



CITY OF  
MANZANITA



# Indirect Cost Allocation Study Results

May 6, 2020; 7:00PM  
Remote Presentation

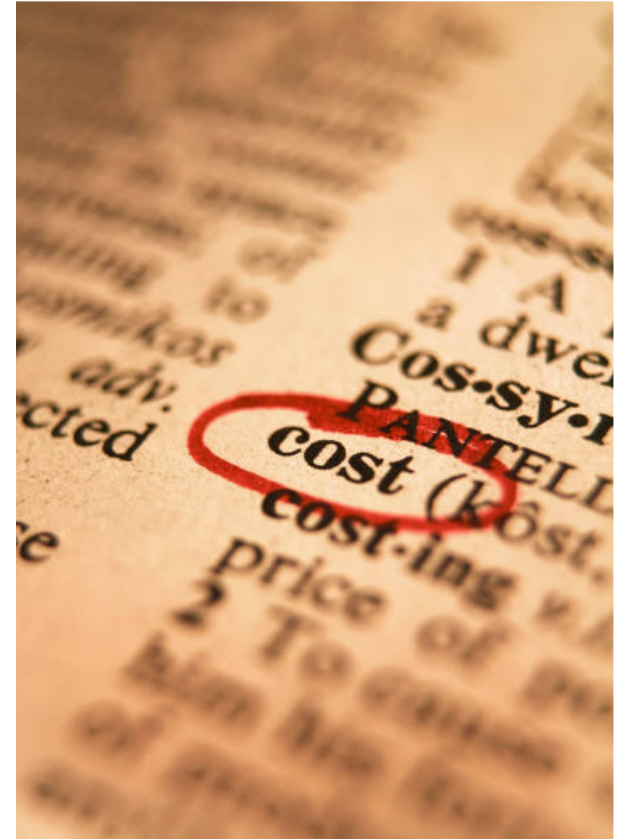


**FCS GROUP**  
Solutions-Oriented Consulting

# Agenda

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- ◆ Results of Indirect Cost Allocation Study
- ◆ Next Steps and City Budget
- ◆ Q&A





