



City of Montebello

Overhead Cost Allocation Study and

Comprehensive User Fee Study

Wednesday, April 13, 2011



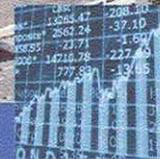
Engineering



Geotechnical



Environmental



Financial



Homeland Security



Sustainability



Project Phases

- **Phase I: Overhead Cost Allocation Plan (CAP)**
 - Develop updatable cost allocation model
- **Phase II: Comprehensive User Fee Study**
 - Identify full costs of providing services
 - Develop supportable and consistent service fees



Phase I: Overhead Cost Allocation Plan



Cost Allocation Plan

- A comprehensive City-wide Cost Allocation Plan ensures that all costs associated with the City's Central Services Departments are appropriately allocated to the respective City Operational Departments
- Cost Allocation Plans create a tool that formulates a fair and equitable methodology to identify and allocate indirect costs to programs and services



Cost Allocation Plan (CAP)

Central Service Departments

City Manager

Finance

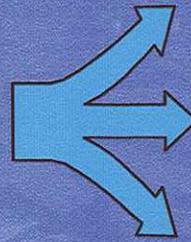
City Clerk

Operating Departments

Fire

Police

Public Works



Central service
departments provide
support to operating
departments

Operating
departments provide
services directly to
the public



CAP Building Blocks

- Evaluation of the costs of each of the central services departments to determine which amounts are appropriately allocable to the operating departments
- Determination of how to appropriately allocate each central service department's costs to the operating departments



Phase II: Comprehensive User Fee Study



Study Objectives

- Identify the true cost of providing user fee services
- Determine fee subsidies and overall revenue impacts
- Identify new fees and cost recovery strategies
- Fairly and appropriately distribute indirect and overhead costs
- Strong, defensible, fee schedule



User Fee Study

- According to California law, a City can impose fees for government services when:
 - Use of the service is voluntary
 - The fee is reasonably related to the level of service and cost of providing the service
- A User Fee Study ensures that City's fees:
 - Meet the statutory test
 - Recover up to 100% of costs to provide services
 - Identify General Fund subsidy of current fees



