

Budget 101 Outline



- *CIP vs. Operating Budgets*
- *Separate Funds for Distinct and Different Purposes*
- *Discretionary Budget Items*
- *Vehicle Replacement Fund*
- *Cost Allocation Plan*

Operating Budget vs. CIP



- *Operating budget appropriations are on a fiscal year basis—July 1 thru June 30 and lapse unless encumbered via a Purchase Order or grant related*
Typically services are provided.
- *CIP budgets span construction seasons and carryover from one fiscal year to the next unless unappropriated or re-programmed*
Typically an infrastructure item is constructed

CIP Budget Summary by Funding Source



General Fund	\$ 3,612,350
TDA Funded	2,704,000
Streets & Roads	2,064,000
Development Impact Fees	3,729,000
CDBG	610,000
Water	11,330,650
Wastewater	9,915,600
State Revolving Loan Fund	9,600,000
Other Funding Sources	99,251,750
Total CIP Funded	<u><u>\$142,817,350</u></u>

CIP Budget



- *Capital improvement program projects meet certain criteria per the City's Capital Asset Policy including:*
 - *Cost in excess of \$50,000*
 - *Have a useful life exceeding 2 years*
 - *The cost of construction is capitalized and depreciated over the useful life of the asset*

Infrastructure - categorized as community service assets that are long-lived, generally stationary in nature, and normally preserved for a significantly greater number of years than most capital assets. Examples include pavements, curbs, gutters, and sidewalks associated with roadways, bridges, sewer systems, water distribution systems, and water drainage systems.

Different Types of Accounting Funds



- *General Fund-Fund 100*
- *Special Revenue-200 series*
- *CIP Funds-300 series*
- *Debt Service Funds-400 series*
- *Enterprise Funds-500 series*
- *Internal Service Funds-600 series*
- *Trust and Agency Funds-700 series*

Uses of Different Funds in City's Operating Budget



- *General Fund-Fund 100—General Operating Fund of the City*
Revenue details (page 94 through 96)
Expenditure summary (page 66 and 67)
Expenditure details by department & division (pages 105 to 240)
- *Special Revenue Funds—200 Series Restricted by revenue source to be expended only for purpose for which received (IE Gas Tax Roads)*
Revenue details (page 98 & 99)
Expenditure summary (page 67 and 269)
Expenditure details (pages 270 to 284)
- *CIP Funds—300 series*
Details in Capital Improvement Program Budget Document

Uses of Different Funds In City's Operating Budget



- *Debt Service Funds—400 series-Only purpose is to pay interest and principal on outstanding City debt*
Detailed description of Outstanding Debt Obligations (pages 72 & 73)
Debt Summary (pages 75 & 76)
- *Enterprise Funds—500 series-Funds which provide services in exchange for user charges similar to a business (but with no profit motive)*
Revenue details (page 97)
Expenditure summary (page 68 and page 242)
Expenditure details by utility & division (pages 245 thru 267)

Uses of Different Funds In City's Operating Budget



- *Internal Service Funds—600 series-Funds that provide an ‘internal’ service to user departments. Examples include health, disability, worker’s compensation and liability insurance in addition to technology replacement and vehicle replacement*
Revenue summary (page 100)
Expenditure summary (page 68 and 285)
Details by department & division (pages 286 thru 293)
- *Trust and Agency Funds—700 series-Funds that account for monies that don’t belong to the City. “Other People’s Money” or “funds of another agency”. Examples: Net 5, SBFCA, SA (Successor Agency to the Yuba City Redevelopment Agency), LAFCO, SASA and assessment districts.*

Discretionary Budget Options



- *All authorized positions are at the discretion of the City Council*
Priorities may be shifted to add or delete services based upon Council priorities

A detailed listing of all City positions included in the adopted budget (by division and department) is provided in your Operating Budget binder

- *O & M Expenditures can be reviewed to prioritize or defer some items.*

Note that this can have the consequence of creating deferred maintenance issues or deterioration of assets

Discretionary Budget Options



- *Professional Services expenditures*

Most all City departments use professional services to procure expertise in an area where:

- *The work cannot be performed by City staff; or*
- *City staff doesn't have the expertise; or*
- *It can be completed at a lesser cost through outside services.*

A citywide summary of all professional services in excess of \$5,000 is including in your Operating Budget binder for information and potential reprioritizing

- *Service Delivery—City Council sets priorities and can evaluate eliminating some services thereby also eliminating costs*

Note often times eliminating expenditures can have the impact of also eliminating revenues. Example: Recreation classes, if the expense is eliminated so too are the revenues, from fees charged for participation.

