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# Section 1

## Executive Summary

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### Background

The City Council has expressed the desire to conduct long-term strategic planning to chart the City's future financial course in order to preserve the quality of life in Milpitas that citizens have come to expect. To facilitate this long-term strategic planning, it is essential for the City Council and management to have complete information on the full cost of providing each program and service.

The annual operating budget shows the direct operating cost of each department and the indirect cost reimbursements for administration and overhead expenses to the City's General Fund from various funds (i.e., Redevelopment Agency Project Fund, Water Utility Fund, Sewer Utility Fund and Solid Waste Fund etc.) through operating transfers. Due to complexity of the calculations, the detailed computations to substantiate the cost allocations and reimbursements are not shown on the operating budget. However, the basis of the calculations was established by a Cost Study that was conducted and accepted by the City Council in 1995.

Since the 1995 Cost Study, there have been various changes in the City: local economy has boomed and busted, organization structures of the City have evolved, technology has improved and the costs of providing services have increased. However, several conditions remain constant over time, i.e., decrease of State funding and shifting of local revenues to help with the State budget, increased demand for higher and more operating services and capital improvements, and passage of legislations that restrict the ability of local governments to raise revenues.

In particular, the passage of Proposition 218 in 1996 greatly impacted the authority of local governments to impose taxes and property-related assessments, fees and charges. It also limited the charges for utilities such as water and sewer to the cost of providing such services only and prohibited the use of utility revenues for general governmental services. To ensure that the City meets the requirements of Proposition 218, it is important that the Cost Allocation study be updated to continue to substantiate the full cost of providing City services in today's economic environment. Staff has initiated and prepared a Cost Allocation Study in fiscal year 2006-07. In lieu of hiring a consultant, this study was conducted in house by Finance staff with assistance from all the departments.

In addition to meeting the requirements of legislative changes, this report was designed with the following objectives:

#### Identify Opportunities for Cost Recovery or Cost Containment

By using a systematic and documented approach to allocate administrative and overhead costs, the City Council can recognize the full business cost of each and every City-provided service. The study will identify opportunities for cost recovery or cost containment where the costs of doing business exceed revenues. Ideally, this study will facilitate the long-term strategic planning that the City Council wishes to conduct in the next few months.

#### Linking of Relationship Between Payment and Service

By isolating the full cost of each service, the City Council can also distinguish the beneficiary of that service and determine if the beneficiary is paying the appropriate amount in relationship to the benefits derived or if the beneficiary is deserving of a subsidy funded from the taxes paid by all local citizens and businesses. A tax equity relationship does not exist when tax monies are used to subsidize services which are received by only a small portion of the taxpaying public, or by non-residents. The City can re-establish basic fairness and equity between users of City services and those who pay for them, and control those costs on a continuing basis, thus assuring taxpayers that their tax monies are being spent properly.

#### Recognize the Impact of not charging full cost

Various legislations such as Proposition 13, Proposition 218, and Education Revenue Augmentation Fund (ERAF) shift of local property tax revenues greatly diminish the ability of a local government to finance all its services and facilities that its citizens and business enterprises have come to expect. In the long run, to continue as a viable financial entity, the general government services of a city must be supportable by its general government revenues, whether they are taxes or fees. The City of Milpitas was able to utilize Redevelopment money to build a lot of its public facilities in the past. However, if the users are not paying for the full cost of maintaining or replacing these facilities, these facilities will either become dilapidated or the maintenance of these facilities will have to compete for the limited amount of tax revenues that are already used to finance other essential tax based services.

## **Methodology Overview**

The fully loaded cost of a service includes the direct cost and indirect cost components. Direct costs are easy to identify because they are the operation costs associated with providing a particular service. Direct costs include payroll and benefits, supplies, contractual services and capital outlays. The indirect costs are not easily recognized because these are costs that a city has to incur in order to enable the operation of a program or service. These costs include the department administrative costs, central service costs, building occupancy costs, facility and equipment maintenance costs. These indirect costs are also known as administrative and overhead costs.

In general, within a City's organization, there are internal service departments and external service departments. Majority of the services provided by the City Council, City Manager, City Clerk, City Attorney, Finance, Human Resources, Information Services, Facility Maintenance, and Fleet Maintenance are internal because the costs of providing these services are not reimbursed by the public directly. These organizational units are referred as "central service departments" in this report. To the extent that the central service departments' operation costs are not recovered through external revenues or reimbursements from other City funds, they are allocated to various services or programs to determine the fully loaded cost of each program.

