
Park Development Fund (38)			
Enterprise Funds			
Water Fund Operating	1,626,600	24.5%	2,754
Wastewater Fund Operating	950,324	14.3%	1,609
Transit Fund	471,882	7.1%	799
Total Direct Cost Programs	6,625,966	100.0%	\$11,217

INDIRECT PROGRAM COST ALLOCATION

Table 6.2(a)

Indirect Cost Program
 Budget
 Base of Allocation

City Administration: General Administration
 \$81,374
 Operating Budget

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund	1,741,129	26.3%	21,383
Police	608,158	9.2%	7,469
Fire	154,239	2.3%	1,894
Parks & Recreation	293,889	4.4%	3,609
Permits			
Special Revenue Funds			
Street & Roads Funds	360,307	5.4%	4,425
Public Safety Funds	269,319	4.1%	3,308
Lighting and Landscape Maintenance	142,711	2.2%	1,753
Library Fund (28)	7,408	0.1%	91
Public Facilities Fund (36)			
Park Development Fund (38)			
Enterprise Funds			
Water Fund Operating	1,626,600	24.5%	19,976
Wastewater Fund Operating	950,324	14.3%	11,671
Transit Fund	471,882	7.1%	5,795
Total Direct Cost Programs	6,625,966	100.0%	\$81,374

INDIRECT PROGRAM COST ALLOCATION

Table 6.2(b)

Indirect Cost Program
 Budget
 Base of Allocation

City Administration: Program Supervision
 247,267
 Assigned Program

Direct Cost Program		Percent of Total	Cost Allocation	Animal Regulation	Staff Planner	Total
General Fund						
Police	7	7%	13,224	58,358		71,582
Fire	3	3%	5,667			5,667
Parks & Recreation	5	5%	9,445			9,445
Permits (includes Planning)	15	15%	28,336			28,336
Special Revenue Funds						
Street & Roads Funds	18	18%	34,004			34,004
Public Safety Funds						
Lighting and Landscape Maintenance	2	2%	3,778			3,778
Enterprise Funds						
Water Fund Operating	20	20%	37,782			37,782
Wastewater Fund Operating	20	20%	37,782			37,782
Transit Fund	10	10%	18,891			18,891
	100.0					
Total Direct Cost Programs		100%	\$188,909	\$58,358		\$247,267

INDIRECT PROGRAM COST ALLOCATION

Table 6.2(c)

Indirect Cost Program
 Budget
 Base of Allocation

City Administration: Human Resources
 \$82,005
 Full-Time Equivalent Employees

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund			
Police	12.00	49.7%	40,748
Fire	3.00	12.4%	10,187
Parks & Recreation	0.85	3.5%	2,886
Permits	0.80	3.3%	2,717
Special Revenue Funds			
Street & Roads Funds	2.10	8.7%	7,131
Public Safety Funds	-	-	-
Lighting and Landscape Maintenance	-	-	-
Enterprise Funds			
Water Fund Operating	2.70	11.2%	9,168
Wastewater Fund Operating	2.70	11.2%	9,168
Transit Fund			
Total Direct Cost Programs	24.15	100.0%	\$82,005

INDIRECT PROGRAM COST ALLOCATION

Table 6.3

Indirect Cost Program Budget
 Base of Allocation

City Attorney
\$110,000
Operating Budget

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund			
Police	1,741,129	26.3%	28,905
Fire	608,158	9.2%	10,096
Parks & Recreation	154,239	2.3%	2,561
Permits	293,889	4.4%	4,879
Special Revenue Funds			
Street & Roads Funds	360,307	5.4%	5,982
Public Safety Funds	269,319	4.1%	4,471
Lighting and Landscape Maintenance	142,711	2.2%	2,369
Library Fund (28)	7,408	0.1%	123
Public Facilities Fund (36)			
Park Development Fund (38)			
Enterprise Funds			
Water Fund Operating	1,626,600	24.5%	27,004
Wastewater Fund Operating	950,324	14.3%	15,777
Transit Fund	471,882	7.1%	7,834
Total Direct Cost Programs	6,625,966	100.0%	\$110,000

INDIRECT PROGRAM COST ALLOCATION

Table 6.4(a)

