

1 CITY OF SANTA FE, NEW MEXICO

2 RESOLUTION NO. 2012-18

3 INTRODUCED BY:

4
5 Mayor Coss

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10 A RESOLUTION

11 ADOPTING A COST ALLOCATION METHOD AND RELATED FORMULAS FOR
12 ASSESSING ENTERPRISE DIVISIONS/SECTIONS FOR SERVICES PROVIDED BY
13 GENERAL FUND DIVISIONS/SECTIONS.

14
15 WHEREAS, as a mechanism for closing the budget gap for the 2011/2012 Fiscal Year
16 budget, the Governing Body adopted amendments to Section 11-12.1 SFCC 1987, *Enterprise Fund*
17 *Expenditures*, which authorized the governing body to transfer enterprise funds to the general fund;
18 and

19 WHEREAS, a common method used by the federal government, Office of Management and
20 Budget (“OMB”), to assess costs for services to governmental divisions is a *cost allocation method*
21 which enables a governmental entity to identify what services are being provided and what such
22 services cost in order to allocate costs to business units, and to manage cost recovery. See, OMB
23 Circular A-21, OMB Circular A-110 and OMB Circular A-133; and

24 WHEREAS, generally, the *cost allocation method* of allocating costs to particular grants and
25 contracts, would enable the City to directly charge: (i) all allowable direct costs to certain programs

1 and grants; and (ii) allowable direct costs that can be identified to more than one program will be
2 prorated individually as direct costs using a formula most appropriate to the particular cost being
3 prorated; and (iii) all other allowable general and administrative costs (costs that benefit all programs
4 and cannot be identified to a specific program) are allocated to programs and grants using a formula
5 that results in an equitable distribution amongst all business units; and

6 **WHEREAS**, adoption of a *cost allocation method* for the City of Santa Fe would provide a
7 way to track which City divisions/sections provide administrative services for City enterprise
8 divisions/sections and additionally, provide for a fair sharing of the general administrative costs; and

9 **WHEREAS**, in order to bring a realistic accountability to properly reflect actual costs of City
10 services for enterprise divisions/sections, there is a need to establish formulas to assess and charge all
11 enterprise divisions/sections its fair share of its costs of utilizing human resources and payroll
12 services, legal services and other general fund services.

13 **NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE**
14 **CITY OF SANTA FE** that the Governing Body hereby adopts a *General Fund Services - Cost*
15 *Allocation Method - Formulas*, attached hereto as Exhibit "A", a *General Fund Services Cost*
16 *Allocation Method*, attached hereto as Exhibit "B". These *Cost Allocation Formulas and Method*
17 shall be adopted and used by the Finance Department in establishing its budget for the upcoming
18 fiscal years and used prior to applying Section 11-12.1 SFCC procedures.

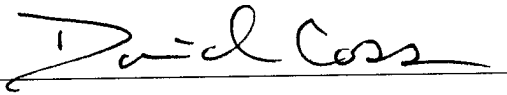
19 **BE IT FURTHER RESOLVED** that the Finance Department is instructed to assess costs, in
20 accordance with Exhibits "A" and "B", to all City enterprise divisions and sections, for each
21 enterprise divisions/sections' fair share of human resources and payroll services, legal services and
22 other general fund services.

23 **BE IT FURTHER RESOLVED** that the assessments charged to such enterprise
24 divisions/sections shall be limited to a minimum of 1% of budgeted expenditures and a maximum of
25 8% of budgeted expenditures. In the event that the Finance Department's budget preparations for an

1 upcoming fiscal year indicates that sufficient funding is not available to pay for such *Cost Allocation*
2 *Method* assessments, then the provisions of Section 11-12.1 SFCC 1987 may be implemented by the
3 Governing Body in preparing the upcoming fiscal year's budget.