Other organizational units such as Police, Fire, Building, Planning, Parks and Recreation Services, Public Works & Engineering are considered external service departments not only because they interact with the public directly but also because of their ability to collect some form of fees from the end users. In order to determine the fully loaded cost of each service or program, each external service department was requested to identify the major services or programs that they provide to the public and also indicate whether any of the activities are part of Water Utility, Sewer Utility, or Redevelopment operation. These major services or programs will be referred as "programs" in the rest of this report. Once the programs are established, the costs of the program administration, central service department, building occupancy, facility and equipment maintenance are then allocated to each program as well as to each fund including the Water utility fund, Sewer utility fund, and Redevelopment Project fund to determine the full cost of that particular program.

Using the FY 06-07 operating budget as the basis, the calculations were performed using various cost allocation factors. To give a few examples, some of the allocation factors used include the amount of time spent by each central service department to service each department, the amount of time and supplies spent by Facilities Maintenance to service each City building, the number and nature of the agenda items that were considered by the City Council, the number and nature of commissions or subcommittees served by the City Council, the number of employees working in each external service department, the size of the external service department's operating budget, the percentage of building space occupied, the number of vehicles maintained for each department and the usage of electricity and gas by building. The detailed allocation methodologies and calculations are further discussed in the subsequent sections of this report.

## **Cost Allocation Results**

Table 1, entitled “Cost Allocation by Program” shown in Section II of this report summarizes the results of the fully loaded cost of each program. The detailed calculations to substantiate the direct cost allocation by department can be found in Sections V of this report.

In Table 1, each program was classified either as fee-based activity or tax supported activity. The fully loaded cost of each program was matched with the budgeted revenue for that program. If the budgeted revenue is sufficient to offset the fully loaded cost of the program, the column entitled “net cost recovery” will show a positive number. If the fully loaded cost of a program exceeds the budgeted revenue, the “net cost recovery” will show a negative number. The cost recovery rate column shows the extent of cost recovery in percentage.

The results clearly demonstrate that many City fee-based services are not completely cost recoverable. Some of the cost recoveries are not even sufficient to pay for the direct costs of providing the services. In 1995, when the City Council accepted the last Cost Study, the Council also adopted Ordinance 164.2 to set forth the percentage of “costs reasonably borne” be recovered from each service enumerated in Title IV, Chapter 3 of the Municipal Code. The City has sporadically increased some of the user fees but has not consistently adjusted most fees in the last 11 years.

The results also indicate that tax revenues and service charges were not sufficient to support all the General government services. Even with cost reimbursements from various funds to pay for their share of the City’s administrative and overhead expenses, Fiscal Year 2006-07 as originally projected, relies on a loan repayment of \$6.1 million from the Redevelopment Agency to balance the budget. This repayment amount represents an installment payment from the Agency for the acquisition of land and properties from the City.

## **Conclusion**

By recognizing the fully loaded cost of each major service, the Cost Allocation Study ensures that City fees are limited to the costs of providing the services and thus satisfying the requirements of Proposition 218. On the other hand, this Study also provides the basis of administration and overhead cost reimbursements from various funds including Water and Sewer utility enterprise funds to ensure that the General Fund tax revenues are not used to subsidize utility service charges.

This Cost Allocation Study identifies opportunities for the City Council to consider fee adjustments for those fee-based programs that do not have full cost recovery. As mentioned previously, it is important that fee based programs bear reasonable amount of the full costs. Otherwise, those programs will compete for the limited amount of tax revenues that are already used to support tax-based services.

There are other ways to bring the cost recovery back to a reasonable level primarily by cost containment. These could include consolidation of services, eliminating duplicated services, or outsourcing. However, it is not the intent of this Cost Allocation Study to resolve long-term budgeting issue as some of the solutions may require more in-depth analysis. Cost containment should at the minimum be one of the topics of discussion in the long-term strategic planning. Fundamentally, the City Council must make these decisions based on the needs of the community balanced with the financial integrity of the City. Hopefully, the Cost Allocation Study will be used as a tool to facilitate the discussion.