Discretionary Budget Options



- *Prior Year's MS&S Increases to the Operating Budget*
 - *All MS&S budget requests must be defined as either one-time or on-going*
 - *One-time are tracked and removed from the budget the following year by Finance*
 - *On-going are included again the following year*

Discretionary Budget Options

General Fund MS&S Added FY 17-18 & FY 18-19



- *FY 18-19 \$230,923 in one-time MS&S requests that will be removed from FY 19-20 base budget*
- *FY 18-19 \$372,696 in on-going MS&S which can be reconsidered for other priorities*
- *FY 2017-18 \$522,862 in on-going MS&S which can be reconsidered for other priorities*

Detailed worksheets with this information are included in the Operating Budget binders

Vehicle Replacement Fund



- *The Vehicle Replacement Plan (VRP) ‘owns’ the City’s fleet. In exchange for an annual rental charge to the user department’s budget, the VRP ‘rents’ the vehicle to the department.*
- *The VRP accumulates funds in order to allow for the planned replacement of the City’s fleet in a scheduled manner*
- *The annual charges for the general fund were set at \$800,000.*
- *The amount truly needed (based upon analysis of the Fleet Maintenance Supervisor) based on the expected replacement cost, the anticipated replacement date, and reserves saved and on hand is \$1,150,000*

Budget 101

City Council Follow-Up Items



- *Review notes from tonight and follow up with myself, a member of the Finance team, or the specific department head for any budget items you have follow up questions or need additional information on.*
- *Review the allocated Salary & Benefits cost distributed in the operating budget binder for each department, division and position within the City to see if, from your perspective, priorities need to be shifted.*
- *Review FY 17-18 and FY 18-19 MS&S requests added to the budget to again see if, from your perspective, priorities need to be shifted.*

Budget 101



COST ALLOCATION PLAN OVERVIEW

Supporting Programs serve Operating Programs



- A method to calculate and assign the cost of *supporting* programs that serve *operating* programs

SUPPORTING PROGRAMS

City Manager
City Clerk
Finance
Human Resource
City Attorney
Information Technology



OPERATING PROGRAMS

Engineering
Public Works
Planning
Building
Water
Wastewater

- Assigning support cost in a manner that uses a rationale which is reasonable and logical and is reflective of the use of the service.