Indirect Cost Program Budget
 Base of Allocation

Finance: General Finance
 \$214,900
 Operating Budget

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund			
Police	1,741,129	26.3%	56,470
Fire	608,158	9.2%	19,724
Parks & Recreation	154,239	2.3%	5,002
Permits	293,889	4.4%	9,532
Special Revenue Funds			
Street & Roads Funds	360,307	5.4%	11,686
Public Safety Funds	269,319	4.1%	8,735
Lighting and Landscape Maintenance	142,711	2.2%	4,629
Library Fund (28)	7,408	0.1%	240
Public Facilities Fund (36)			
Park Development Fund (38)			
Enterprise Funds			
Water Fund Operating	1,626,600	24.5%	52,756
Wastewater Fund Operating	950,324	14.3%	30,822
Transit Fund	471,882	7.1%	15,305
Total Direct Cost Programs	6,625,966	100.0%	\$214,900

INDIRECT PROGRAM COST ALLOCATION

Table 6.4(b)

Indirect Cost Program
 Budget
 Base of Allocation

Finance: Payroll
 \$97,700
 Full-Time Equivalent Staffing

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund			
Police	12.00	49.7%	48,547
Fire	3.00	12.4%	12,137
Parks & Recreation	0.85	3.5%	3,439
Permits	0.80	3.3%	3,236
Special Revenue Funds			
Street & Roads Funds	2.10	8.7%	8,496
Public Safety Funds			
Lighting and Landscape Maintenance			
Enterprise Funds			
Water Fund Operating	2.70	11.2%	10,923
Wastewater Fund Operating	2.70	11.2%	10,923
Transit Fund			
Total Direct Cost Programs	24.15	100.0%	\$97,700

INDIRECT PROGRAM COST ALLOCATION

Table 6.4(c)

Indirect Cost Program Budget	Finance: Utility Billing \$163,300
Base of Allocation	Water and Wastewater

Direct Cost Program	Percent of Total	Cost Allocation
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	55.3%	90,228
Wastewater Fund Operating	44.7%	73,072
Transit Fund		
Total Direct Cost Programs	100.0%	\$163,300

INDIRECT PROGRAM COST ALLOCATION

Table 6.4(c)

Indirect Cost Program Budget
 Base of Allocation

Finance: Business License Tax
 \$23,000
 General Fund Operating Budget

Direct Cost Program	Base of Allocation	Percent of Total	Cost Allocation
General Fund			
Police	1,741,129	62.2%	14,315
Fire	608,158	21.7%	5,000
Parks & Recreation	154,239	5.5%	1,268
Permits	293,889	10.5%	2,416
Special Revenue Funds			
Street & Roads Funds			
Public Safety Funds			
Lighting and Landscape Maintenance			
Enterprise Funds			
Water Fund Operating			
Wastewater Fund Operating			
Transit Fund			
Total Direct Cost Programs	2,797,415	100.0%	\$23,000

INDIRECT PROGRAM COST ALLOCATION

Table 6.5

Indirect Cost Program Budget	Building Maintenance & Non Departmental	Direct	Indirect	Total
260,617		\$198,951	\$61,666	\$260,617
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	Percent of Total	
General Fund					
Police	3,178	24.5%	48,786	26.3%	16,204
Fire	1,713	13.2%	26,297	9.2%	5,660
Parks & Recreation	5,583	43.1%	85,706	2.3%	1,435
Permits	1,178	9.1%	18,084	4.4%	2,735
Special Revenue Funds	-				
Street & Roads Funds	654	5.0%	10,040	5.4%	3,353
Public Safety Funds	-				
Lighting and Landscape Maintenance					
Library Fund (28)					
Public Facilities Fund (36)					
Park Development Fund (38)					
Enterprise Funds					
Water Fund Operating	654	5.0%	10,040	24.5%	15,138
Wastewater Fund Operating	-			14.3%	8,844
Transit Fund	-			7.1%	4,392
Total Direct Cost Programs	12,960	100.0%	\$198,951	100.0%	\$61,666
			6,625,966		\$260,617