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## Section 2

### Cost Allocation by Program

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#### Methodologies

##### Programs

Services are the primary reason why a city government exists and hence the building blocks of a Cost Allocation Plan. The services must be identified so that the direct costs can be budgeted and administration and overhead expenses can be allocated. The first step of this Study was to request each external service department to identify no more than twenty-five major services or programs that they provide to the public. These major services or programs will be referred as “programs” in this report.

Once the programs were established, in addition to the direct costs, the costs of the department administration, central services, building occupancy, facility and equipment maintenance are then allocated to the programs. Table 1, entitled “Cost Allocation by Program” on pages 10 to 14 lists all the major programs that are provided to the public. Some of these programs are fee-based while majority of the programs are supported by tax revenues.

##### Direct Cost Allocation

The primary allocation factor for the direct cost is the amount of staff time spent on each major activity. Excluding capital improvement project expenditures, salaries and benefits made up of more than 80% of the City’s operating budget. This percentage is not extraordinary since city government is a service industry. It is common that salaries and benefits make up the largest single element of cost for most services.

One hundred percent of all City employees’ time was allocated because everyone had to be doing something or be at some place all of their time. Their time was distributed to those programs where the time was spent, regardless of whether the service was productive or not.

The departments were given the choice of tracking the time spent on each program over a shorter period by timesheet or estimating the time spent on these programs over a longer period of time. Majority of the departments chose to use the estimation method because tracking by timesheet is time consuming and the activities over a shorter period of time may not be representative of the typical activities of the whole year.

The detailed worksheets to allocate the direct costs are included in Section V of the report.

## Allocation by Fund

During the time allocation process, the external service departments and central service departments also identified the services that they provide to the Utility enterprise funds and Redevelopment Agency Project fund. The operation of these funds utilizes City's workforce, workspace and all of the centralized expenses that are paid by the General Fund. It is only equitable that these funds pay their fair share of the administrative and overhead expenses to ensure that General Fund tax revenues are not used to subsidize the operation of these funds. The results of the Cost Allocation by Fund is further discussed in Section III of this report.

## Allocation of Department Administrative Costs

Each program receives support from their administrative staff. For example, in the Parks and Recreation Department, administrative staff includes a director, supervisors and various office staff whose main functions are to support the programs even though they are not charged directly to these activities. The costs to support these activities need to be allocated to the programs. In this Study, department administrative costs were allocated to the various programs based on the size of the program's operating budget.

## Allocation of Central Service, Building Occupancy and Maintenance Service Costs

Each program also receives central service support such as payroll, accounts payable, revenue collection, human resources, and technology support. In addition, the staff who provides the program service also occupies workspace and requires building and equipment maintenance. To the extent that the operating costs of the central service departments are not reimbursed directly by the end users or from other City funds, these costs are allocated to the external service departments and indirectly to each program.

The allocation formula of central services to the external service departments may not be uniform across the board because each external department requires different levels of central services. For the City Council and City Manager organization units, the objective measures of service provided to other departments are related to the number and nature of the agenda items reports reviewed in the Council meetings. Each Council member also serves on different commissions and subcommittees to hear various City issues. Consequently, the number and nature of the commissions and subcommittees served is also an allocation factor. For Human Resources Department, the number of employees in each department is a standard measure of the level of service provided. For Finance Department, the cost allocation is based on the number of transactions generated such as payroll checks, invoices paid and billings issued for each department. Building maintenance service is based on the number of buildings maintained and building space occupied by each department. Vehicle maintenance service is based on the number of vehicles used by each department. Each of these allocation factors used by the central service departments will be discussed in detail in Section IV of this report.

## **Tax-Supported Programs vs. Fee-Financed Programs**

All the City programs can be divided into two categories: tax supported service vs. fee-financed service, although the distinction is not always clearly defined. The ultimate test of whether a program is tax-supported or fee-financed is whether the benefit derived is in direct relationship with the service used. Another distinction is the expectation of payments from the end users to support a particular program.

Each department provides certain services for which no fees are charged. In some departments such as Police Department and Fire Department, only a relatively minor part of the programs are financed by fees. In other departments such as Building, and Planning, majority of the services are fee-financed. Within each department, costs that are not chargeable to defined programs were considered tax-supported programs. However, central service, building occupancy and maintenance service costs were allocated to all programs, regardless of whether the programs were tax-supported or fee-financed.

