Central Services Cost Allocation Plan

2019 Cost Allocation Plan Overview

<u>Purpose:</u>
The primary purpose of a Central Services Cost Allocation Plan is to identify the appropriate indirect costs incurred during a fiscal year. Analysis performed as part of the plan identified the share of central services for each of Madison's enterprise funds. The primary goal in using this analysis as part of the budget is to ensure consistency in how central costs are being allocated.

<u>Current Allocation Methodology</u>
Under the current approach allocations to enterprise agencies have been based on legacy amounts. Central service agencies were recapturing these costs either through payroll allocations or inter-departmental charges. Under this approach there was inconsistency in both how allocations were being charged and which enterprise funds were being charged. The cost allocation model seeks to bring consistency to the process and ensure amounts are updated annual to reflect the actual level of service being received.

<u>Method:</u>
The steps involved in preparing the Cost Allocation Plan include the following:

1. Identification of the departments that exist in large part to provide support to other departments or agencies of the organization. These departments are **central service departments.**

2. Identification of the departments or agencies of the organization that receive support from other departments. These departments are **grantee or benefitting departments.**

3. Accumulation of the allowable actual expenditures of the central service departments that provide support to the benefitting departments.

4. Collection of appropriate statistics reflecting the distribution of effort for functions performed by central service department to all benefiting departments. The 2019 cost allocation plan uses statistics from 2017.

The allocation methodology incorporates all allowable costs (direct expenses and allocated indirect costs) from central service departments and in turn allocates these costs to all departments. The central services departments pass through all applicable costs to the benefiting departments in the cost allocation plan. The methodology used in this plan is consistent with federal guidance cost principles. The allocated amounts proposed in the 2019 Executive Budget reflect 75% of total allocated costs. The total amount allocated in the 2019 Executive Budget is $2,642,265.

This plan will continue to be updated annually to help inform allocated amounts in the budget. Future iterations of the model will include a federally compliant plan that can be used with City grants.

Schedule of Allocation Basis	
Central Service Agency-Function	**Allocation Base**
Employee Assistance Program	
EAP Service Delivery	Number of employee and supervisor contacts by department.
Critical Incidents	Number of attendees at critical incident debriefings by department.
City Clerk	
Licensing Administration	Number of permits processed by department.
Records Administration	Equal allocation to benefitting departments.
Elections Administration	Equal allocation to benefitting departments.
Public Outreach	Equal allocation to benefitting departments.
Treasurer	
General Receipts	Number of receipts processed by department.
Parking Collections	Direct allocation to benefitting departments.
Room Tax Collections	Direct allocation to benefitting departments.
Animal License Collections	Direct allocation to benefitting departments.
Property Tax Collections	Direct allocation to benefitting departments.
Investment Management	Direct allocation to benefitting department based on a prorated share.
Bank and Card Service Fees	Direct allocation to benefitting department based on a prorated share.
Mayor’s Office	
City Operational Oversight	Number of full-time equivalent positions by benefitting department.
Attorney’s Office	
General Counsel	Attorney staff effort devoted to benefitting departments.
Ordinance Enforcement	Attorney staff effort devoted to benefitting departments.
Legislative Service	Direct allocation to benefitting departments.
Human Resources	
HR Benefits and Admin	Number of employees by benefitting department.
Contract and Handbook Admin	Number of represented association staff by benefitting department.
Accommodation and FMLA	Number of FMLA requests reviewed by benefitting department
Compensation and Hiring Admin	Number of employees by benefitting department (less sworn police)
Employee Development	Number of session participants by benefitting department
Information Technology	
Network Support	Total number of supported devices by benefitting department.
Phone System Administration	Phone system charge amount by benefitting department.
Media Services	Direct allocation to benefitting departments.
Application Support	Direct allocation to benefitting departments.
Finance Department	
Administrative Support	Staff time worked at each benefitting department.
General Accounting & Reporting	Number of transactions by benefitting department.
Budget Management	Share of budget transactions, amendments, and budgeted expenditures.
Internal Audit	Percentage of staff effort to benefitting departments.
Risk Management	Insurance and Workers Compensation charges by department.
Engineering Division	
Facilities	Share of facilities related expenditures by benefitting department.
General Engineering – Capital	Direct allocation to benefitting department.
General Engineering – Other	Direct allocation to benefitting department.
Department Specific Engineering	Direct allocation of staff effort to benefitting department.
Economic Development Division	
Business Resources	Direct allocation of staff effort to benefitting department.
Real Estate Services	Direct allocation of staff effort to benefitting department.

Summary of Allocated Costs									
	Water Utility	Sewer Utility	Stormwater Utility	Metro Transit	Parking Utility	Golf Enterprise	Monona Terrace	Landfill	**TOTAL**
Employee Assistance	$4,601	$0	$0	$23,271	$0	$0	$2,454	$0	**$30,325**
Clerk	$565	$565	$565	$565	$565	$565	$565	$565	**$4,521**
Treasurer	$23,462	$2,706	$1,825	$58,615	$125,124	$446	$9,051	$26	**$221,255**
Mayor’s Office	$54,152	$14,996	$4,999	$197,028	$29,013	$3,332	$22,806	$1,250	**$327,575**
Attorney’s Office	$14,548	$5,962	$6,092	$27,128	$23,143	$0	$32,437	$0	**$109,311**
Human Resources	$60,296	$15,489	$4,840	$308,625	$46,038	$40,778	$64,351	$1,023	**$541,439**
Information Technology	$145,761	$26,958	$28,166	$164,954	$72,366	$18,787	$57,711	$842	**$515,546**
Finance Department	$146,845	$41,918	$75,997	$51,315	$59,939	$45,256	$76,429	$18,446	**$516,145**
Engineering Division	$5,910	$120,813	$128,453	$3,888	$22,157	$0	$690	$13,876	**$295,787**
Economic Development	$799	$1,178	$1,619	$113	$515	$0	$0	$0	**$4,225**
Building Depreciation	$6,346	$20,939	$0	$0	$1,765	$7,805	$0	$18,205	**$55,060**
Equipment Depreciation	$0	$20,688	$387	$0	$0	$0	$0	$0	**$21,076**
TOTAL	**$463,285**	**$272,212**	**$252,943**	**$835,502**	**$380,625**	**$116,969**	**$266,494**	**$54,233**	**$2,642,265**