INDIRECT PROGRAM COST ALLOCATION

Table 6.6

Indirect Cost Program Budget	City Hall Use Allowance	Direct	Indirect	Total
	\$183,400	\$140,005	\$43,395	\$183,400
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	Base of Allocation	Percent of Total	
General Fund					
Police	3,178	24.5%	1,741,129	26.3%	11,403
Fire	1,713	13.2%	608,158	9.2%	3,983
Parks & Recreation	5,583	43.1%	154,239	2.3%	1,010
Permits	1,178	9.1%	293,889	4.4%	1,925
Special Revenue Funds					
Street & Roads Funds	654	5.0%	360,307	5.4%	2,360
Public Safety Funds			269,319	4.1%	1,764
Lighting and Landscape Maintenance			142,711	2.2%	935
Library Fund (28)			7,408	0.1%	49
Public Facilities Fund (36)			-		
Park Development Fund (38)			-		
Enterprise Funds					
Water Fund Operating	654	5.0%	1,626,600	24.5%	10,653
Wastewater Fund Operating			950,324	14.3%	6,224
Transit Fund			471,882	7.1%	3,090
Total Direct Cost Programs	12,960	100.0%	\$140,005	100.0%	\$43,395
			6,625,966		\$183,400

Rental rates are conservatively based on a market rental rate of 87.5 cents per month per square foot 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

Table 7

	Per Estimate Table 2	2018-19 Per Cost Allocation Plan	Imposed Limitation*	Variance	Use
Special Revenue Funds					
Street & Roads Funds	95,600	95,200		(400)	95,200
Lighting and Landscape Maintenance					
CDBG - Microenterprise	9,900	15,000		5,100	15,000
Enterprise Funds	500	500		-	500
Water Fund Operating	110,000	293,500		183,500	293,500
Wastewater Fund Operating	200,000	205,900		5,900	205,900
Transit Fund	35,000	56,100	(21,100)	-	35,000
Successor Agency per 18-19 ROPS	125,000	125,000		-	125,000
Total	\$576,000	\$791,200	(\$21,100)	\$194,100	\$770,100

* Not currently allowed by funding sources need approval by the Department of Transportation

ALLOCATION BASES: FULL-TIME STAFFING

Table 8.1

DIRECT COST PROGRAMS		INDIRECT COST PROGRAMS	
General Fund		City Council	-
Police	12.00	Administration	2.65
Fire	3.00	City Attorney	-
Parks & Recreation	0.85	Finance	4.00
Permits	0.80	Building Maintenance	0.25
Special Revenue Funds		City Hall Use Allowance	-
Street & Roads Funds	2.10		
Public Safety Funds	-		
Lighting and Landscape Maintenance	-		
Enterprise Funds			
Water Fund Operating	2.70		
Wastewater Fund Operating	2.70		
Transit Fund	-		
TOTAL DIRECT COST PROGRAMS	24.15	TOTAL INDIRECT COST PROGRAMS	6.90
		TOTAL	31.05

ALLOCATION BASES: ASSIGNED SPACE

Table 8.2

DIRECT COST PROGRAMS		INDIRECT COST PROGRAMS	
General Fund		City Council	1,523
Police	3,178	Administration	1,377
Fire	1,713	City Attorney	-
Parks & Recreation	5,583	Finance	1,117
Permits	1,178	Building Maintenance	-
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			
TOTAL DIRECT COST PROGRAMS	12,960	TOTAL INDIRECT COST PROGRAMS	4,017
Cost* @ \$0.90 per square foot per month **	\$140,000	Total Cost	\$183,400
		Total Sq Ft	16,977

Percent of Total Square Feet	Direct	Indirect
	76.3%	23.7%

Bill Staffers Original Notes

* Rental rates are conservatively based on a market rental rate of 87.5 cents per month per square foot 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

RESOLUTION NO. 2018-49

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GUADALUPE, CALIFORNIA,
ADOPTING THE 2018-19 COST ALLOCATION PLAN WITH CHANGES**

WHEREAS, City Staff has prepared a Cost Allocation Plan for FY 2018-19; and

WHEREAS, City Council has reviewed the Cost Allocation Plan.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Guadalupe as follows:

SECTION 1. City Council adopts the attached FY 2018-19 Cost Allocation Plan with changes to the Water Fund and Transit fund.

PASSED AND ADOPTED at a regular meeting on the 14th of August 2018 by the following vote:

Motion:

AYES:

NOES:

ABSENT:

ABSTAIN

I, **Joice Raguz**, City Clerk of the City of Guadalupe, **DO HEREBY CERTIFY** that the foregoing Resolution, being **Resolution No. 2018-49** has been duly signed by the Mayor and attested by the City Clerk, all at a regular meeting of the City Council, held August 14th, 2018 and that same was approved and adopted.

ATTEST:

Joice Raguz
City Clerk

John Lizalde
Mayor