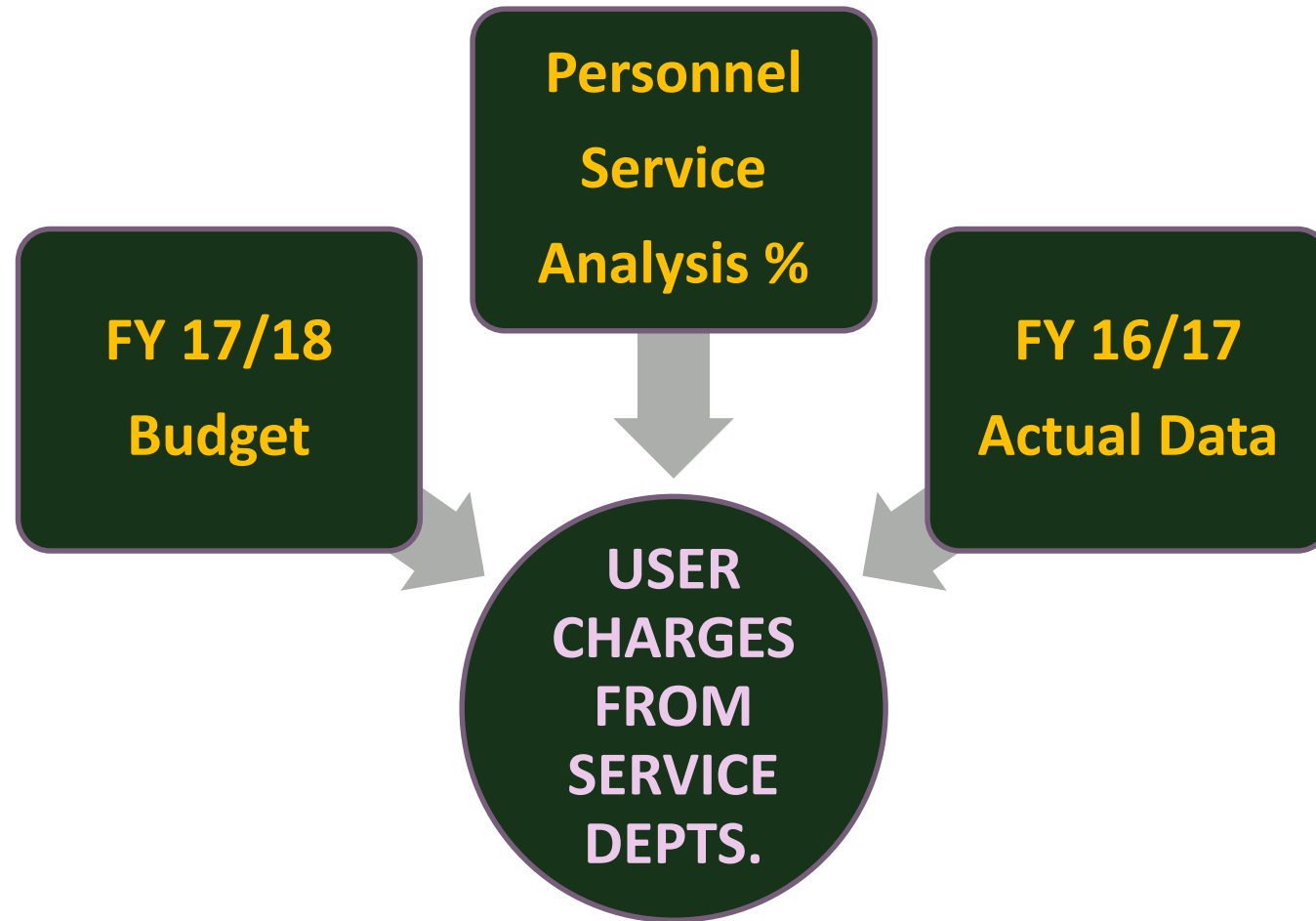
City of Yuba City Cost Allocation Plan Layout



- Table of Contents (Pages 1-4)
 - Allocating Departments
 - Allocation Basis – also referred to as “functions”
- Summary Schedule (pages 5-13)
 - Final citywide allocation charges from all service departments
- Service Department Sections
 - Allocation Basis (functions) – Nature and extent of services provided
 - Personnel Service Analysis
 - Department Costs
 - Incoming Costs
 - Allocations based on functions using actual prior year data
 - Allocation Summary

City of Yuba City

Key components used to generate user charges



What is Cost Allocation?



Definitions of Cost

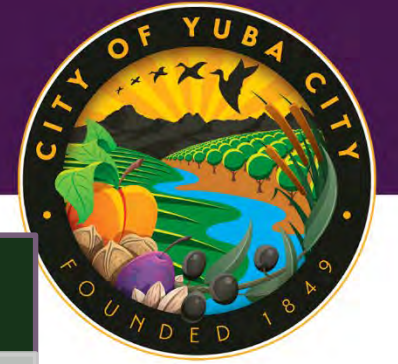
- Direct Costs
 - Project, program, or task specific.
 - Easily identifiable and tracked to a particular cost objective.
 - *Operating programs*, grantee or user departments utilizing support services
- Indirect Costs
 - Costs which benefit more than one task, activity or program.
 - Costs that cannot be assigned, or directed, to a specific task, activity or program *without making an effort disproportionate to the results achieved.*
 - Administrative/Overhead/*Support programs*

Applications of Cost Allocation



- Can be used to recover allowable indirect costs from Federal or State grant programs
- Reimbursement to the general fund for support provided to internal service, enterprise, or special revenue funds.
- User fee calculations
- Integrate into SB90 claims (State Mandated Cost Reimbursement)
- Useful in budgeting process to understand the true or full cost of providing services
 - Subsidy decisions
 - Resource allocation

