



Cost Allocation Plan

City of Beaumont, June 2022



About RCS



- **Revenue & Cost Specialists founded in 1980**
Pioneered Matching Fee Revenues with Cost of the Services
Studied over 250 agencies in 5 states

Eric Johnson, President

30+ years with RCS. Served over 100 agencies

- **Chu Thai, Vice President**

20+ years governmental experience as Budget Manager and Finance Director



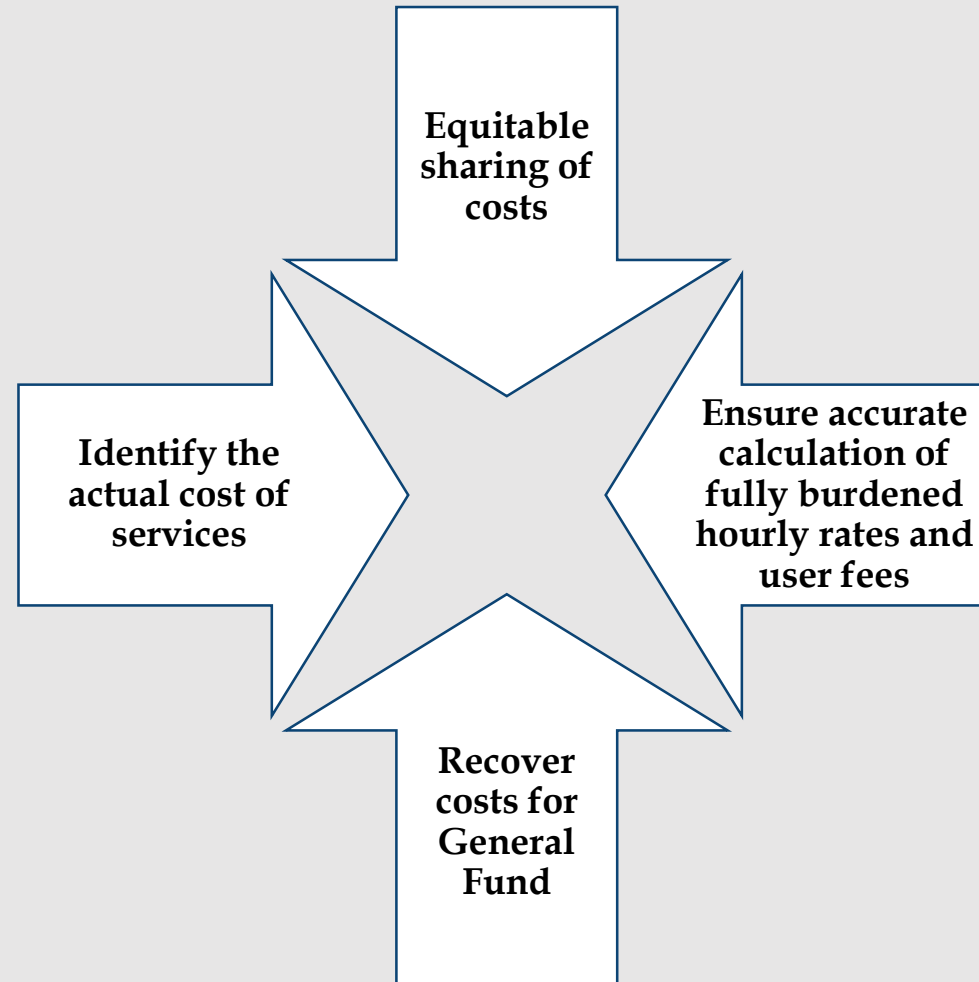
What is a Cost Allocation Plan?

- A plan which accounts for the **full cost** of a government program by including all associated direct and indirect costs
- A Cost Allocation Plan distribute indirect costs to ensure that programs pay for all the services it receives
 - **Direct Costs** are those directly budgeted and benefiting a specific program, such as salaries, benefits supplies and services.
 - ✓ Program examples include transit lines, police patrol, street maintenance and recreation programs.
 - **Indirect Costs** are those which provide supporting services to multiple programs, and none to the public.
 - ✓ Examples include legal counsel, finance, human resources, IT support, insurance, records management and facility operations.

City Services – Direct vs. Indirect

	Direct	Indirect
Police	Patrol Investigation Dispatch Animal Control	
Finance	Bus Passes Business License	Accounts Payable Payroll General Accounting
Risk & HR		Recruitments & Personnel Svcs Risk Management

Why Allocate Costs?



