



CITY OF MANZANITA



Indirect Cost Allocation Study

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Remote Presentation

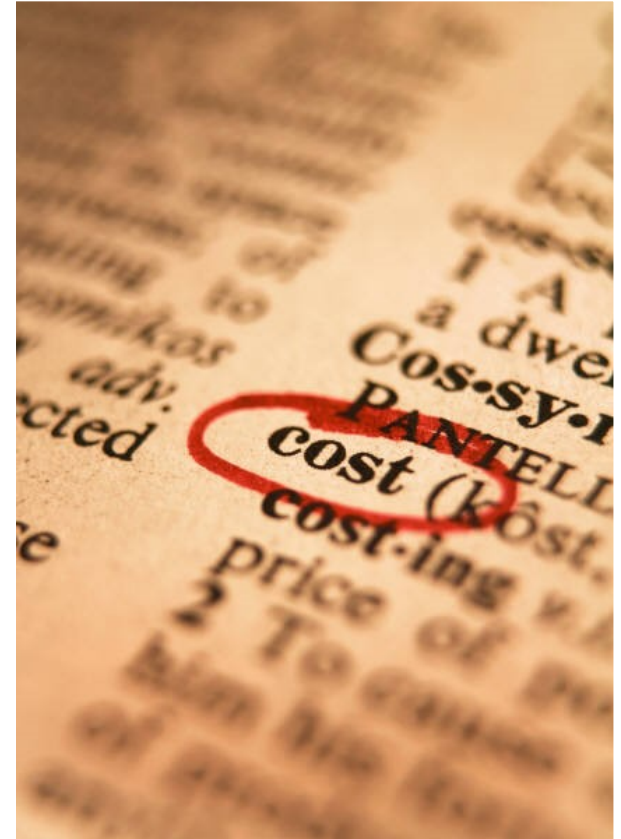


FCS GROUP

Solutions-Oriented Consulting

Agenda

- ◆ Review results of Indirect Cost Allocation Study
- ◆ Recommendations and next steps
- ◆ Q&A