Preparing the Cost Allocation Plan



November and December

Collect financial & operational data

Prior Year Actual



January

Meetings

Methodology, functions, services



February and March

Prepare and review

Final due by March 31

Two types of Cost Plan Methodologies: Full Cost Plan vs. 2 CFR Part 200



- Similarities:
 - Both use the same methodology
 - Similarly formatted
 - Both provide a summary of citywide indirect costs that support operating programs & funds
 - Both adhere to Generally Accepted Accounting Practices (GAAP)

Full Cost vs 2 CFR Part 200 Methodology



- Differences:

2 CFR Part 200 Cost Plan	Full Cost Plan
<ul style="list-style-type: none"> Used externally (state or federally funded programs; SB90 claims; grants) 	<ul style="list-style-type: none"> Used internally (interfund charges to enterprise funds & ISF's; user fee services; billed services)
<ul style="list-style-type: none"> Must reconcile to actual expenditures 	<ul style="list-style-type: none"> May be based on budget estimates
<ul style="list-style-type: none"> Excludes “general government” functions such as legislative services, cash management 	<ul style="list-style-type: none"> Includes centralized support activities not allowable under 2 CFR Part 200
<ul style="list-style-type: none"> Must adhere to 2 CFR Part 200 regulations 	<ul style="list-style-type: none"> Adheres to Generally Accepted Accounting Principles (GAAP)
<ul style="list-style-type: none"> Produces a conservative view of citywide indirect costs 	<ul style="list-style-type: none"> Produces a comprehensive picture of the full cost of providing citywide indirect services
<ul style="list-style-type: none"> Must be prepared annually 	<ul style="list-style-type: none"> City can adopt a policy of how often the plan is prepared, <i>assuming the plan in use is an accurate reflection of the City's organizational structure.</i>

Cost Plan: Summary Schedule



- Summarizes all allocation results.
 - Receiving departments are in the blue columns. Allocating departments are in purple rows.

Department	1905 Public Works Admin	1910 Planning	1920 Building	1930 Engineerin g	2110 Traffic Education and	2120 Police Administra tion	2130 Investigati ons	2140 Field Operations	2150 Community Outreach	2155 Technolog y Resources
1 Building Use Allowance	\$0	\$2,497	\$2,497	\$18,631	\$0	\$70,907	\$0	\$0	\$0	\$0
2 Equipment Use Allowance	0	162	778	15,597	2,635	149,200	0	4,081	0	0
3 1305 City Manager	103	20,514	18,582	36,611	1,408	2,893	3,792	15,120	127	225
4 1541 Facilities Maintenance	0	14,395	14,395	98,366	0	161,555	0	0	0	0
5 1510 Finance	1,775	5,910	3,515	36,172	4,507	20,063	11,115	56,566	2,156	409
6 1110 City Council	873	2,560	2,855	6,465	3,796	7,135	9,894	38,935	412	614
7 1210 City Attorney	185	17,442	297	10,931	0	7,716	0	0	0	0
8 1520 City Treasurer	0	0	0	0	0	0	0	0	0	0
9 1530 Information Services	14,306	16,587	28,133	14,470	3,050	202,305	6,197	22,473	48	48
10 1720 Human Resources	37,342	17,972	20,500	24,058	12,858	77,235	29,484	113,943	3,685	1,905
11 1710 City Clerk	417	6,105	2,263	3,084	1,811	5,535	4,721	18,580	197	293
12 4220 Non-Dept'l Miscellaneous	1,441	3,381	2,671	6,960	4,560	11,945	13,570	56,077	137	707
Total Current Allocations	\$56,442	\$107,524	\$96,486	\$271,346	\$34,627	\$716,487	\$78,773	\$325,775	\$6,762	\$4,201

Cost Plan – Department Functions

Allocation method based on Actual FY 16/17 Data



1510 Finance Nature and Extent of Services

The Finance Division provides an array of financial services to residents, businesses, other government agencies, as well as to each and every City employee. As a full service finance operation, this division is responsible for accounting procedures and policies, accounts payable and receivable, budget preparations, revenue collection, including water and wastewater bills, payroll, business license taxes, parking citations and water meter reading. The Finance department includes the following functions:

Accounts Payable Costs associated with processing accounts payable are allocated based on the number of AP checks per division.

Payroll Costs associated with processing payroll are allocated based on the number of Payroll checks per division.

