

# Section B

## Question 6



### OPERATING BUDGET SAMPLE BOOK: FY 2000-2001

- Does the document demonstrate the use of cost accounting and/or allocated costs? 4 pts.
  - This one is often missed.
  - Even if you do not use full cost accounting, you can earn some of the points.
    - *Internal Service Funds are a start. Discuss how the costs are allocated back to the other funds including the basis for determining the allocations.*
    - *Indirect Cost formulations help. Even if you only use an indirect cost formula for grant purposes, discuss it and direct the reviewer to that discussion.*

**INDIRECT COST ALLOCATION – FISCAL YEAR 1999/00**

	248	209	260/369	228	250	TOTAL
	SOLID WASTE	FAMD	GOLF RESORT	FIRE	LLMD'S	
CITY COUNCIL	11-01	-	5,098	-	-	5,097.96
CITY MANAGER	21-01	111,354	36,565	8,610	3,328	159,857.46
CITY CLERK	22-01	-	3,208	-	-	3,207.90
PERSONNEL	25-01	-	-	19,662	-	19,661.52
RISK MANAGEMENT	26-01	-	-	-	-	-
CITY ATTORNEY	31-01	4,845	70,710	13,138	7,313	96,006.48
PLANNING	41-01	-	-	-	-	-
CURRENT / ADVANCED	42-01	-	-	-	-	-
FINANCE	51-01	7,718	131,413	20,596	11,464	185,234.68
GENERAL CITY	6x-xx	-	111,519	-	-	111,519.00
* adjust for franch. fee		(96,757)	-	-	-	(96,757.20)
REVENUE TO GENERAL FUND	27,161	14,044	358,513	62,005	22,105	483,828

\* This has been adjusted to reflect the \$94,860 Admin. Fee collected with the franchise fee and posted directly to the General Fund for 1999/00

Direct costs are those which can be specifically identified with a particular service. Indirect costs are not readily identifiable with a particular operating program, but are incurred for a joint purpose which benefits more than one cost objective.

The City utilizes a "Double Step Down" method, by first allocating service costs to all departments and then secondly allocating service costs only to operating departments below it. After the second, or close out step, all costs will have been allocated to operating departments. This is the recommended method as required by Federal Regulations when applying for State or Federal grants. An indirect cost rate is the ratio between indirect and direct costs, and can be computed for the City as a whole once the direct and indirect costs have been determined.

The above costs are charged to the programs associated with the funding source and a corresponding revenue is credited to the General Fund.

The indirect costs of the Redevelopment Agency are charged back as reimbursable credits to the General Fund with each program expense going directly to the fund. The following schedule shows the detail.

THIS IS BASED ON THE DMG REPORT OF 1997/98 AND INCREASED BY 1.61% FOR CPI 1998/99 and 2% FOR FY 1999/00

## **Interfund Transactions**

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### **Cost Allocation Plan**

By policy the City accounts for all operating expenditures and revenues in a primary Fund. General government services are in the General Fund; water, wastewater and electric services are in their respective Funds; transit services are in the Transit Fund; and, so on. The cost of providing support (human resources, finance, legal, city management, etc.) to enterprise fund activities, special revenue fund activities and capital fund projects is charged by interfund transfer as provided in the City's cost allocation plan.

In addition to support services, all eligible funds are charged a prorated share of the cost for liability and worker's compensation. The charge to each fund is based on level of impact projected on historical experience and known risk.

The purpose of the cost allocation plan is to identify the total cost of providing services. While there are different approaches to developing costs, the City has elected to use a "step down" cost-finding method. This is an informal cost accounting method used by many government agencies to determine the cost of services. No formal accounting entries are required during the year to record costs incurred in specific accounts. Instead, cost finding involves taking available accounting data and recasting it to derive costs. This methodology is best suited to costing general government services under accounting principles which focus on expenditures rather than on expenses.

In performing the cost allocations, all indirect costs have been allocated only to direct cost activities rather than using a more complex sequential allocation system. Although there are some conceptual difficulties with this approach, the end result is insignificant, and the cost of preparation, review and audit is significantly less.