Beaumont Allocation Factors

CITY COUNCIL

Cap-001	City Council	50% Budget/50% Agenda
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CITY CLERK

Cap-002	Council Support (Clerk)	50% Budget/50% Agenda
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Cap-003	Records Management	Agenda Items
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Cap-004	Election Support	Allocate To City Council
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ADMIN

Cap-005	Council Support (CMO)	50% Budget/50% Agenda
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Cap-006	City Administration	Adjusted Budget
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Cap-007	Public Information	Adjusted Budget
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Cap-008	Reception/Phone Services	Adjusted Budget
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Cap-009	Dept Support	Comm Dev, Bldg & Safety, Pw, Sewer Budget
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Cap-010	Finance Support	Allocate To Finance
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Cap-011	City Manager Support	Allocate To City Manager
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Beaumont Allocation Factors (continued)

FIN & BUD

Cap-012	Budget Prep	Adjusted Budget
Cap-013	General Accounting	Adjusted Budget
Cap-014	Accounts Payable	AP # Of Invoices
Cap-015	AR/Cashiering	AR Cashiering
Cap-016	Investment/Cash Mgmt	Investment Report
Cap-017	Payroll	# Of FTEs
Cap-018	Purchasing	Purchase Orders
Cap-019	Finance Admin	Allocate To Finance

INFO TECH

Cap-020	Info Technology	IT Staff Estimation
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RISK & HR

CAP-021	Personnel Services	# OF FTEs
CAP-022	Payroll Services	# OF FTEs
Cap-023	Risk Management	50% Claims/50\$ Budget
Cap-024	City Administration	Adjusted Budget

Beaumont Allocation Factors (continued)

LEGAL

Cap-025	Legal Services	Adjusted Budget
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BUILDING MAINT

Cap-026	Facility Maintenance (6000)	Facility Sq Ft
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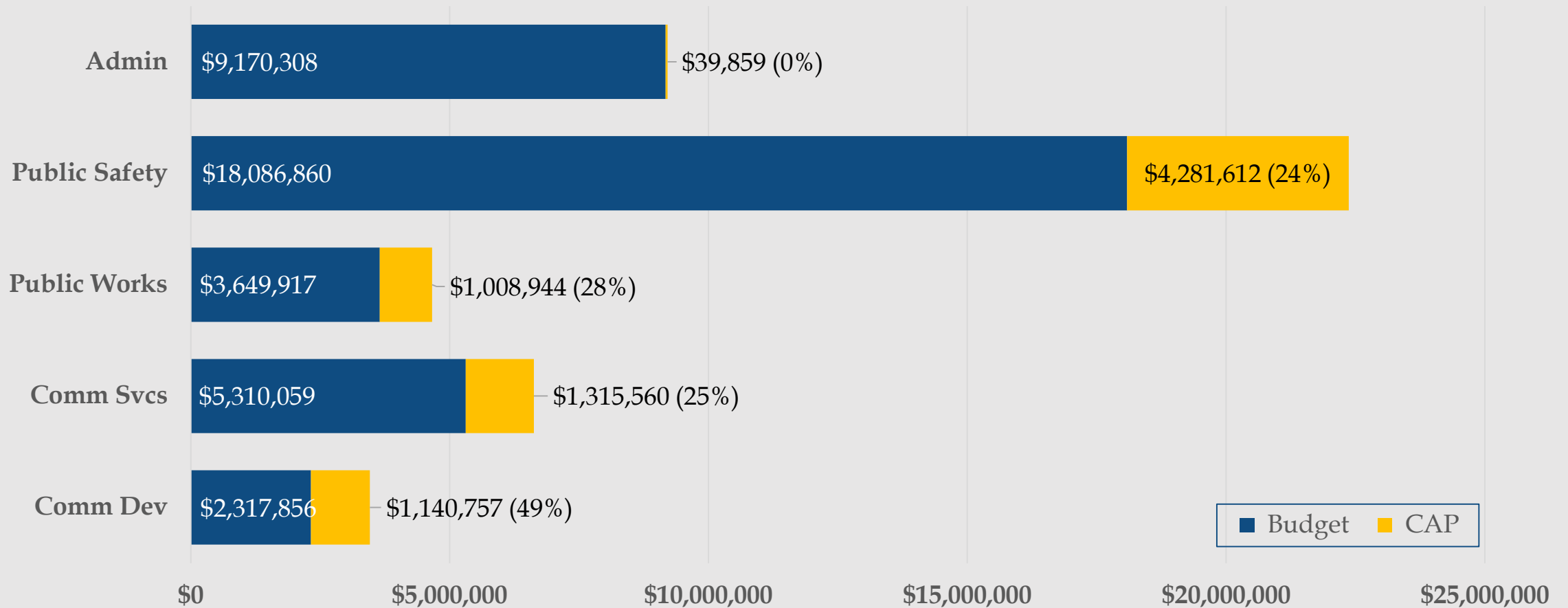
PARKS & GROUNDS MAINT