Budget (OPS) Costs associated with preparing, presenting and monitoring the City budget (OPS) are allocated based on the expenditures per department, excl SBFCA (excludes debt and capital outlay).

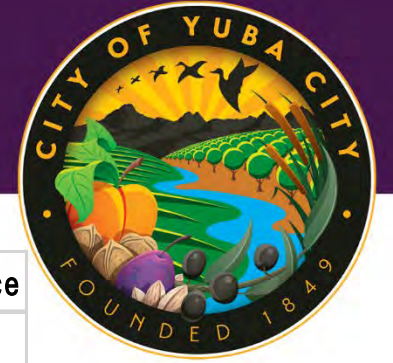
Budget (CIP) Costs associated with preparing, presenting and monitoring the City budget (CIP) are allocated based on the number of CIP projects per department.

Audit Costs associated with general audit are allocated based on the expenditures per department, excl SBFCA (excludes debt and capital outlay).

Parking Citations Costs associated with parking citations are allocated directly to the Traffic Safety Fund.

Cost Plan: Personnel Services Analysis

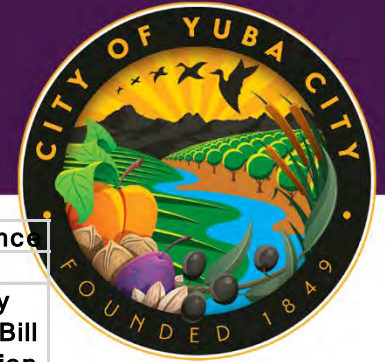
Based on the approved positions in FY 17/18 Budget



Personnel Service Analysis											Dept:5 1510 Finance
Position	Salary	General Admin	AP	Payroll	Budget (OPS)	Budget (CIP)	Audit	Parking Citation	Utility Billing/ Bill Collection	Misc AR	
Accountant I	62,389	0	0	0	9,358	6,239	8,111	0	0	0	
		0.00%	0.00%	0.00%	15.00%	10.00%	13.00%	0.00%	0.00%	0.00%	
Acctg Tech	54,288	0	543	0	7,057	7,057	7,057	543	1,629	0	
		0.00%	1.00%	0.00%	13.00%	13.00%	13.00%	1.00%	3.00%	0.00%	
Intermediate Account Clerk	46,562	2,328	30,265	0	0	0	0	0	2,328	2,328	
		5.00%	65.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	5.00%	
Account Clerk Sr	53,578	2,143	1,072	42,862	0	536	1,607	0	0	5,358	
		4.00%	2.00%	80.00%	0.00%	1.00%	3.00%	0.00%	0.00%	10.00%	

Cost Plan – Department Costs

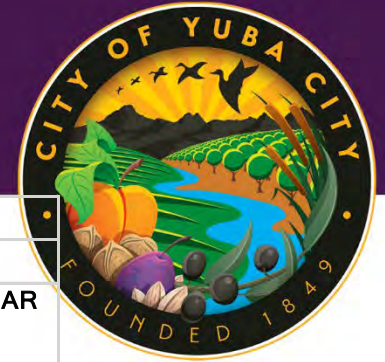
To allocate the PSA % to the FY 17/18 Budget



A. Department Costs										Dept:5	1510 Finance
Description		Amount	General Admin	AP	Payroll	Budget (OPS)	Budget (CIP)	Audit	Parking Citation	Utility Billing/ Bill Collection	
Personnel Costs											
Salaries	S	874,912	26,216	34,817	50,675	43,198	20,946	47,294	9,967	316,390	
Salary % Split			3.00%	3.98%	5.79%	4.94%	2.39%	5.41%	1.14%	36.16%	
Benefits	S	466,355	13,974	18,558	27,011	23,026	11,165	25,209	5,313	168,645	
Subtotal - Personnel Costs		1,341,267	40,190	53,375	77,686	66,224	32,112	72,503	15,280	485,035	
Services & Supplies Cost											
Postage	P	94,385	0	0	0	0	0	0	0	94,385	
Lockbox Service	P	26,372	0	0	0	0	0	0	0	26,372	
Utility Supplies & Services	P	32,773	0	0	0	0	0	0	0	32,773	
Other Services & Supplies	S	273,330	8,190	10,877	15,831	13,496	6,544	14,775	3,114	98,843	
Capital Outlay	D	0	0	0	0	0	0	0	0	0	
Subtotal - Services & Supplies		426,860	8,190	10,877	15,831	13,496	6,544	14,775	3,114	252,373	
Department Cost Total		1,768,127	48,381	64,252	93,517	79,720	38,655	87,278	18,394	737,408	
Adjustments to Cost											
Capital Outlay	D	0	0	0	0	0	0	0	0	0	
Subtotal - Adjustments		0	0	0	0	0	0	0	0	0	
Total Costs After Adjustments		1,768,127	48,381	64,252	93,517	79,720	38,655	87,278	18,394	737,408	
General Admin Distribution			(48,381)	1,985	2,889	2,463	1,194	2,696	568	18,036	
Grand Total		\$1,768,127		\$66,237	\$96,406	\$82,183	\$39,850	\$89,974	\$18,962	\$755,444	

