

Cost Allocation Plans and User Fee Study Service Agreement



Council Presentation
February 28, 2017



Cost Allocation Plan & User Fee Study Leverages Related Information

- Full Cost Allocation Plan** required annually to comply with Federal CFR Part 200:
- conforms to all applicable federal/state regulations/guidelines to recover costs charged to federal/state grants;
 - City recovers indirect cost charged to enterprise/special revenues funds & federal/state grants.

- User Fee Study** identifies true cost (direct & indirect) of providing service:
- Sets a cost recovery/subsidy level appropriate to the market, service, department, & goals of the City;
 - GFOA best practice: conduct and independently validate every 3-5 years;
 - No comprehensive review in almost 30 years;
 - Services and delivery have changed, been eliminated, or implemented;
 - City needs to establish policy for regular fee and rate reviews.
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User Fee Study Benefits

- 1) Specifies “**tax subsidy**” amount for City service and, allows for informed discussions on where & how much services should be subsidized (*tax subsidy*);
 - 2) Identifies **new** areas where fees can be charged to **reduce “tax burden”**;
 - 3) Identifies programs that may have **substantial** costs, yet not provide services to many (under-utilized, but costly programs);
 - 4) Fee studies are an essential component of defending regulatory fees in Texas. In Texas regulatory fees can be legally attacked as unconstitutional taxes unless those fees are justified in a defensible cost analysis;
 - 5) A sophisticated fee study allows recovery of a greater percentage of cost of service than does the typical in-house fee analysis;
 - 6) User fee studies essential component of zero-based budgeting (aka service level budgeting).
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Extensive MGT Team User Fee Experience

- City of Greensboro, NC
- Harris County, TX
- City and County of San Francisco, CA
- City of Dallas
- City of Oklahoma City, OK
- City of Richmond, VA
- City of Lewisville, TX
- City of Cape Coral, FL
- City of Jacksonville, FL
- City of Raleigh, NC
- Collier County, FL
- City of Houston, TX
- City of Los Angeles, CA
- City of Fort Worth
- City of Pasadena, CA
- City of Rockville, MD
- City of Lubbock, TX
- Allegan County, MI
- City of Pensacola, FL
- City of San Antonio
- City of Tamarac, FL
- City of Greensboro, NC



Fee Study Goals: General Fund Services

- Comprehensive cost analysis in the following General Fund departments:
 - Fire
 - Emergency Medical Services (EMS)
 - Libraries
 - Police
 - Animal Care
 - Code Enforcement
 - Parks and Recreation
 - Provides a model that can be updated internally in future years.
 - Knowing direct & indirect costs by service provides essential information for zero-based budgeting (aka service-level).
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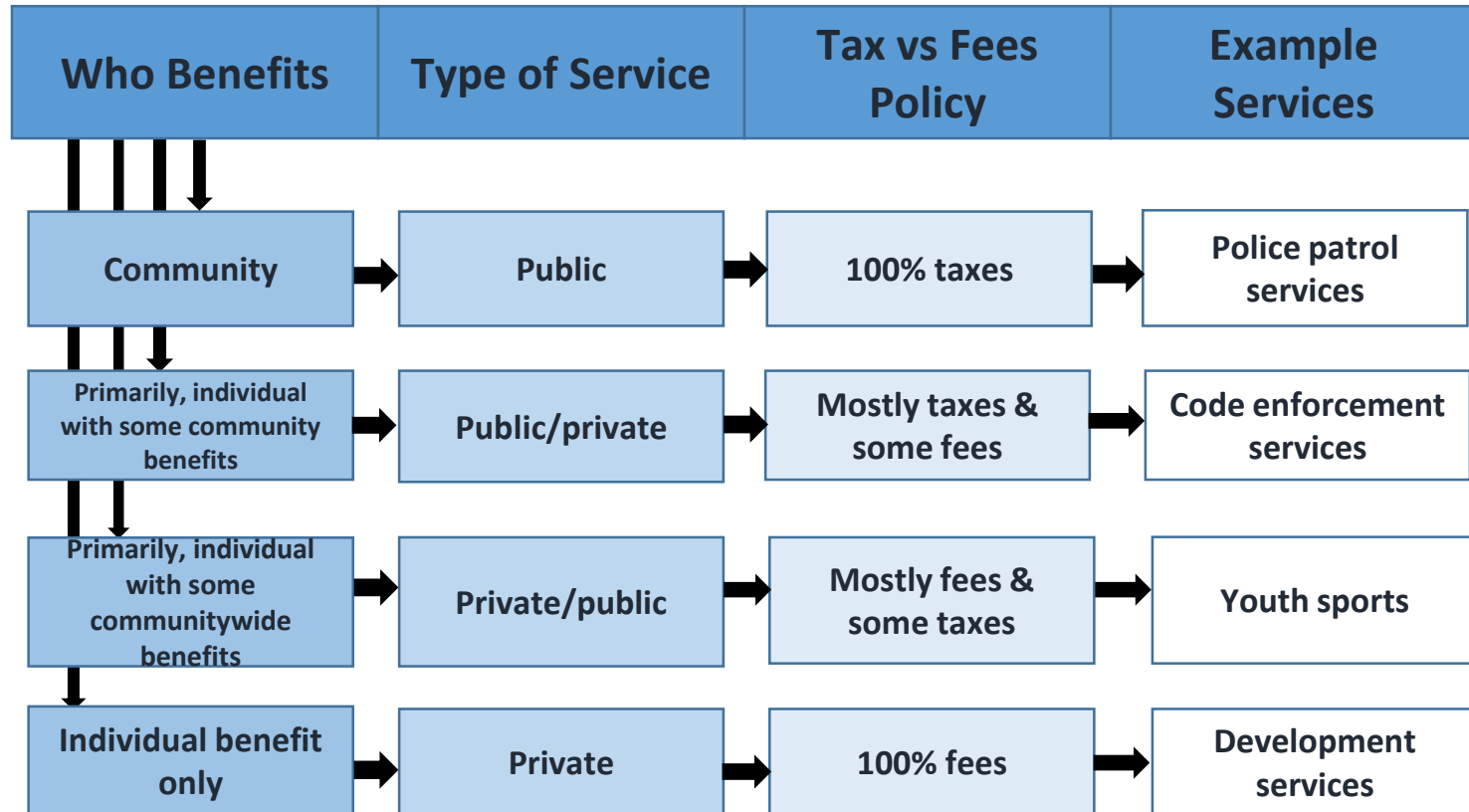
Developing Costing Assumptions

Full Cost comprehensive approach involves detailed analysis of cost components.

Cost Component	Contents
Direct	Departmental budget: salaries and benefits, services and supplies
Indirect	Divisional, Departmental, and City-wide overhead
Cross-Departmental	Review by other departments
Plans, policy and systems maintenance	Projected technology costs, comprehensive plan update, zoning and building code enforcement, etc.



Making Pricing Decisions





Timeline: Complete for Budget Inclusion

- MGT is prepared to work with an aggressive time line – completion in June assuming start date of early March
- Project will require singular attention and dedication

