Administration Charges:

History:

Until 2007, enterprise and internal service departments were not charged the true cost of services being provided to their department. General fund departments (Human Resources, City Attorney, Information Technology, City Council, etc.) provided services to enterprise departments (Water, Sewer, Golf, Fleet Services, etc.), but did not charge for services they were providing. The City used property taxes to pay for the services provided to these funds during this time period.

During the 2008 budget process the City Council provided policy direction that all departments in the City should be charged internal service cost to reflect the full cost of providing services to City departments. By allocating internal service cost to each department the City’s property taxes would no longer be the only funding source for these services.

How Administration Charges Were Established:

The City looked to Government Finance Officers Association (GFOA) best practices for how to allocate administration charges to all City departments. The goal was to make allocations fair based on the services being provided to all City departments without making the allocation too complex and costly to maintain.

The City followed these steps in establishing its administration charges allocations:

1. Identify goals for allocating administration charges
   • Allocating full-costing model to show total cost of a given service, which enables better informed budgeting and planning.

2. Develop allocation strategy
   • Identify which administration charges will be priced and allocated to departments.

3. Define level of costing detail
   • Determine the level of detail (High level / Low level) needed for costing out services to departments.

4. Determine cost of service
   • Service level was identified to include direct cost, indirect cost, and interest cost for subsidizing department operations.

5. Decide basis of allocation
   • With cost of service decided, this step is the basis for allocating cost from administrative services to departments. Allocations used by the City are FTE percentage, actual time spent, inventory count, and revenue / expense percentages.
6. Consider potential drawbacks
   - Charges are not adequately communicated to users of the system, departments create their own service levels which leads to duplication of services, and complexity of the charge out system makes it difficult to maintain.

**Administration Services charges definitions:**

**Accounting Services:**

Accounting services are the charges for providing services related to accounts payable, accounts receivable, receipting of deposits, administering banking services, debt management (including debt refinancing), payroll, general ledger, budget, monthly financial analysis, procurement services, contract administration, grant management, capital asset management, inventory monitoring, financial reports, time and attendance system, financial system, and providing annual audit services. These services are billed out to departments based on usage of services.

**City Inter Department Charges:**

City inter department charges represent internal department cost that are allocated out Citywide to all departments. Department costs that are allocated out Citywide include: City Manager, Development Services, City Council, City Clerk, City Attorney, Human Resources, Downtown, and Contingent (Citywide sponsored events). City inter department charges are allocated based on each department percentage of Full-time Equivalent positions (FTE’s) for the FY 2019 budget projections.

**City Facilities Maintenance Services:**

Facilities Maintenance (FMS) will perform all preventative, routine and emergency maintenance and repairs of City facilities and charge departments a fully loaded hourly rate to perform those services. If FMS deems appropriate and necessary, an outside contractor will be utilized to perform the work in accordance with FMS standards, Building Codes and Health and Safety Regulations established by State, County and Federal regulating authorities and be billed back to departments at cost.

Four City buildings (City Hall, Police Station, Central Fire Station, and City Services Center) are charged a monthly rental rate that includes FMS services that are provided at each facility.

**City Fleet Services:**

The repair and preventive Maintenance (PM) costs billed back to departments monthly are based on time spent by mechanics doing the work. Parts and external services are billed back at cost and some work orders may contain a supply charge for nuts, bolts, washers, connectors, etc, depending on the type of job that was performed.
City Fleet Rental Charges:

Upon replacement each department is charged a monthly lease amount for each vehicle and/or piece of equipment used by the department that is maintained by the City’s Fleet Services. The monthly lease amount is calculated by taking the cost of the vehicle and/or equipment and dividing it by the useful life of the asset (how long the asset will be used). By charging fleet rental during the life cycle of the asset, fleet has the funding needed to purchase the replacement asset and administer the fleet replacement program.

City Information Technology Services:

City Information Technology (IT) services relate to four areas enterprise application solutions, customer support, Geographic Information System, and Infrastructure. These costs are allocated based on number of applications, FTE count, and storage needs.