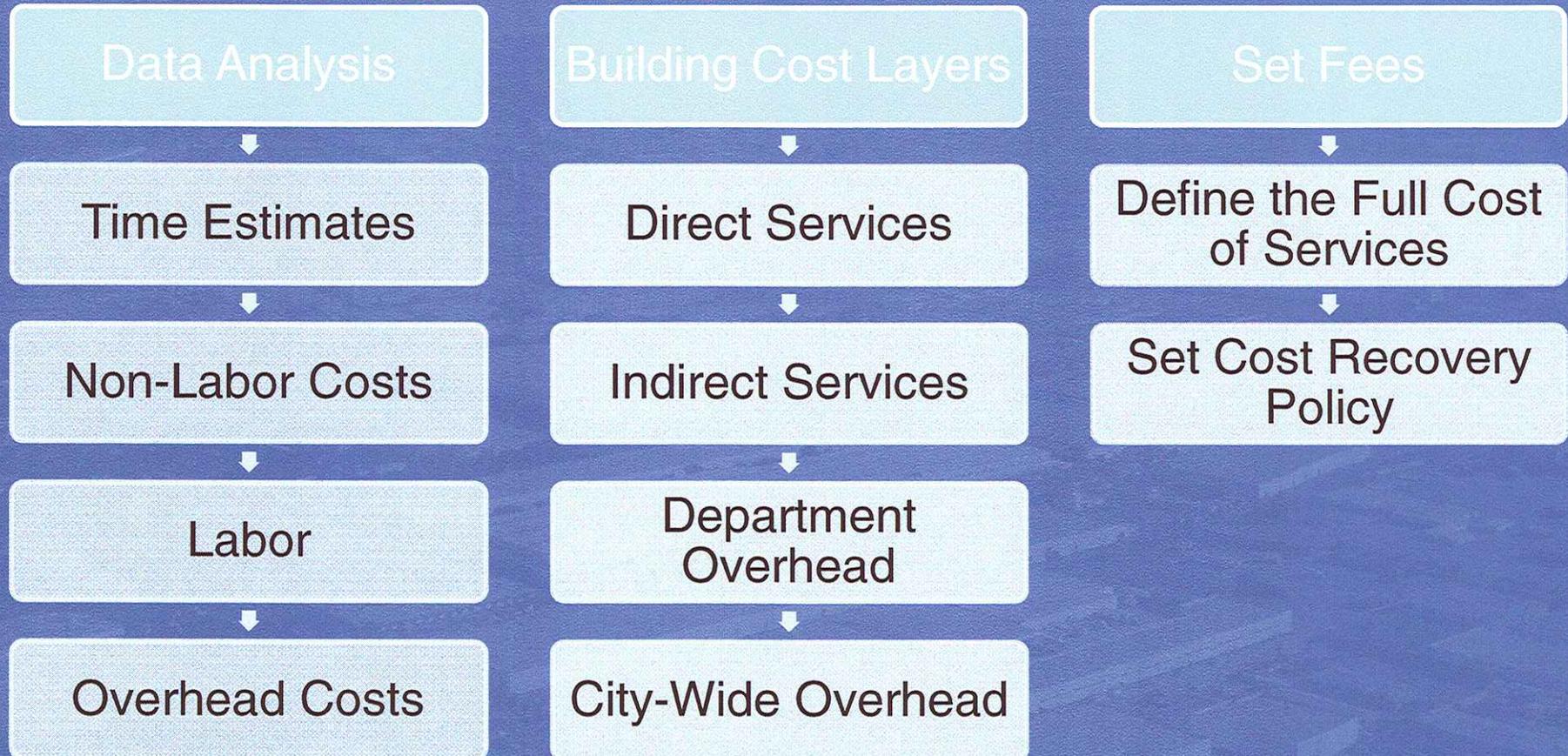
Scope of the Study

Full review and calculation of the user fees charged by:

- Administration, City Clerk's Office
- Finance Department
- Fire Department
- Police Department
- Planning and Community Development
 - Code Enforcement
 - Building and Safety
 - Engineering Division
 - Planning Division



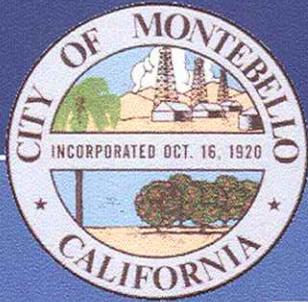
Approach and Methodology





Approach and Methodology

- *Case Study Method* - estimates actual labor and material costs associated with providing a unit of service to a single user
 - Costs are based on:
 - Interviews with staff
 - Records review
 - “Time and materials” analysis based on actual costs including staff time (at fully burdened rates) and material costs (including outside contractor costs, if applicable)

