



CITY OF MANZANITA



Indirect Cost Allocation Study

Todd Chase, Principal
Martin Chaw, Project Manager
Luke Slaughterbeck, Senior Analyst

April 09, 2020; 10:00AM
Remote Presentation



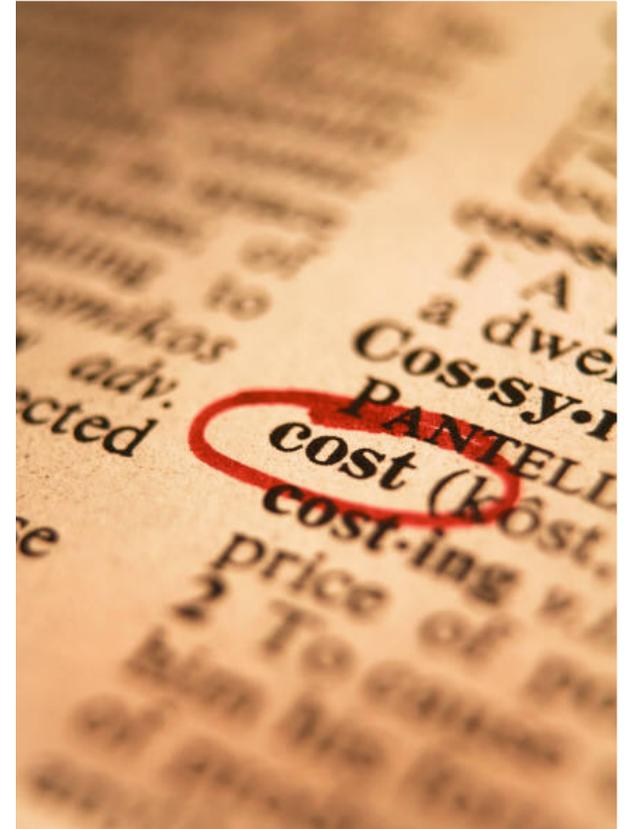
FCS GROUP

Solutions-Oriented Consulting



Agenda

- ◆ Scope of work: What is an Indirect Cost Allocation study?
- ◆ Why prepare an ICAP?
- ◆ Study Process
- ◆ Q&A



About FCS GROUP

- ◆ 30 years in business
- ◆ Work nearly exclusively for public sector agencies
- ◆ Utility financial analysis
- ◆ Rates, charges and fee studies
- ◆ Indirect cost allocation studies
- ◆ Long term financial planning
- ◆ Economic and land use studies





Rate and Fee Consulting

revenue requirement
policy development
cost of service
rate design
impact fees / connection charges



Asset Management

utility management evaluation
asset management plan
life-cycle planning
maintenance management planning
strategic planning



Utility Management

business case evaluation
utility formations
mergers and assumptions
organizational performance
wholesale agreements

Everything You Need To Know

About Optimizing Your Utility and Agency Performance



Financial Planning and Analysis

cost allocation planning
development and user fees
cost-benefit analysis
funding analysis
financial forecast and trend analysis



Economic Services

economic opportunity analysis
impact analysis
housing and employment study
infrastructure funding
industry cluster analysis



Agencies and Partners

municipal utilities
special districts
cities, counties, ports
state offices
engineering and planning partners

Our Mission

We facilitate sound decision-making by public officials and stakeholders by applying a solutions-focused analytical approach to public sector issues and programs, often in support of life-sustaining infrastructure and improved quality of life.



Recently completed ICAP Studies

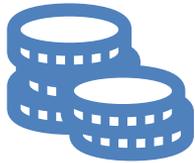


- ◆ Ashland, OR
- ◆ Hillsboro, OR
- ◆ Oregon Higher Education Coordinating Commission
- ◆ Tualatin Valley Water District
- ◆ Kent, WA
- ◆ Lacey, WA
- ◆ Mill Creek, WA
- ◆ Ridgefield, WA
- ◆ Shelton, WA
- ◆ Sumner, WA
- ◆ Toppenish, WA
- ◆ Boise, ID
- ◆ Coeur d'Alene, ID

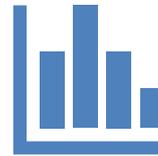
Current or recently completed in past 24 months



Scope of Work



Prepare cost allocation plan



Presentations to City Council

March 31: Study purpose & methodology

April 22: Study results



Written report

Cost allocation plan

Users guide

Model training



What is an Indirect Cost Allocation Study?

A method to calculate the cost of **support** activities and functions to serve **operating** programs

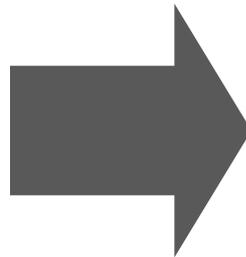
Indirect / Support Activities

City Manager

Assistant City Manager

Finance

Licensing / Ordinances



Direct Operating Programs

Police

Building

Municipal Court

Parks

Water Treatment & Distribution

Roads



Why Prepare a Cost Allocation Plan?