### **Other Transfers**

In addition to the distribution of costs between funds, the City also includes loans and some direct service charges in its interfund transfers. These transfers are not significant and have little impact on the financial condition of any one fund.

City of Temecula-1  
 INTERNAL SERVICE FUNDS - INSURANCE

<u>Expenditure Summary</u>	Funding Source:		Charges to City, Community Services District, and Redevelopment Agency	
	<u>Actual FY 1999-97</u>	<u>Actual FY 1997-98</u>	<u>Budgeted FY 1998-99</u>	<u>Adopted FY 1999-00</u>
Personnel	\$ 27,984	\$ 20,243	\$ 31,780	\$ 32,330
Operations and Maintenance	452,579	370,727	415,850	415,580
Capital Outlay				
Operating Transfers Out				400,000
<b>Total</b>	<b>\$ 480,563</b>	<b>\$ 390,970</b>	<b>\$ 447,630</b>	<b>\$ 847,910</b>

<u>Personnel Allocation</u>	<u>Authorized 1998-99</u>	<u>Changes</u>	<u>Authorized 1999-00</u>
Senior Management Analyst	0.25	0.0	0.25
Administrative Secretary	0.25	0.0	0.25
<b>Total</b>	<b>0.50</b>	<b>0.0</b>	<b>0.50</b>

**Program: Insurance**

**MISSION:** The Insurance Fund is the cost center for the financing and accounting of the City's risk management and insurance functions. Costs reflected in the Insurance Fund include property, liability, automobile insurance, claims adjuster services, legal and other costs directly relating to claims, and potential litigation settlements.

**1998-99 ACCOMPLISHMENTS:**

- Reduced the City's annual property and liability insurance premium costs by \$36,000 while increasing insurance coverage limits at the same time
- Implemented a revised insurance standard for businesses wanting to do business with the City
- Reduced claims administration costs due to efficient internal review of claims

**Cost Allocation:** Charges to departments are allocated based on the number of full-time equivalent personnel in each department.

City of Temecula -2  
INTERNAL SERVICE FUNDS - VEHICLES

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<u>Expenditure Summary</u>	Funding Source:		Charges to City and Community Services District	
	<u>Actual FY 1999-97</u>	<u>Actual FY 1997-98</u>	<u>Budgeted FY 1998-99</u>	<u>Adopted FY 1999-00</u>
Personnel				
Operations and Maintenance	\$ 46,914	\$ 58,791	\$ 95,610	\$ 124,200
Capital Outlay				
 Total	 \$ <u>46,914</u>	 \$ <u>58,791</u>	 \$ <u>95,610</u>	 \$ <u>124,200</u>

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**Program: Vehicle Replacement**

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**MISSION:** The Vehicle Fund is used to account for the acquisition, depreciation and replacement of City vehicles.

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**Cost Allocation:** Charges to departments are calculated based on the actual depreciation charge for vehicles used by each department.

City of Temecula-3  
 INTERNAL SERVICE FUNDS – INFORMATION SYSTEMS

Funding Source: Charges to City,  
 Community Services District, and  
 Redevelopment Agency

<u>Expenditure Summary</u>	<u>Actual FY 1999-97</u>	<u>Actual FY 1997-98</u>	<u>Budgeted FY 1998-99</u>	<u>Adopted FY 1999-00</u>
Personnel	\$ 133,209	\$ 139,112	\$ 179,690	\$ 251,550
Operations and Maintenance	486,348	546,931	662,812	669,760
Capital Outlay				
<b>Total</b>	<b>\$ 619,557</b>	<b>\$ 686,043</b>	<b>\$ 842,502</b>	<b>\$ 921,310</b>

<u>Personnel Allocation</u>	<u>Authorized 1998-99</u>	<u>Changes</u>	<u>Authorized 1999-00</u>
Information Systems Administrator	1.00	0.00	1.00
Information Systems Specialist	1.00	0.00	1.00
<b>Total</b>	<b>2.00</b>	<b>0.00</b>	<b>2.00</b>

**Program: Information Systems**

**MISSION:** The Information Systems Fund is used to account for the acquisition, depreciation, and replacement of computer and communications (i.e., radios and telephone system) equipment. It also serves as the cost center for telephone and radio system service, as well as computer software and other City data processing needs.