# Our Scope of Work

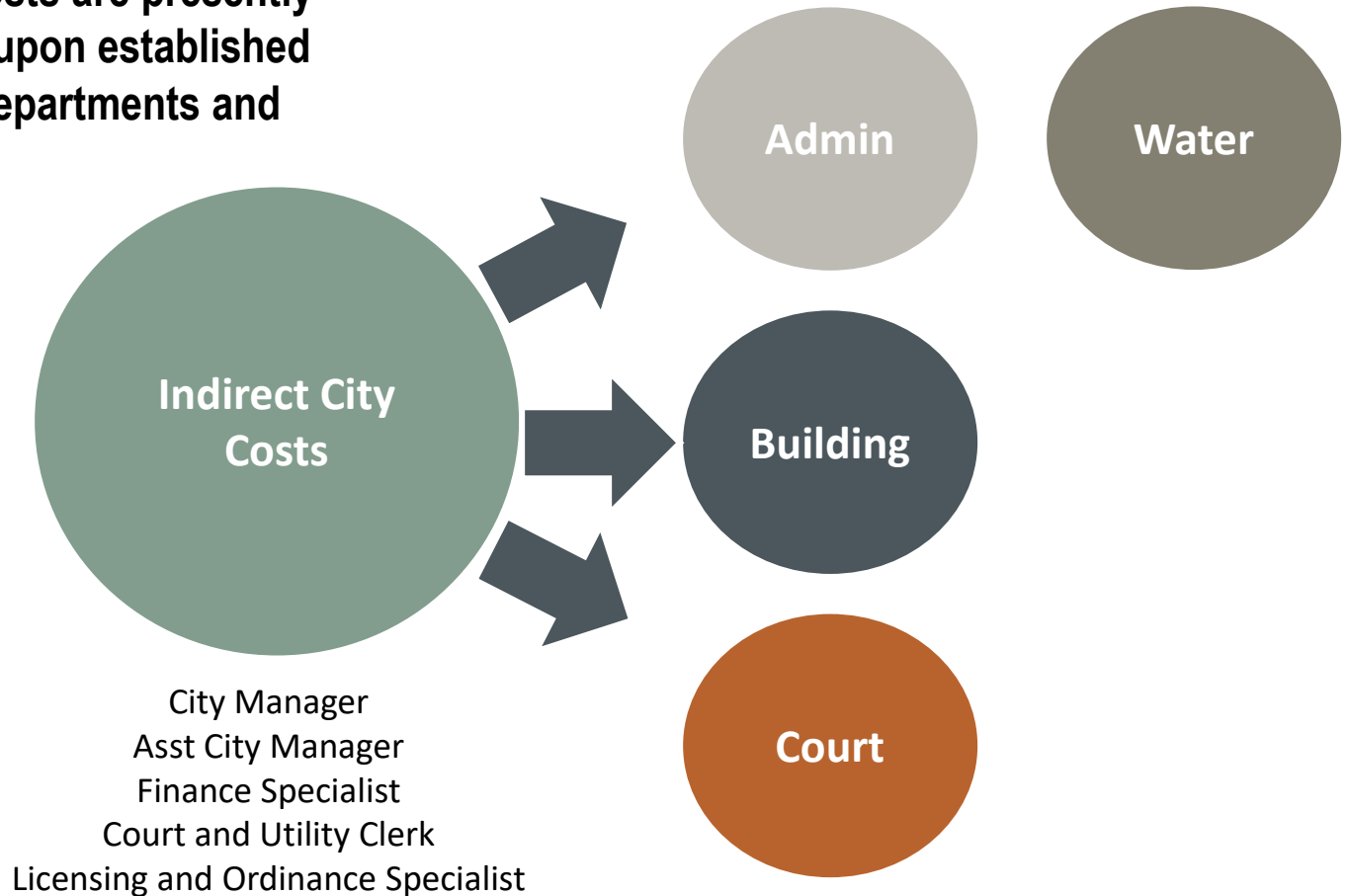
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- ◆ **Prepare a citywide indirect cost allocation plan**
- ◆ **Assist City with implementing results of this plan**
- ◆ **Previous Council workshops:**
  - April 9, 2020: Overview of proposed study and process
  - April 22, 2020: Review study results



# Current Approach

- ◆ Salary/Benefit costs are presently allocated based upon established cost shares to Departments and Funds
- ◆ This approach is not working
- ◆ Not a clear nexus to actual work performed by department or fund



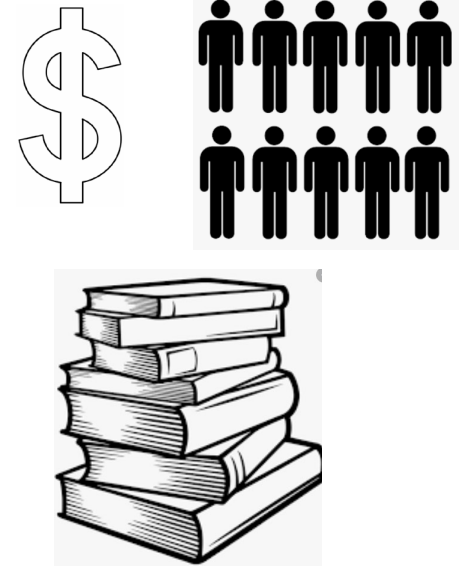


# Proposed Approach

- ◆ **Proposal:**
  - Indirect **salary/benefit and O&M costs** allocated based on **workload metrics**
  - **Fundamental shift** in how administrative costs are allocated
- ◆ **Recommended metrics:**
  - FTEs
  - Non-personnel expenditures
  - Agenda items
  - Direct assignment