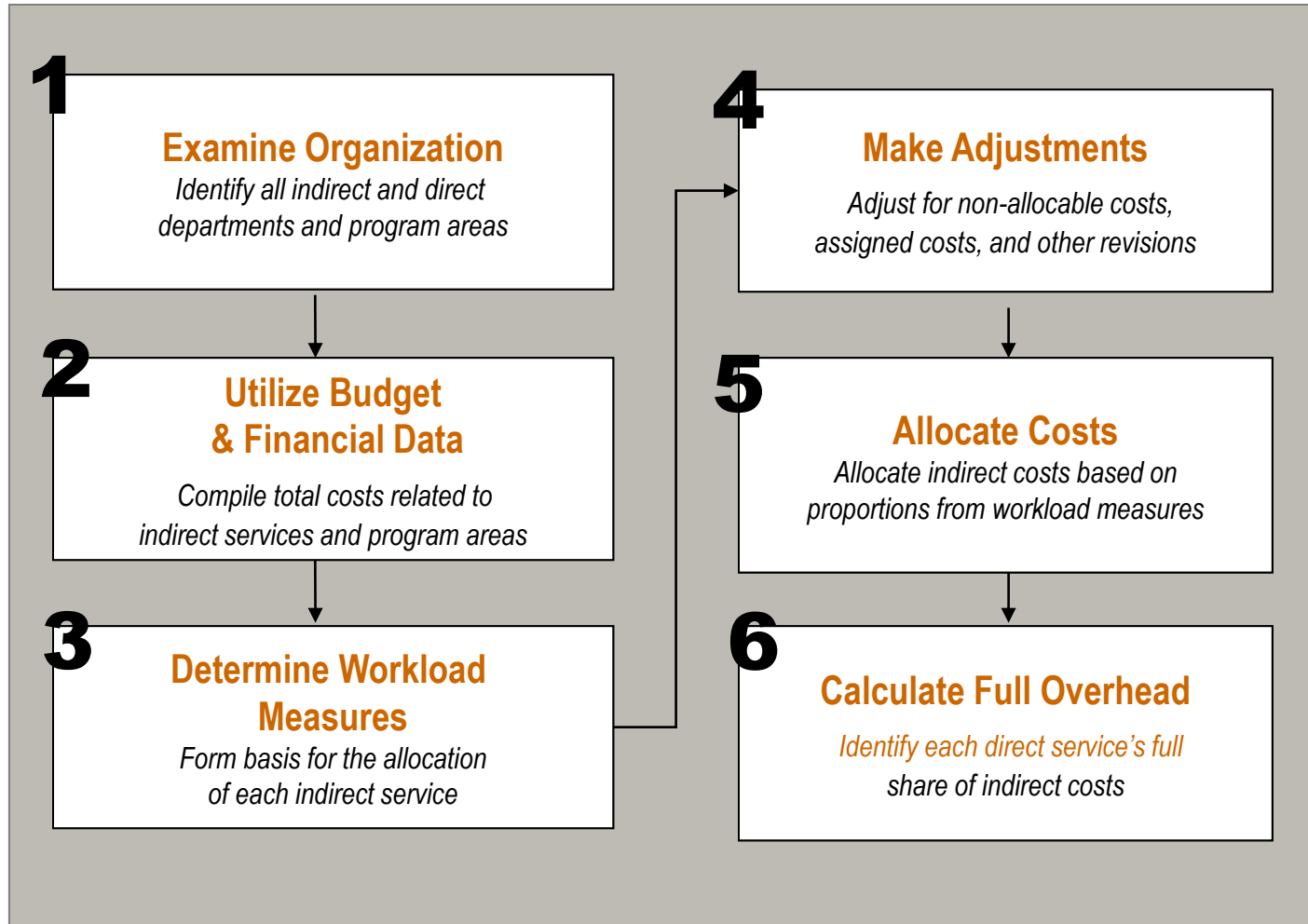


Summary

- ◆ **Results of cost allocation process follows study guiding principles**
 - Indirect costs are incurred for a common purpose
 - Allocation factors are:
 - Selected for reasonableness, equity, and defensibility
 - Proportionate to level of effort to collect
 - Result in allocated charges that are fair and relatively stable
 - Easy to understand
 - Allocated costs are an estimate of the level of services (results are reasonable and similar to levels found in other FCS GROUP studies)
 - Over time, City can institute multi-year averaging or introduce other appropriate cost-allocation metrics



Recap - Cost Allocation Process





Technical Analysis Results

Step 1: Quantify Indirect Costs

TABLE 1: INDIRECT COST POOLS

Indirect Cost Pools	FYE2019 Actual Total Expenses
City Manager's Office	\$ 129,632
Assistant City Manager	104,533
Finance Specialist	84,716
Court & Utility Clerk	88,492
Licensing & Ordinance Specialist	90,101
Indirect Services Cost Pools Subtotal	\$ 497,473

Data sources: City payroll reports and 2019CAFR.

Identify indirect cost pools for allocation to direct cost centers.



Technical Analysis Results

Step 2A: Determine PW Time Sheet Hours

TABLE 2A: PUBLIC WORKS TIME SHEET HOURS

	PW Director	Utility Worker 1	Utility Worker 2	Utility Worker 3	PT Utility Worker	Total	Allocated FTEs
Parks	49	254	319	248	342	1,210	0.7
Roads	273	298	306	151	92	1,119	0.7
Water	1,478	1,303	974	1,193	176	5,124	3.1
Total	1,799	1,855	1,598	1,591	610	7,452	4.5
FTEs	1.0	1.0	1.0	1.0	0.5	4.5	

Data sources: City public works staff time sheet records, January-December 2019.

PW timesheet hours used to allocate PW employee hours & calculate equivalent FTEs



Technical Analysis Results

Step 2B: Cost Allocation Factors for Direct Services

TABLE 2B: INDIRECT TO DIRECT COST POOL ALLOCATION BASES

Direct Services Cost Pools		Indirect Services Cost Pool Allocation Bases			
		Direct Service FTEs	Total 2019 Actual Expenditures (Non-Personnel only)	Agenda Items	Direct Assign to Court & Water Operations
General Fund	Building Department (GF)	-	\$ 44,354	2	0.0%
	Court Department (GF)	-	16,808	2	35.0%
	Police Department (GF)	4.0	25,609	6	0.0%
	Parks Department (GF)	0.7	59,069	1	0.0%
	Civic Improvement Department (GF)	-	60,000	0	0.0%
Other Funds	Roads Fund (#15)	0.7	252,792	7	0.0%
	Water Operating Fund (#40)	3.1	417,028	4	65.0%
	Water Construction Fund (#41)	-	404,120	0	0.0%
	City Hall Expansion Fund (#51)	-	177,825	11	0.0%
	Park Facilities Fund (#52)	-	-	0	0.0%
	Storm Drain Facilities Fund (#53)	-	149,627	1	0.0%
	Public Works Equipment Reserve Fund (#54)	-	13,899	0	0.0%
	Timber Management Fund (#57)	-	14,483	1	0.0%
	Trust Fund (#59)	-	636	0	0.0%
	Public Safety Equipment & Facilities Reserve Fund (#60)	-	10,000	0	0.0%
	Housing Rehab Loan Fund (#61)	-	-	0	0.0%
	Puffin Lane LID Fund (#65)	-	-	0	0.0%
	Tourism Promotion and Facilities Fund (#70)	-	120,111	3	0.0%
	Direct Services Cost Pools Subtotal		8.5	\$ 1,766,361	38
Grand Total (Indirect + Direct)		13.5	\$ 2,263,834	38	100%