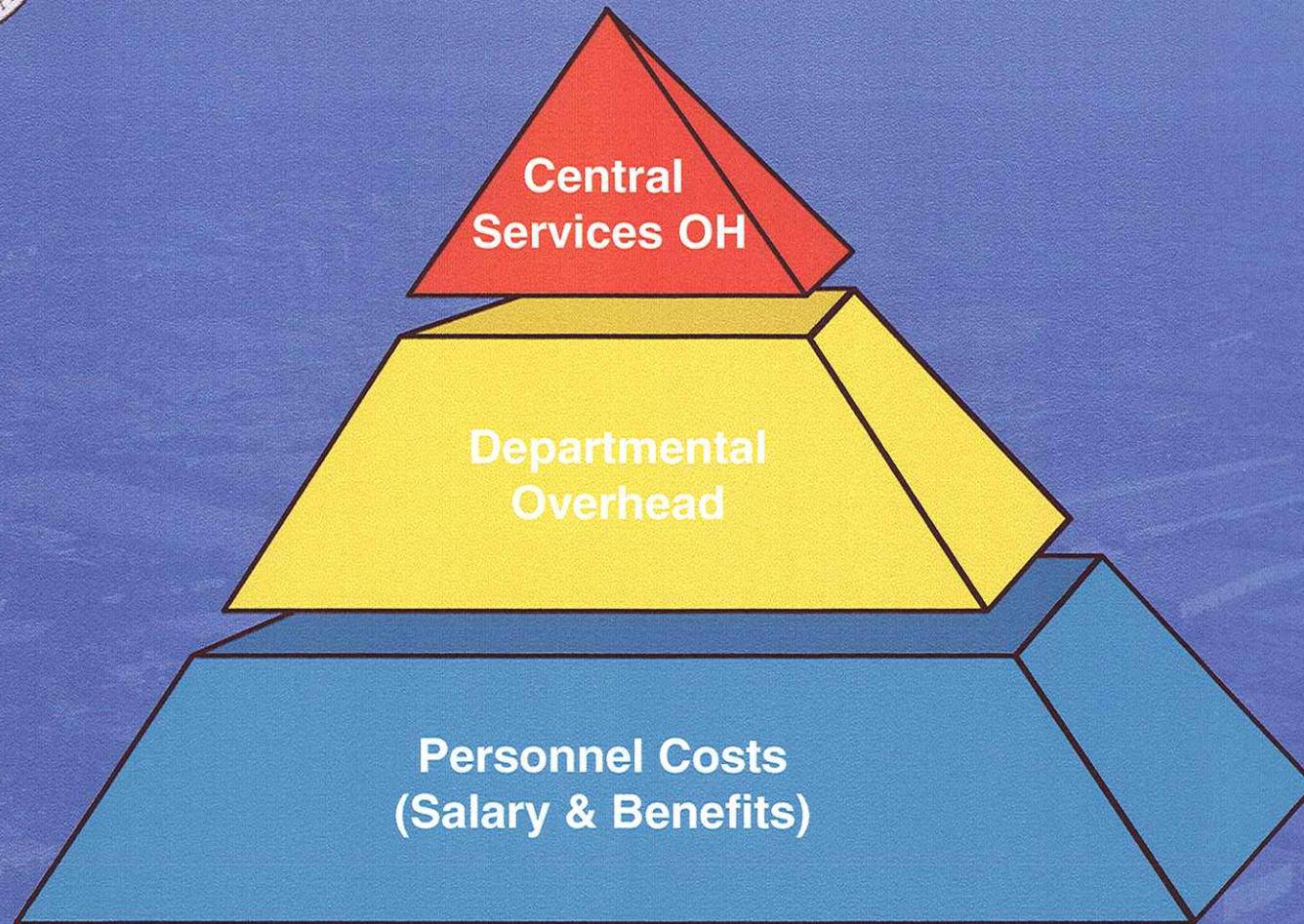


Fully Burdened Cost Layers

- Three cost layers when combined constitute the fully burdened cost of a service
 - **Direct Labor** - staff hours spent directly on fee-related services
 - **Departmental Overhead** - hours spent on staff supervision and administrative activities and applicable supplies and materials costs
 - **Central Services Overhead** - costs of Central Services Departments that support the Operating Departments



Fully Burdened Hourly Rates





Time/Materials Surveys

- A Time/Materials Survey determines the amount of time each employee spends on a service
 - Employees may spend anywhere from a few minutes to several hours on a service
- A Time/Materials Survey provides department management with an opportunity to assess the time requirements for each service



Time/Materials Survey Example

From FB
Hourly Rate
Summary.

City Staff			
	City Engineer		
FB Hourly Rates	\$ 100.00		
Service/Application			Total Cost
Plan Check Fees			
Drainage Plan Check			
Major Development	60		\$ 100.00
Small Development	30		50.00
Single Family	15		25.00

Time (in minutes)
determined by
City staff.