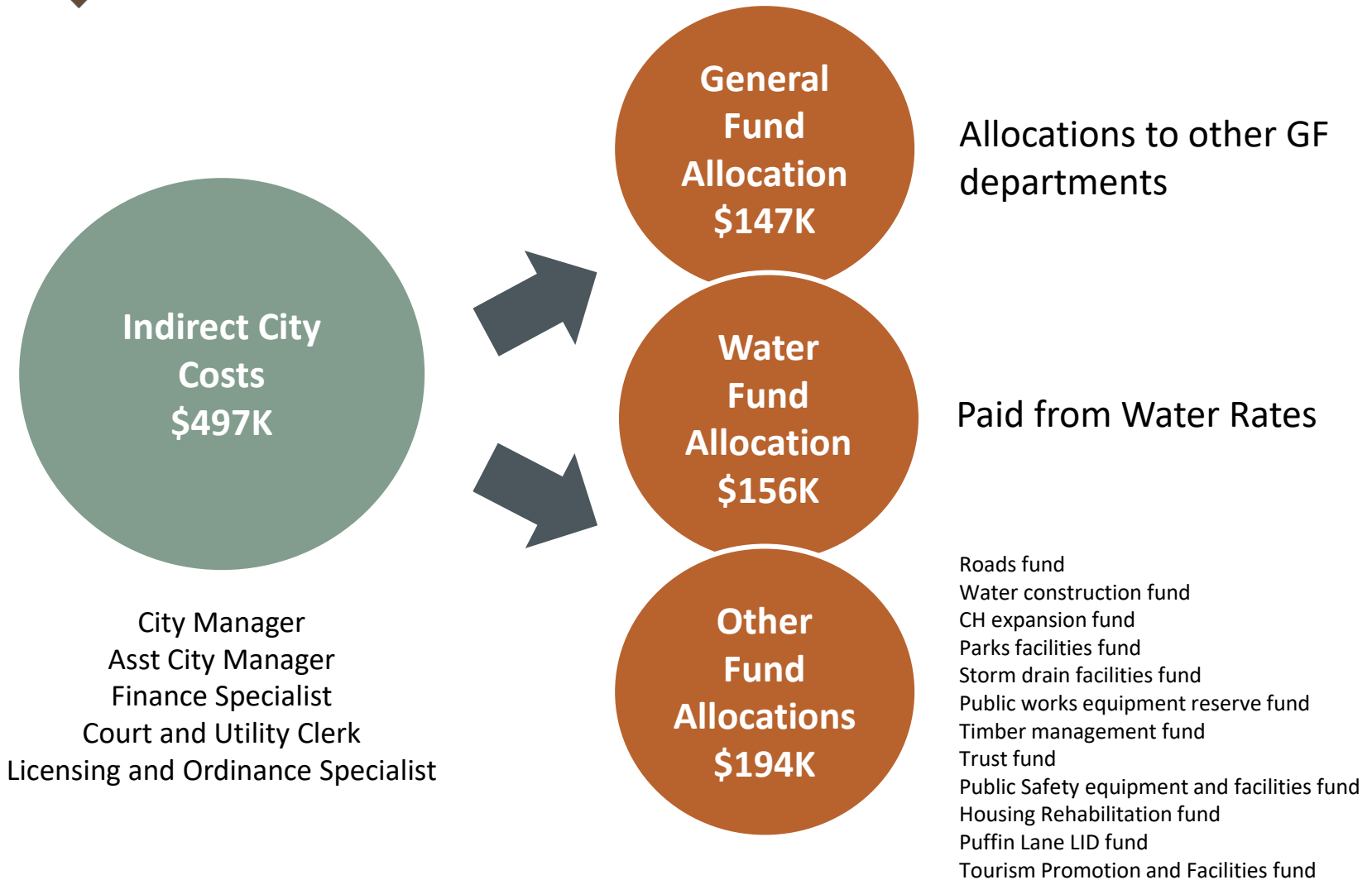


## Workload Metrics



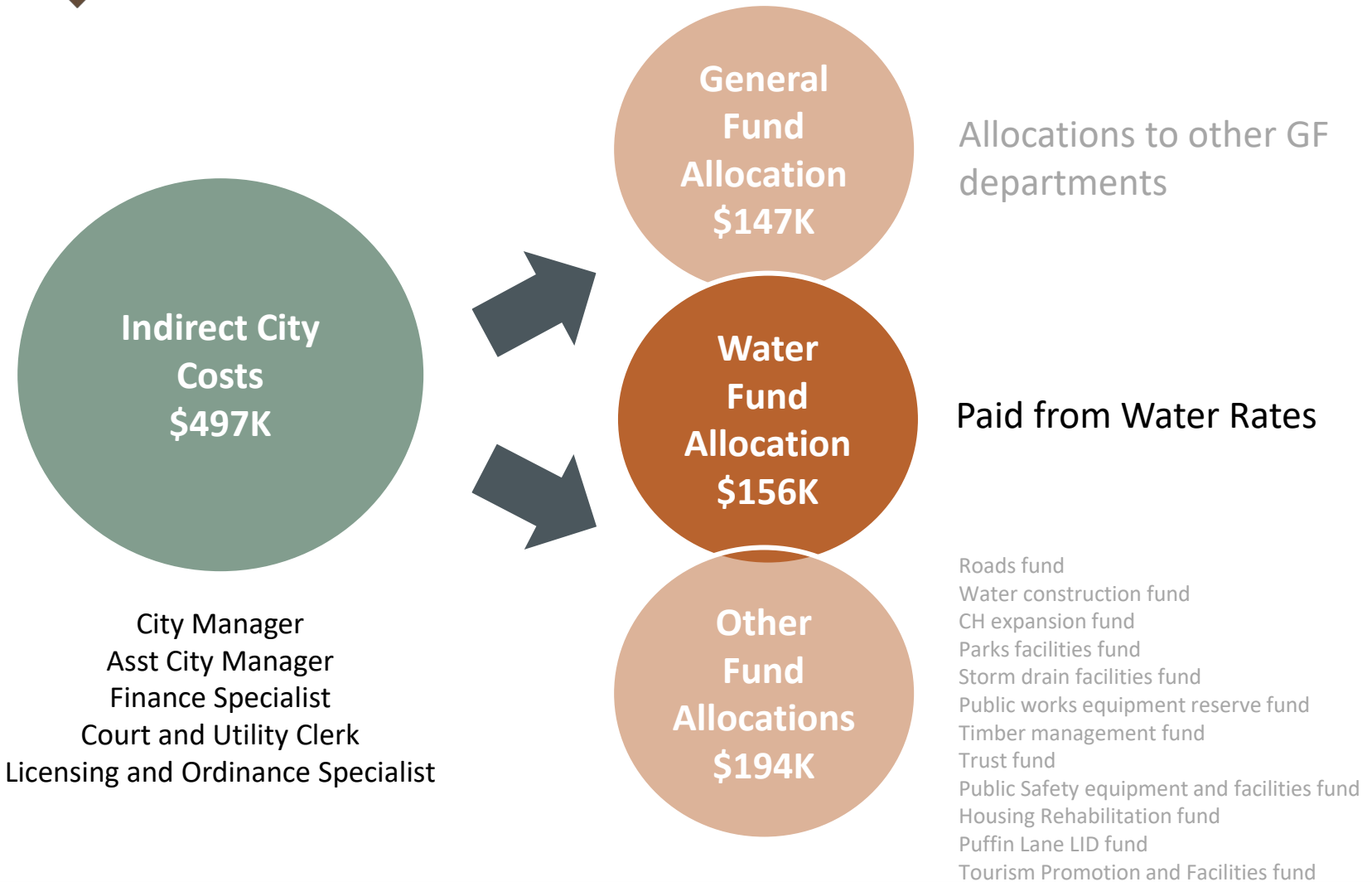


# Study Results





# Incorporating Results into 2020-21 Budget





# Water Utility Payment to General Fund

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**Current**

**(Based upon assigned cost shares)**

**\$150K**

**Proposed**

**(Based on workload metrics)**

**\$156K**



*Continue to be paid from  
Water Utility rates*





# Why Change

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- ◆ **Clearer association between administrative costs and departments and funds supported**
- ◆ **Allocations based upon work metrics that are available, easy to understand and defensible**
- ◆ **Aligns the City's budget and cost allocation process with industry practices**



# Next Steps

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**Questions?**

**Next Steps:**

**Council direction to consultant for further analysis**

**OR**

**Council approval of proposed cost allocation plan / methodology**

**Incorporate results into City annual 2020-2021 budget**

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