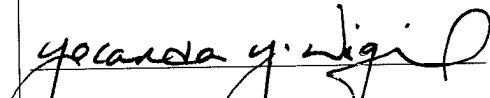
4 **BE IT FURTHER RESOLVED** that staff is directed to perform an adjustment value
5 exercise prior to beginning the 2012/2013 budget preparation process using the cost allocation
6 formulas.

7 PASSED, APPROVED, and ADOPTED this 8th day of February, 2012.

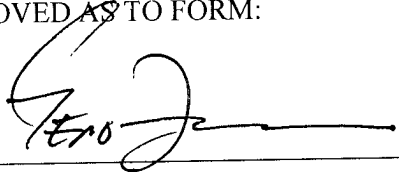
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10 DAVID COSS, MAYOR

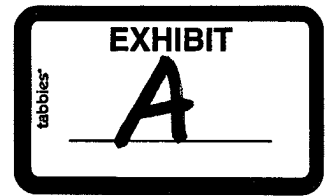
11 ATTEST:

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14 YOLANDA Y. VIGIL, CITY CLERK

15 APPROVED AS TO FORM:

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18 GENO ZAMORA, CITY ATTORNEY



**GENERAL FUND SERVICES
COST ALLOCATION METHOD - FORMULAS**

**Division Allocation = Human Resources/Payroll Assessment {HRPA¹} +
City Attorney Assessment {CATA²} +
Other General Fund Services Assessment {OGFA³}**

1) HRPAs factors include:

- a) Division share of total # positions (excluding GF service positions)
- b) Division share of total # Full-Time Equivalents (excluding GF service FTEs) - e.g.
75% part-time position = 0.75 FTE
- c) Total FY 2010/11 actual costs in the Human Resources and Payroll functions (General Fund services portion only)

2) CATA factors include:

- a) Division share of General Liability budget assessments for FY 2011/12 Budget as provided by Risk Management section
- b) Corrective factors to more accurately and fairly spread Department shares of legal cost burden among Divisions
- c) Total FY 2010/11 actual costs in the City Attorney's Office function (General Fund services portion only)

3) OGFA factors include:

- a) Division share of total FY 2010/11 actual expenditures (excluding GF service functions)
- b) Division share of total # positions (excluding GF service positions)
- c) Division share of total # Full-Time Equivalents (excluding GF service FTEs)
- d) Total FY 2010/11 actual GF services costs excluding the Human Resources, Payroll and City Attorney portions accounted for in the HRPAs and CATA calculations above

**GENERAL FUND SERVICES
COST ALLOCATION METHOD**



- 1) General Fund Divisions/sections whose primary purpose is to provide services to operational City Departments were identified and the FY 2010/11 actuals calculated for each, while separate totals for Human Resources/Payroll, City Attorney's Office and Other GF services were calculated to allow different methodologies to be used to allocate each category's cost. *[worksheet tab 'GF Adm Acts']*
- 2) Total FY 2010/11 Actuals were calculated for each operational City division, excluding CIP costs in operational Divisions, but including the overall amount in CIP and Debt Svc. funds, though these were not to be charged. The goal was to provide a fair allocation by amount of budget; were the allocation not to take CIP and Debt Service funds into account, the percentage representing the CIP/Debt Service 'share' of overall budget would simply be 'layered' into other City Divisions, making them effectively pay a portion of administrative costs for CIP/Debt Service as well as their own. Since CIP/Debt Admin. charges are handled separately, however, the schedule does not actually apportion service charges to these categories; rather, it accounts for them when calculating charges for all OTHER categories. Each remaining Division to be charged is then assigned a percentage share based on its share of total actuals in the category (including CIP/Debt Service as noted above). Because the total includes amounts not assessed, the total of the percentages produced does not (and should not) equal 100%, as less than 100% of the 'allocable' cost is being allocated via this method. GF Admin. actuals were also excluded as they represent costs to be allocated, not areas to which those costs can be allocated. *[worksheet tab 'AF- $\$$ xDiv']*
- 3) The number of Full Time Equivalents (defined as the total number of positions adjusted for part-time or seasonal employees' partial time; e.g. a part-time employee working $\frac{1}{2}$ of a 40-hour work week would be counted as 0.50 FTE) was calculated for the General Fund service Divisions noted in 1) above, and again, separate totals calculated for the HR/Payroll, City Attorney and Other categories. *[worksheet tab 'GF Adm FTEs']*
- 4) Following the same basic method as in 2) above, the current number of positions (not FTEs) was calculated for each operational City Division. Then, each Division's share of the total number of positions (not including positions identified in 3) above) was calculated. Because this is a count of positions and not FTEs, each position is counted as 1, whether that position represents 1.0 FTE or 0.25 FTE. *[worksheet tab 'AF-PosxDiv']*
- 5) Again following the same method as in 4) above, the current number of Full-Time Equivalents (FTEs, not positions) was calculated for each operational City Division. Each Division's share of the total number of FTEs (again, excluding GF Admin. positions noted in 3) above) was then calculated. *[worksheet tab 'AF-FTE \times Div']*
- 6) Each operational Division's share of total liability insurance assessments and identifiable liability-related costs was calculated, using information from the schedule of General Liability insurance assessments calculated for the FY 2011/12 budget process by the Risk Management Office. Because some charges were only assessed to Departments as a whole and some other operational City Divisions did not have an assessment for various reasons, some adjustments were performed to the resulting percentages on the following tab in order to account for these inconsistencies, as noted in 7) below. *[worksheet tab 'GL-ATT Assmt']*