Indirect support costs are a **normal** and **necessary** part of city operations



Allocating support costs to direct service functions helps to understand the **true** and **full** cost of service delivery

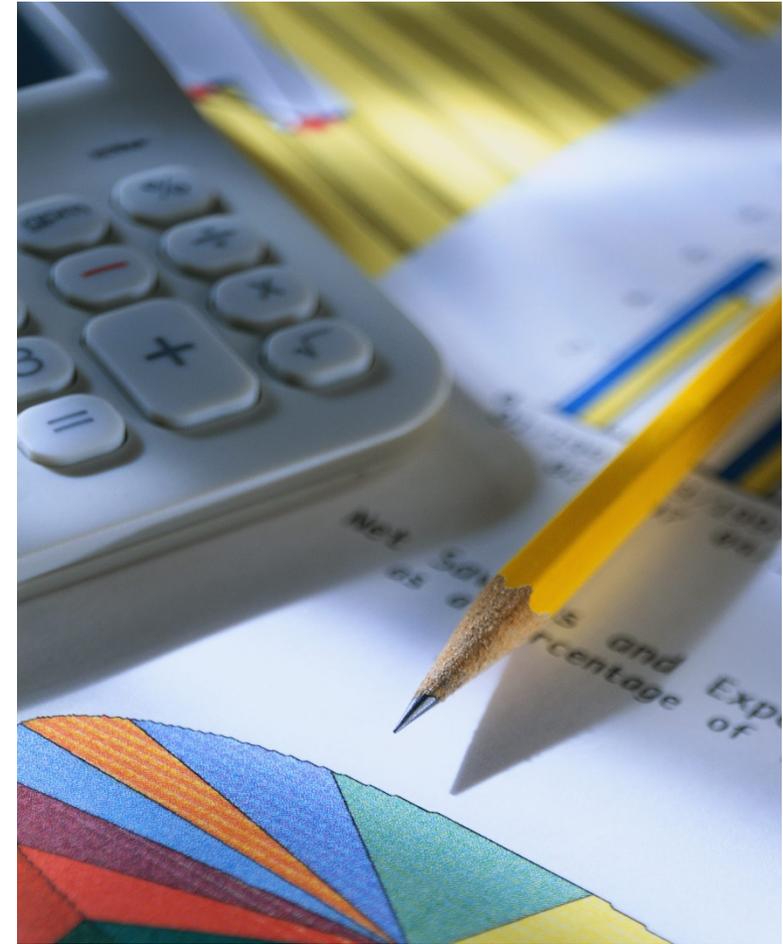


Allows the General Fund to receive a **fair** and **equitable** reimbursement for services provided.



Guiding Principles

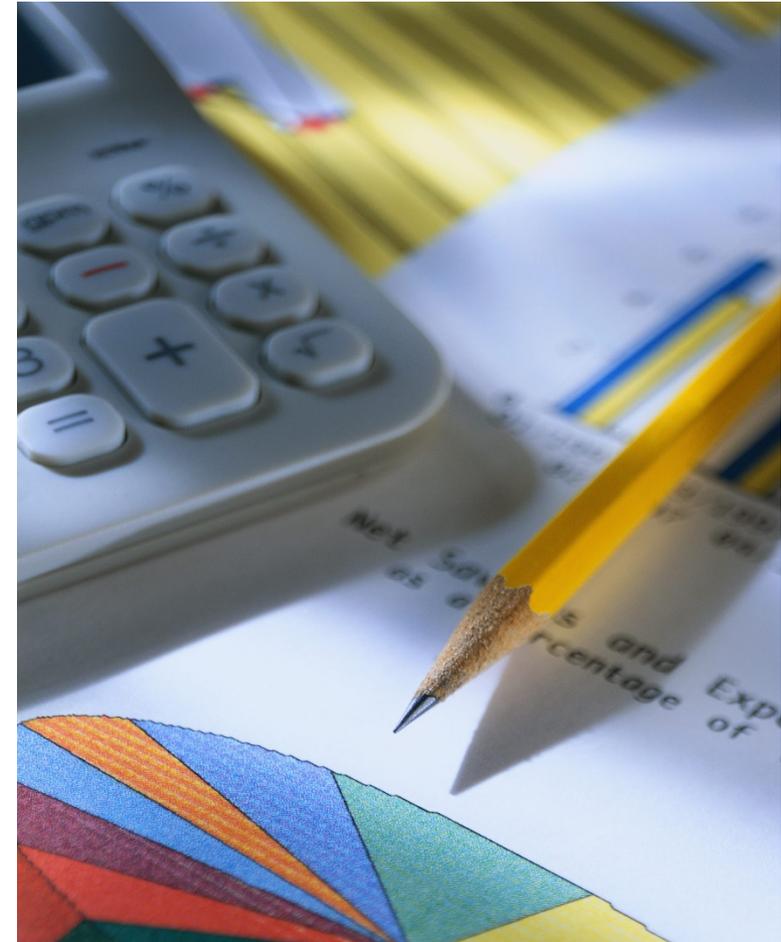
- ◆ Indirect costs are incurred for a **common purpose** benefiting more than one cost function
- ◆ Strive for a **reasonable**, **equitable**, and **defensible** means to allocate costs
- ◆ Allocated indirect costs should be **proportionate** to the level of effort
- ◆ Allocations should be **fair** and **relatively stable** from one year to the next