**1998-99 ACCOMPLISHMENTS:**

- Completed and distributed a written Information Systems Manual to all employees
- Provided all City Council members with laptop computers and E-mail to allow better communication with concerned citizens and staff members
- Redesigned the City's Web page, adding information helpful to the citizens of Temecula, such as City Council Agendas, City Councilmember E-mail addresses, the City's Municipal Code and information regarding each City department
- Converted to Windows 95 and the Microsoft Office Professional application and trained all City staff, making the transition as smooth as possible
- Replaced the City's telecommunications system at the CRC to ensure Y2K compliance
- Tested and are continuing to test systems at the City to assure Y2K compliance

**Cost Allocation:** Charges to departments are calculated based on the number of computer workstations supported by Information Systems staff in each department.

City of Temecula -4  
 INTERNAL SERVICE FUNDS – SUPPORT SERVICES

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<u>Expenditure Summary</u>	<b>Funding Source:</b>		Charges to City, Community Services District, and Redevelopment Agency	
	<u>Actual FY 1999-97</u>	<u>Actual FY 1997-98</u>	<u>Budgeted FY 1998-99</u>	<u>Adopted FY 1999-00</u>
Personnel	\$ 33,982	\$ 34,675	\$ 71,500	\$ 69,930
Operations and Maintenance	171,172	185,178	195,205	180,300
Capital Outlay				
<b>Total</b>	<b>\$ 205,154</b>	<b>\$ 219,853</b>	<b>\$ 266,705</b>	<b>\$ 250,230</b>

<u>Personnel Allocation</u>	<u>Authorized 1998-99</u>	<u>Changes</u>	<u>Authorized 1999-00</u>
Administrative Technician	1.00	0.00	1.00
<b>Total</b>	<b>1.00</b>	<b>0.00</b>	<b>1.00</b>

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**Program: Support Services**

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**MISSION:** The Support Services Fund is the cost center for central duplicating services, the mail room, receiving, and copy equipment maintenance for City Hall.

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**1998-99 ACCOMPLISHMENTS:**

- Expanded the lobby reception services to better serve the public
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**Cost Allocation:** Charges to departments are calculated based on the number of color and regular copies made by each department, as well as on the number of on-site personnel for each department.

City of Temecula - 5  
 INTERNAL SERVICE FUNDS - FACILITIES

<u>Expenditure Summary</u>	Funding Source:		Charges to City, Community Services District, and Redevelopment Agency	
	Actual FY 1999-97	Actual FY 1997-98	Budgeted FY 1998-99	Adopted FY 1999-00
Personnel	\$ 108,667	\$ 135,507	\$ 165,120	\$ 194,200
Operations and Maintenance	244,247	139,293	212,444	192,250
Capital Outlay		27,306	32,500	27,500
<b>Total</b>	<b>\$ 352,914</b>	<b>\$ 302,106</b>	<b>\$ 410,064</b>	<b>\$ 413,950</b>

<u>Personnel Allocation</u>	Authorized 1998-99	Changes	Authorized 1999-00
Maintenance Superintendent	0.25	0.00	0.25
Maintenance Supervisor	0.00	0.30	0.30
Facilities Coordinator	1.00	0.00	1.00
Lead Maintenance Worker	0.00	0.50	0.50
Maintenance Worker	1.00	(0.50)	0.50
Office Assistant	0.10	0.20	0.30
<b>Total</b>	<b>2.35</b>	<b>0.50</b>	<b>2.85</b>

**Program: Facilities**

**MISSION:** The Facilities Fund is used to account for the cost of operating and maintaining City Hall and City Maintenance Facility.

**1998-99 ACCOMPLISHMENTS:**

- Provided on-going training to staff on security system operation
- Established a Citywide fire and security alarm monitoring system

**Cost Allocation:** Charges to departments are calculated based on the square footage of space utilized by each department at City Hall and the City Maintenance Facility.