Cap-027	Facility Maintenance (6050)	Facility Sq Ft
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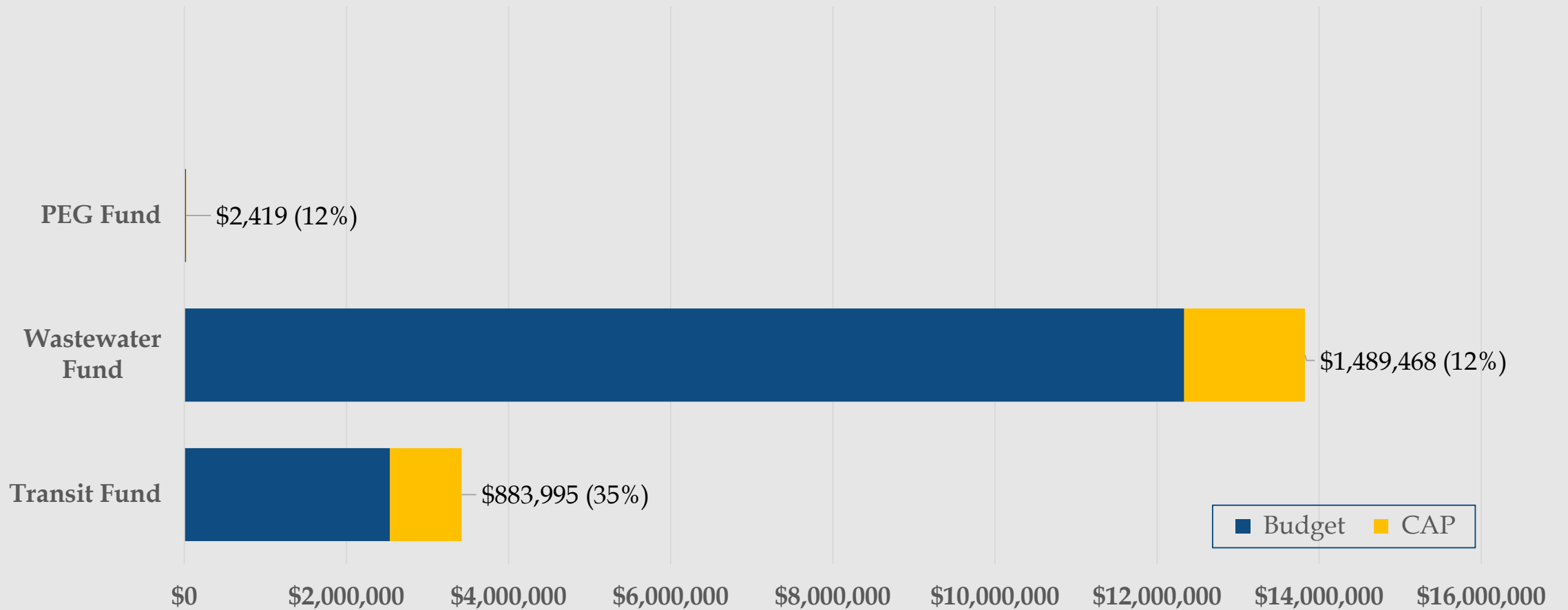
VEHICLE MAINT

Cap-028	Vehicle Maintenance	Vehicle Maintenance Records
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CAP Results - General Fund