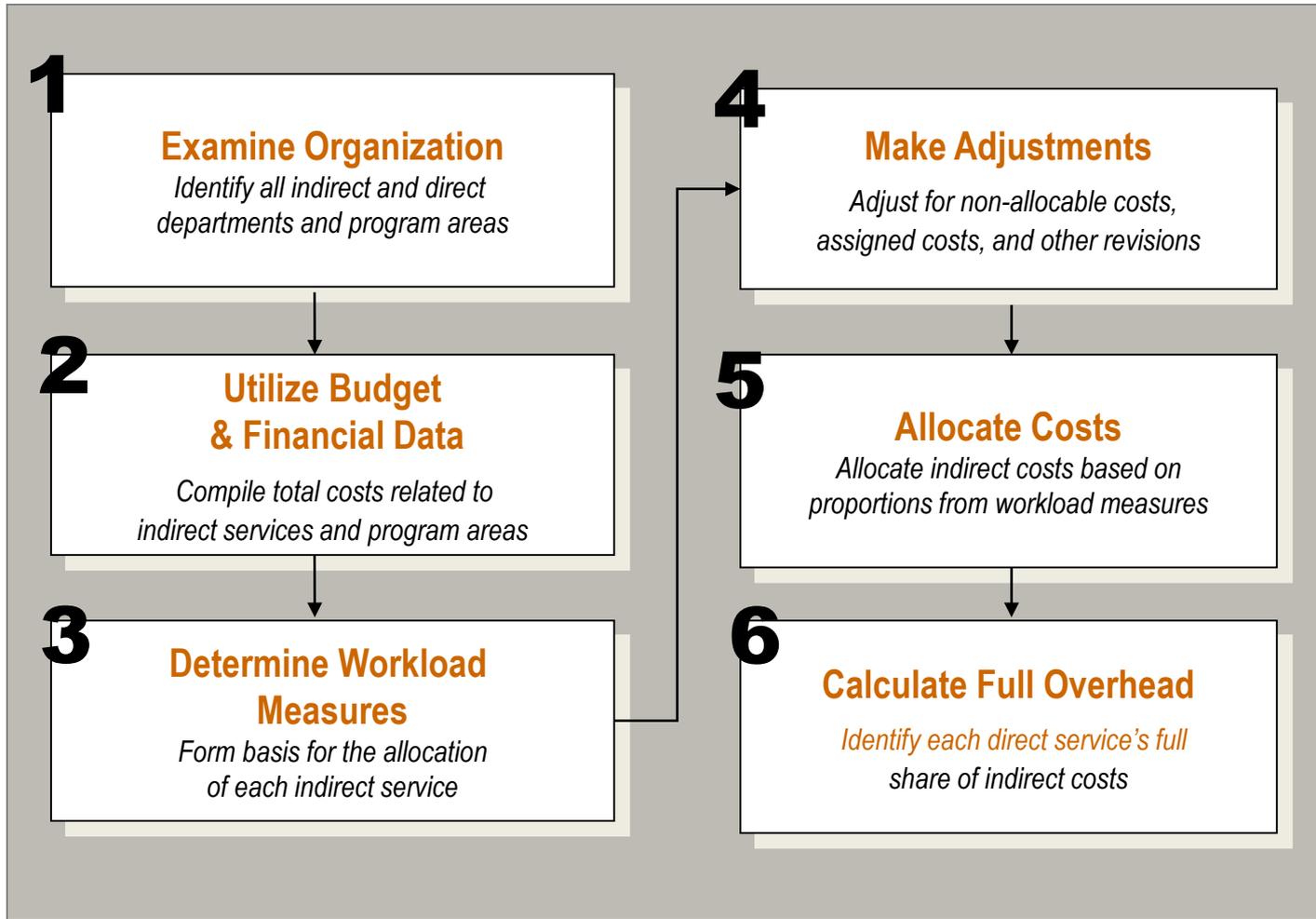
Guiding Principles (con't)

- ◆ Allocations should be **easily understood** by both internal and external stakeholders
- ◆ Recognize that cost allocation is an **estimate** of the level of services
- ◆ City can institute strategies to **stabilize charges** (such as multi-year averaging of allocation factors)





Cost Allocation Process





Anticipated Study Outcomes

- ◆ Reasonable and acceptable link between cost allocation measure(s) and level of service
- ◆ City staff and Council understanding of methodology and results
- ◆ Tool that can be maintained by staff
- ◆ Results to be incorporated into 2020/21 budget planning process
- ◆ After the study (ideal)
 - Updates should occur coincident with each budget process
 - Or when there are significant changes in organizational structure or administrative costs





Questions/Discussion



Todd Chase
Principal In Charge
(503) 374-0676
toddc@fcsgroup.com

Martin Chaw
Project Manager
(425) 274-2853
martinc@fcsgroup.com

Luke Slaughterbeck
Senior Analyst
(425) 615-6935
luke@fcsgroup.com

Oregon - Washington - Colorado