$$(\$100.00 \div 60) \times 30 = \$50.00$$

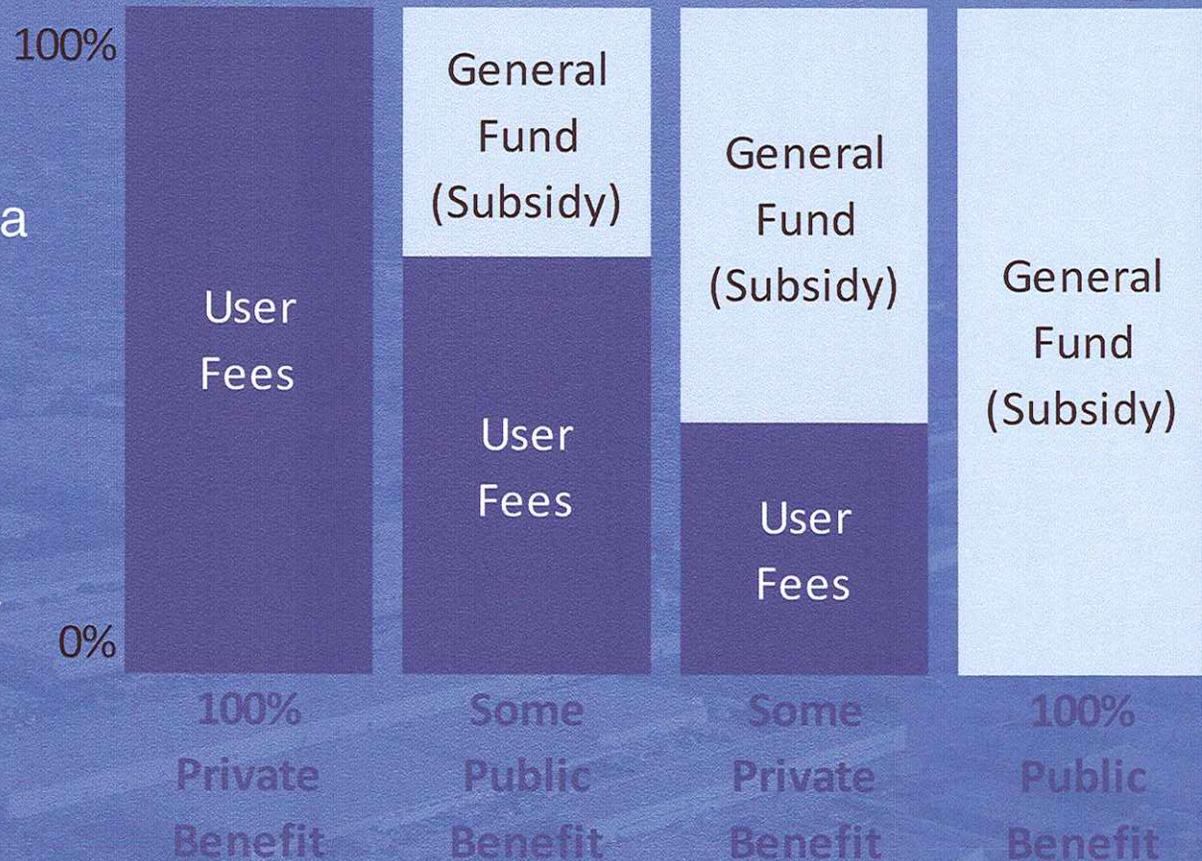


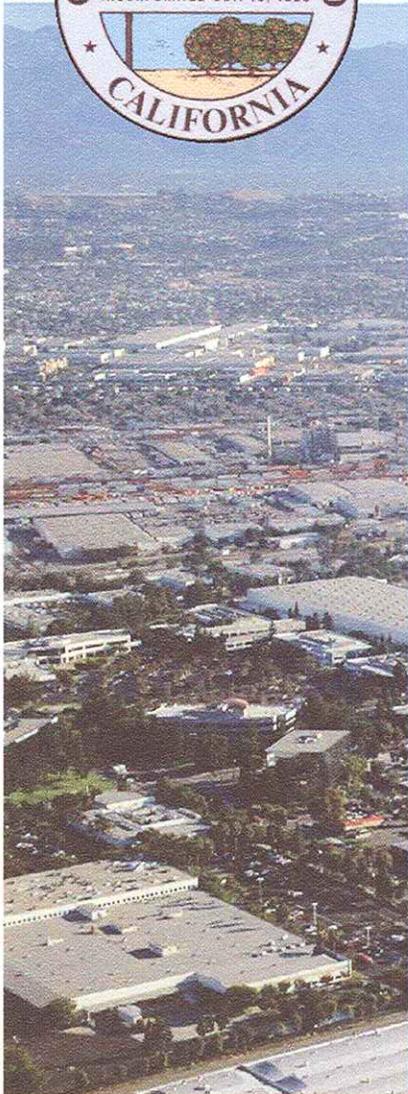
Recommendations

For all private benefit services, Willdan recommends pursuing a full-cost recovery strategy.

For public benefit services, it is recommended the City develop a formal policy to set desired subsidy levels.

Sources of Service Funding





Questions & Answers