



Sacramento Public Library Authority

*Overhead Cost Allocation
Presentation of Results and Model*

Willdan Financial Services Background

- Willdan Financial Services - over 60 employees providing financial services to local agencies
- More than 25 years providing Financial Consulting, Federal Compliance and District Administration Services
- Financial Consulting Services:
 - Cost Allocation Plans and User Fee Studies
 - Water, Wastewater and Solid Waste Utility Rate Studies
 - Special District Formations (CFD, AD, LLD, BID)
 - Prop 218 Nexus Studies and Compliance
 - Impact and Connection Fee Studies
 - Assessment/Re-assessment Engineering / Balloting



Willdan Project Team

- Chris Fisher, Project Director
 - Resource coordination, strategy development
 - QA/QC, review of reports and models
 - 15 years experience at Willdan with cost of service studies, including cost allocation, user fee, impact fee, utility rates
- Tony Thrasher, Lead Financial Analyst
 - Lead analytical and modeling efforts
 - Incorporate direct data and feedback
 - Extensive Cost Allocation Plan (CAP), user fee (UF), utility rate experience



What is a Cost Allocation Plan?

- Cost Allocation Plan (CAP) ensures that costs associated with Central Service Departments are appropriately allocated to respective Operating Departments, branches and/or funds
- Tool that formulates an equitable methodology to identify and allocate indirect costs to direct cost programs
- Allocations should represent how the library branches use and benefit from central support services



Building Blocks of a Cost Allocation Plan

- Evaluate costs of central service departments (donors) to determine which amounts are appropriately allocable to each branch
 - **Direct costs** - those that can specifically be identified with a particular service, i.e. budgets
 - **Indirect costs** - not inherently identifiable with a specific operating program, i.e. joint purpose costs
- Determine which costs are allocable
- Identify allocation bases that best represent how services are used



Authority Internal Structure

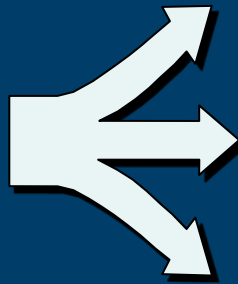
Donor Departments

Director

Finance

Human Resources

**Central service
departments provide
support to branches**



Library Branches

Central Library

Carmichael Library

Arden Library

**Individual branches
provide services
directly to the public**



Project Objectives

- Work with staff to understand objectives, challenges, political and policy direction
- Develop defensible allocation of OH to each library branch
- Develop easily updatable full cost CAP and model
- Conduct interactive data gathering to ensure accuracy, integrity of model inputs, understanding of organization
- Provide accurate *custom model, analysis, report* - easy to interpret, clearly presents data, methodology, approach, results



Overhead Cost Allocation Process

- Kick-off discussion
- Gather financial and budget data
- Review and analyze previous year's actuals to identify allocable costs
- Review existing CAP, identify what works and areas for improvement
- Identify central support and direct operating services
- Interview Staff to:
 - Understand structure and functions
 - Highlight and resolve issues or anomalies
 - Discuss appropriate, defensible allocation bases
- Gather necessary data regarding selected allocation bases
- Develop model to reflect Authority's cost structure
 - (i.e. fund, organization, account codes, etc.)



Double-Step Down Allocation Approach

- Widely accepted methodology
- Accurate and equitable
- Utilizes two steps to allocate indirect costs
- First Step:
 - Identify allocable budget of each donor department
 - Distribute allocable costs to central and operating entities based on functions provided and selected allocation bases
- Second Step (“Close Out” step):
 - For each Donor department, Central service allocations from the first step are reallocated to all remaining entities
 - Each central service is “closed out” one by one
 - After closing out all donor departments all costs are fully allocated to the operating entities (branches)



Example of Allocation Bases

Central Service Department	Allocable Budget	Salaries & Benefits	Employee Hours	Service Area Population	SURF Requests	Equal Distribution	Branch Square Footage	Total FTE's
Director		41%	41%	18%				
Communications					42%	58%		
Human Resources		48%						52%
Administrative Services	37%		37%				6%	20%
Passport Services				100%				



Summary of Allocable Costs

Allocable Cost Summary			
	<u>Unallowable Cost</u>	<u>Allocable Cost</u>	<u>Total Cost</u>
Summary	\$ 535,520	\$ 14,587,381	\$ 15,122,902
Donor			
101			-
Administrative Services	9,696	604,105	613,801
Bookmobiles	121	81,419	81,541
Collection Management Svcs. (CVD/TEC)	14,409	1,754,162	1,768,571
Communications	38,198	351,773	389,971
Community Services	25	370,604	370,629
Director	106,791	406,517	513,307
Facilities	427	2,395,675	2,396,102
Finance	53,744	656,353	710,097
Human Resources	10,374	386,772	397,146
Information Technology	295,458	2,503,667	2,799,125
Literacy		49,649	49,649
Passport Services		1,115	1,115
Sacramento Room		150,294	150,294
Shared Public Services (General)		603,347	603,347
Tellis		405,330	405,330
Youth Services	6,277	38,383	44,660
111			-
Book Fund		2,704,193	2,704,193
201			-
201-County of Sacramento Public Svcs. (General)		1,083,590	1,083,590
202			-
202-City of Sacramento Public Svcs. (General)		7,543	7,543
203			-
203-City of Sac Special Tax (General)		32,891	32,891



Summary of Costs Allocated to Branches

Allocated Cost Summary

	Total 2013 Actuals (Includes CIP and DS)	Indirect Allocation
Summary	\$ 14,899,993	\$ 14,587,382
Recipient		
201		
201-Arcade Library	547,383	587,500
201-Arden Library	722,759	656,096
201-Carmichael Library	818,574	992,386
201-Courtland Library	87,705	74,515
201-Elk Grove Library	696,262	901,769
201-Fair Oaks Library	563,069	682,253
201-Franklin Library	603,276	662,647
201-Galt Library	264,748	267,296
201-Isleton Library	104,965	82,246
201-North Highlands/Antelope Library	669,800	926,036
201-Orangevale Library	270,382	228,768
201-Rancho Cordova Library	597,124	879,751
201-Rio Linda Library	236,595	282,614
201-Southgate Library	593,867	699,184
201-Sylvan Oaks Library	697,081	774,715
201-Walnut Grove Library	159,414	75,423
202		
202-Belle Cooleage Library	448,839	266,847
202-Central Library	2,380,466	1,505,563
202-Colonial Heights Library	359,280	340,071
202-Del Paso Library	298,630	174,826
202-Galleria	253,936	101,775
202-Martin Luther King Library	389,614	315,053
202-McClatchy Library	221,544	174,617
202-McKinley Library	246,322	235,801
202-North Sacramento Library	278,306	91,328
202-South Natomas Library	414,893	338,839
203		
203-Belle Cooleage Library	78,750	24,255
203-Central Library	-	168,833
203-Colonial Heights Library	100,658	17,640
203-Del Paso Library	54	123,472
203-Martin Luther King Library	86,521	17,891
203-McClatchy Library	575	2,759
203-McKinley Library	79,239	62,122
203-North Natomas Library	508,601	591,758
203-North Sacramento Library	3,172	91,755
203-Pocket-Greenhaven Library	480,403	438,645
203-South Natomas Library	77,712	85,709
203-Valley Hi Library	559,476	644,623



Trend of CAP Outcomes

FUND	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15
County/Cities	65%	66%	58%	58%	58%	60%
City General	21%	20%	28%	28%	26%	24%
City Special Tax	14%	14%	14%	14%	16%	16%



Questions and Comments