Cost Plan: Incoming Costs

Incoming costs from other service departments



B. Incoming Costs - (Default Spread Salary%)											
Dept:5 1510 Finance											
Department	First Incoming	Second Incoming	AP	Payroll	Budget (OPS)	Budget (CIP)	Audit	Parking Citation	Utility Billing/ Bill Collection	Misc AR	
10 General HR	0	3,957	162	236	201	98	221	46	1,475	54	
10 Recruitment	0	7,233	297	432	368	179	403	85	2,696	98	
10 Training	0	0	0	0	0	0	0	0	0	0	
10 Workers Comp	0	0	0	0	0	0	0	0	0	0	
10 Disability & Family Leave	0	2,426	100	145	123	60	135	28	904	33	
10 Labor Contract Mgmt	0	4,764	195	284	242	118	265	56	1,776	65	
10 Risk Management	0	4,507	185	269	229	111	251	53	1,680	61	
10 Payroll Processing	0	3,425	140	204	174	85	191	40	1,277	46	
10 Benefits	0	3,553	146	212	181	88	198	42	1,325	48	
10 General Liability	0	0	0	0	0	0	0	0	0	0	
10 HR - GF Support	0	9,112	374	544	464	225	508	107	3,397	124	
Subtotal - 1720 Human Resources	0	38,976	1,599	2,327	1,984	962	2,172	458	14,530	529	
Total Incoming	49,856	146,753	8,066	11,739	10,007	4,852	10,956	2,309	73,295	2,668	
C. Total Allocated		\$1,964,737	\$74,303	\$108,146	\$92,190	\$44,702	\$100,930	\$21,271	\$828,739	\$24,579	
			3.78%	5.50%	4.69%	2.28%	5.14%	1.08%	42.18%	1.25%	

Cost Plan – Example

To develop % to allocate to user departments



- **Page 78** – Accounting Manager and Account Clerk Sr. spend a combined 87% of their total hours on payroll functions.
- Annual Salary: Manager \$94,607, Clerk \$53,578
- **Page 79** - Total Finance Department Annual Salary = \$854,367
- Total Relative % for the payroll function is 5.79%
- $\$94,607 \times 7\% / \$854,367 = .78\%$ (PR Function %)
- $\$53,578 \times 80\% / \$854,367 = 5.01\%$ (PR Function %)

Cost Plan – Example (cont. 2)

Develop the dollar cost value to allocate to user department



- **Page 84** – Payroll function % is applied to the FY 17/18 Finance S&B and MS&S budget for a cost value for payroll services of \$96,406.
- **Page 89** - Add “incoming costs” from other allocating departments of \$11,739 for a total cost value of payroll services of \$108,146.

Cost Plan – Example (cont. 3)

Allocates cost to user department based on usage of service



- **Page 97** - Total number of payroll checks issued = 10,188
- **Page 96** - Total number of Wastewater Treatment PR checks = 482
- $482 / 10,188 = 4.73\%$ (Wastewater ratio)
- $\$108,146$ (dollar cost value) $\times 4.73\% = \$5,147$ (with rounding differences)
- This is the total amount allocated to Wastewater for the payroll function
- **Pages 124 thru 131** – Allocation Summary for Finance
- **Page 10** – Citywide Summary Schedule – Wastewater Treatment = \$499,024

Cost Allocation Plan



- QUESTIONS?