CAP Results – Other Funds

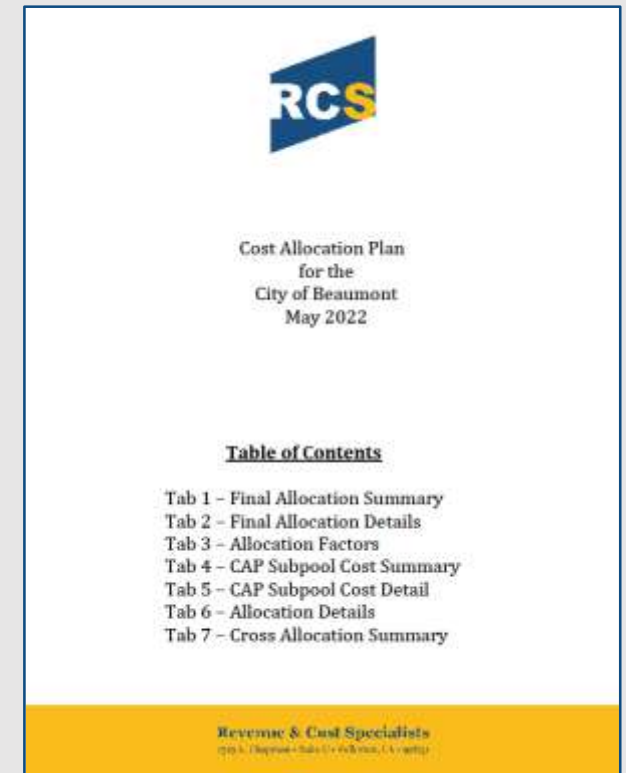


Transit Fund – True CAP Cost

		CAPs 001-027	CAP-028	
		GF CAP's	VEHIC MAINT	TOTAL CAP
750-70-7000	TRANSIT ADMIN	41,156		41,156
750-70-7100	DIAL A RIDE	38,481	8,586	47,067
750-70-7300	VEHICLE MAINT	-	-	-
750-70-7400	ROUTE 120	110,159	179,502	289,661
750-70-7600	NEW ROUTE	84,682	115,895	200,578
750-70-7800	ROUTE 3	38,870	49,520	88,389
750-70-7900	ROUTE 4	39,747	22,212	61,959
750-70-8000	ROUTE 3/4	23,927		23,927
750-70-8100	ROUTE 7	20,062	2,323	22,384
750-70-8200	ROUTE 9	17,381	3,053	20,434
750-70-8300	EXPRESS ROUTE	34,041	54,399	88,440
	TRANSIT FUND	448,507	435,489	\$ 883,995
	GENERAL FUND (pay to Transit Fd)		(324,079)	\$ (324,079)
	WASTEWATER FUND (pay to Transit Fd)		(6,131)	\$ (6,131)
NET CAP CHARGES FOR TRANSIT FUND				\$ 553,785

CAP Report Walk-Through

- **Tab 1 - Final Allocation Summary (Pages 11-13)**
- **Tab 2 - Final Allocation Details (Pages 14-72)**
- **Tab 3 - Allocation Factors (Pages 73-75)**
- **Tab 4 - CAP Subpool Cost Summary (Pages 76-77)**
- **Tab 5 - CAP Subpool Cost Detail (Pages 78-105)**
- **Tab 6 - Allocation Details (Pages 106-156)**
- **Tab 7 - Cross Allocation Summary (Pages 157-158)**



Full CAP vs. OMB CAP

- Uses Current Budget Numbers
 - Uses estimates of time for staff
 - Allocates all administrative costs
 - Used to calculate overhead for the Fee Study, and to transfer full administrative costs from other non-grant funds
- Uses Actual Audit Expenditures
 - Requires timesheets to split out staff
 - Does not allow General Government Costs (ex. City Council, City Clerk & City Manager)
 - Used if City wants to recover more administrative costs than the base amount included in the grants
 - OMB rules limit administrative costs applied to departments and funds
 - Required in order to receive State and Federal grants

Audit Finding

Finding 2021-001 – Overhead Cost Allocation

Condition:

The City allocates certain General Fund costs (administration, maintenance, etc.) to the Sewer Enterprise, Gas Tax, Transit Enterprise, and the Community Facilities District (CPD) Fund. The amounts are based on calculations included in schedules maintained by the Finance Department. Currently, the City is not allocating and recovering any of its indirect costs to federal (or state) grants. While the City completed a cost allocation study in April 2016 and has implemented the cost allocation of administrative costs to the various funds within the City, the City has not had a formal Cost Allocation Plan performed for charging of its costs to federally funded projects.

This finding was previously reported in 2020 as finding 2020-005, in 2019 as finding 2019-002 and in 2018 as finding 2018-007 – Overhead Cost Allocation.

Criteria:

Cost allocation plan methodologies should be thoroughly documented for transparency purposes, and updates to the plans should be done periodically in accordance with best practices.

Cause:

The City does have a formal cost allocation plan to allocate internal costs, and the plan developed internally is not sufficient to claim indirect costs against federal (and state) grant programs.

