



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

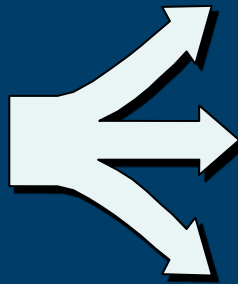
Donor Departments

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 Cooleedge 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 Cooleedge 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