Detailed cost allocation factors based upon FTE distributions and other level of service workload factors derived from published City documents

Data sources: City financial records, City council agendas. Non-personnel costs are used as allocation basis so as to not double count weighting of FTEs



Technical Analysis Results

Step 3: Calculate Cost Allocation Factors

TABLE 3: CALCULATED INDIRECT COST POOL ALLOCATION PERCENTAGES

Direct Services Cost Pools		FTEs	Indirect Services Cost Pool Allocation Bases			
			Total Actual Expenditures	50 / 50 Split Between FTEs and Expenditures	Agenda Items	Direct Assign to Court & Water Operations
General Fund	Building Department (GF)	0.0%	2.5%	1.3%	5.3%	0.0%
	Court Department (GF)	0.0%	1.0%	0.5%	5.3%	35.0%
	Police Department (GF)	47.1%	1.4%	24.3%	15.8%	0.0%
	Parks Department (GF)	8.2%	3.3%	5.8%	2.6%	0.0%
	Civic Improvement Department (GF)	0.0%	3.4%	1.7%	0.0%	0.0%
Other Funds	Roads Fund (#15)	8.2%	14.3%	11.3%	18.4%	0.0%
	Water Operating Fund (#40)	36.5%	23.6%	30.0%	10.5%	65.0%
	Water Construction Fund (#41)	0.0%	22.9%	11.4%	0.0%	0.0%
	City Hall Expansion Fund (#51)	0.0%	10.1%	5.0%	28.9%	0.0%
	Park Facilities Fund (#52)	0.0%	0.0%	0.0%	0.0%	0.0%
	Storm Drain Facilities Fund (#53)	0.0%	8.5%	4.2%	2.6%	0.0%
	Public Works Equipment Reserve Fund (#54)	0.0%	0.8%	0.4%	0.0%	0.0%
	Timber Management Fund (#57)	0.0%	0.8%	0.4%	2.6%	0.0%
	Trust Fund (#59)	0.0%	0.0%	0.0%	0.0%	0.0%
	Public Safety Equipment & Facilities Reserve Fund (#60)	0.0%	0.6%	0.3%	0.0%	0.0%
	Housing Rehab Loan Fund (#61)	0.0%	0.0%	0.0%	0.0%	0.0%
	Puffin Lane LID Fund (#65)	0.0%	0.0%	0.0%	0.0%	0.0%
	Tourism Promotion and Facilities Fund (#70)	0.0%	6.8%	3.4%	7.9%	0.0%
	Direct Subtotal (should always total 100%)		100.0%	100.0%	100.0%	100.0%

Suggested cost allocation factors



Technical Analysis Results

Step 4: Distribute Indirect Cost Pools

Suggested cost allocation factors for each Indirect Cost Pool

TABLE 4: ALLOCATED INDIRECT COST POOL DETAIL

50 / 50 Split Between FTEs and Expenditures 50 / 50 Split Between FTEs and Expenditures Total Actual Expenditures Direct Assign to Court & Water Operations Agenda Items