Calculated Indirect Cost Rate

<u>Rate Type</u> ⁽¹⁾	<u>Effective Period</u>	<u>Rate</u> ⁽²⁾	<u>Applicable To</u>
Final	7/1/20 to 6/30/21	46.28%	Community Development
Final	7/1/20 to 6/30/21	55.95%	Community Services
Final	7/1/20 to 6/30/21	28.76%	Community Enhancement
Final	7/1/20 to 6/30/21	20.71%	Police
Final	7/1/20 to 6/30/21	28.65%	Building & Safety
Final	7/1/20 to 6/30/21	28.72%	Public Works
Final	7/1/20 to 6/30/21	33.58%	Street Maintenance
Final	7/1/20 to 6/30/21	39.80%	Sewer
Final	7/1/20 to 6/30/21	29.87%	Transit

(1) Base: Total Direct Salaries and Wages plus fringe benefits

(2) Rate is salaries & benefits divided by indirect costs

- Full CAP = \$10.3 Million of indirect costs
- OMB CAP = \$5.9 Million of indirect costs

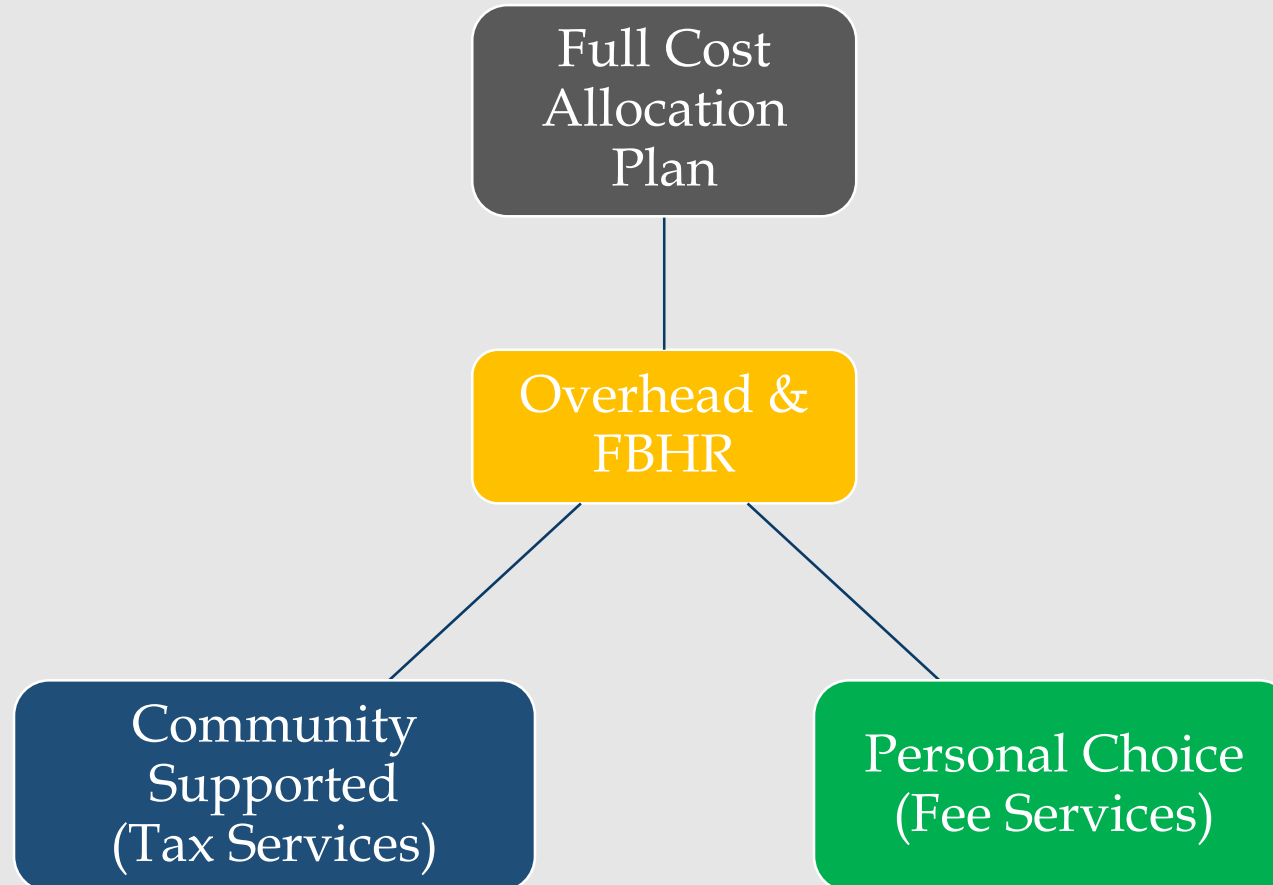
OMB Cost Allocation Plan
for the
City of Beaumont
FY 2020-21



Prepared by:
Revenue & Cost Specialists, LLC
1519 E Chapman Ave, Ste C
Fullerton, CA 92831
www.revenuecost.com
(714) 992-9020

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Next Step...Fee Study



Questions?