(cont. next page)

7) The percentages calculated by the methods noted above are summarized in the next tab. These will be used to calculate each operational Division's share of the total allocable costs in the General Fund service Divisions noted in 1) above. Note the 0% numbers highlighted in yellow in the '% Share-Attorney' column; these represent functional areas not charged an insurance assessment by Risk, for various reasons. To account for the fact that these 'left out' Divisions will still incur a share of Attorney costs, various methods were used to allocate a share to these Divisions. In the case of Library, 3/4 of the assessment for Community Svc. Administration was assigned, based on the nature of those functions. For Fire and Land Use, the entire Department's share was allocated to the Administration Divisions, as done on the Risk insurance schedule, due to the difficulty of assigning relative shares to several un-assessed Divisions. For Community Development, 50% of the assessment for the Administration Division was assigned to the Economic Development Division, again based on their functional nature. Finally, 7.5% of the total for Police Operations was reassigned to the Police Support Services Division, for the same reasons noted above. The adjusted factors noted here appear in the final column marked 'Adj. %-Attorney'. Also note that, for reasons noted in 2) above, the total percentage in the '% Share-\$ Method' does not equal 100%.
[worksheet tab 'Combined%']

8) Finally, the percentages outlined in 6) above are applied to the various categories of General Fund administrative services costs (HR/Payroll, Attorney and Other) to provide an overall assessment of these costs to operating City Divisions. The methods applied are as follows:

- a) Human Resources and Payroll costs are apportioned based on an average of relative shares of position numbers and FTE numbers (as calculated in 3) and 4) above) in the first two data columns in this sheet, headed '% Share-HR/Payroll' and '\$ Share-HR/Payroll'.
- b) City Attorney costs are apportioned based on the adjusted percentages calculated from the Risk liability insurance assessments schedule, as outlined in 6) and 7). These assessments are in the second two data columns, '% Share-City Attorney' and '\$ Share-City Attorney'.
- c) Other GF allocated costs are apportioned based on a formula that averages the factors produced in the \$ method, as outlined in point 2) above; the position count method, in 3) above; and the FTE method, in 4) above. These factors were weighted using the following multipliers: double (2X) weight was given to the \$ method, while single weight (1X) was assigned to the average of the percentages produced by the position and FTE count methods.
- d) The assessments calculated in the columns noted in a)-c) above are totaled in the final column, 'Total Allocation.' This represents the charge to be budgeted in each operational City Division, as calculated by the above methods.

[worksheet tab 'FINAL']