Results: Allocated Indirect Cost Pools to Direct Cost Pools		City Manager's Office	Assistant City Manager	Finance Specialist	Court & Utility Clerk	Licensing & Ordinance Specialist	Total
Indirect Cost Pools: \$		129,632	\$ 104,533	\$ 84,716	\$ 88,492	\$ 90,101	\$ 497,473
General Fund	Building Department (GF)	1,628	1,312	2,127	-	4,742	9,809
	Court Department (GF)	617	497	806	30,972	4,742	37,634
	Police Department (GF)	31,441	25,354	1,228	-	14,226	72,250
	Parks Department (GF)	7,505	6,052	2,833	-	2,371	18,761
	Civic Improvement Department (GF)	2,202	1,775	2,878	-	-	6,855
Other Funds	Roads Fund (#15)	14,614	11,784	12,124	-	16,597	55,120
	Water Operating Fund (#40)	38,941	31,402	20,001	57,520	9,484	157,348
	Water Construction Fund (#41)	14,829	11,958	19,382	-	-	46,169
	City Hall Expansion Fund (#51)	6,525	5,262	8,529	-	26,082	46,397
	Park Facilities Fund (#52)	-	-	-	-	-	-
	Storm Drain Facilities Fund (#53)	5,491	4,427	7,176	-	2,371	19,465
	Public Works Equipment Reserve Fund (#54)	510	411	667	-	-	1,588
	Timber Management Fund (#57)	531	429	695	-	2,371	4,026
	Trust Fund (#59)	23	19	31	-	-	73
	Public Safety Equipment & Facilities Reserve Fund (#60)	367	296	480	-	-	1,142
	Housing Rehab Loan Fund (#61)	-	-	-	-	-	-
	Puffin Lane LID Fund (#65)	-	-	-	-	-	-
	Tourism Promotion and Facilities Fund (#70)	4,407	3,554	5,761	-	7,113	20,835
Direct Subtotal	\$ 129,632	\$ 104,533	\$ 84,716	\$ 88,492	\$ 90,101	\$ 497,473	

Allocated charges to Water Operations includes portions of CM, ACM, FS, CUC, LOS



Technical Analysis Results

Step 5: Results & Incorporate into 2020-21 Budget

TABLE 5: ALLOCATED INDIRECT COST POOL SUMMARY

Results: Allocated Indirect Cost Pools to Direct Cost Pools for Budgeting Purposes		FYE2019 Budget Direct Service Cost Pools (all expenses)	Allocated Indirect Service Cost Pools	Total: Fully- Loaded Direct Cost Pools	Indirect Cost Pool Allocation as % of Direct Service
General Fund	Building Department (GF)	\$ 58,921	\$ 9,809	\$ 68,731	16.6%
	Court Department (GF)	20,912	37,634	58,547	180.0%
	Police Department (GF)	591,519	72,250	663,769	12.2%
	Parks Department (GF)	67,646	18,761	86,407	27.7%
	Civic Improvement Department (GF)	80,000	6,855	86,855	8.6%
Other Funds	Roads Fund (#15)	658,025	55,120	713,145	8.4%
	Water Operating Fund (#40)	996,749	157,348	1,154,096	15.8%
	Water Construction Fund (#41)	584,000	46,169	630,169	7.9%
	City Hall Expansion Fund (#51)	202,150	46,397	248,547	23.0%
	Park Facilities Fund (#52)	15,000	-	15,000	0.0%
	Storm Drain Facilities Fund (#53)	183,000	19,465	202,465	10.6%
	Public Works Equipment Reserve Fund (#54)	15,000	1,588	16,588	10.6%
	Timber Management Fund (#57)	70,000	4,026	74,026	5.8%
	Trust Fund (#59)	6,989	73	7,062	1.0%
	Public Safety Equipment & Facilities Reserve Fund (#60)	10,000	1,142	11,142	11.4%
	Housing Rehab Loan Fund (#61)	80,200	-	80,200	0.0%
	Puffin Lane LID Fund (#65)	68,000	-	68,000	0.0%
	Tourism Promotion and Facilities Fund (#70)	179,200	20,835	200,035	11.6%
	Total	\$ 3,887,311	\$ 497,473	\$ 4,384,784	12.8%
	<i>memo: GF Subtotal</i>		818,998	145,310	964,308
<i>memo: Other Funds Subtotal</i>		3,068,313	352,163	3,420,476	11.5%

“Full Cost” of City Services

Allocated charges to Water = 15.3% of budget

Transfers by fund to GF may be included in 2020-21 budget



Recommendations & Next Steps

Recommendation: Council approve and adopt the cost allocation methodology

Next Steps

- ◆ **Incorporate results into City's 2020/2021 budgeting process**
 - Transfers between departments within General Fund not necessary
 - Transfers from outside of the General Fund to the General Fund may be budgeted

- ◆ **FCS GROUP**
 - Prepare a written report summarizing study methodology for City's records
 - Will assist City as needed by assisting with incorporating results as 2020/2021 line-item budget changes



Questions/Discussion

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