The City Council is in the position to determine what services are subsidized and to what extent. Just because a program is classified as tax-supported does not necessarily mean it is the best use of tax revenues. Fundamentally, the City Council must make these decisions based on the needs of the community balanced with the financial integrity of the City.

## **Cost Allocation Results**

Table 1 summarizes the results of the fully loaded cost of each program, whether the programs are fee-financed or tax-supported. The fully loaded cost of each program was matched with the budgeted revenue for that program. If the budgeted revenue is sufficient to offset the fully loaded cost of the program, the column entitled “net cost recovery” will show a positive number. If the fully loaded cost of a program exceeds the budgeted revenue, the “net cost recovery” will show a negative number. The cost recovery rate column shows the extent of cost recovery in percentage.

The results clearly demonstrate that many City-provided services are not completely cost recoverable. Some of the cost recoveries are not even sufficient to pay for the direct costs of providing the services. Those programs are in need of fee adjustments, cost containments or a combination of both.

Table 1

**COST ALLOCATION BY PROGRAM**

Activities	FY06-07 Budgeted Revenue	FY06-07 Fully Loaded Cost	Net Recovery	Cost Recovery Rate
<b><u>FEE BASED ACTIVITIES</u></b>				
<b><i>City Clerks</i></b>				
Passport Services	75,000	92,730	(17,730)	81%
Entertainment/Bingo File Permit	10	7,794	(7,784)	0%
Sub-Total	75,010	100,525	(25,515)	75%
<b><i>Finance</i></b>				
Business License Tax Collection	0	276,289	(276,289)	0%
Hotel/Motel Tax Collection	0	34,711	(34,711)	0%
Local Imp District Bond Admin	23,182	20,658	2,524	112%
Sub-Total	23,182	331,658	(308,476)	7%
<b><i>Recreation</i></b>				
Facilities Rental	143,000	320,838	(177,838)	45%
Senior Citizen Programs	69,961	659,292	(589,331)	11%
Senior Nutrition	85,000	400,380	(315,380)	21%
Preschool	183,708	414,086	(230,378)	44%
Child Care Resources & Referral	0	86,350	(86,350)	0%
After the Bell	117,869	492,679	(374,810)	24%
Youth Camps	0	80,403	(80,403)	0%
Milpitas Adventures	73,778	183,613	(109,835)	40%
Teens	3,042	292,388	(289,346)	1%
Special Events	1,217	404,055	(402,838)	0%
4th July	0	192,245	(192,245)	0%
Cultural Arts	0	111,477	(111,477)	0%
Rainbow Theatre	35,386	361,515	(326,129)	10%
Youth & Adult Classes	365,014	691,885	(326,872)	53%
Aquatics	132,878	457,602	(324,725)	29%
Swimming Lessons	144,041	496,046	(352,005)	29%
Sports Center Fitness	214,846	864,702	(649,856)	25%
Adult Sports Leagues	8,539	133,222	(124,683)	6%
Adult Sports Drop-In	6,721	104,856	(98,135)	6%
Volunteer Program	0	102,699	(102,699)	0%
Youth Sports User Groups	0	56,511	(56,511)	0%
Case Manager Services	0	196,247	(196,247)	0%
Sub-Total	1,585,000	7,103,091	(5,518,091)	22%

Table 1

**COST ALLOCATION BY PROGRAM**

<b>Activities</b>	<b>FY06-07 Budgeted Revenue</b>	<b>FY06-07 Fully Loaded Cost</b>	<b>Net Recovery</b>	<b>Cost Recovery Rate</b>
<b><i>Engineering</i></b>				
Encroachment Permits	5,000	144,044	(139,044)	3%
Community Facilities Dist Admin	0	2,094	(2,094)	0%
Sub-Total	5,000	146,138	(141,138)	3%
<b><i>Planning and Neighborhood Preservation</i></b>				
Zoning Ltr & Zoning Code Interpretn	33,000	93,729	(60,729)	35%
Zoning Code Text Amendment	0	1,733	(1,733)	0%
Sub-Total	33,000	95,462	(62,462)	35%
<b><i>Building and Safety</i></b>				
Building Plan Check	1,065,204	1,044,706	20,498	102%
After Hours Plan Check	22,000	21,780	220	101%
After Hours Inspection	30,000	34,441	(4,441)	87%
Permits Processing	439,311	430,858	8,454	102%
Building Inspection	1,462,962	1,434,811	28,152	102%
Microfilming Documentation	31,000	52,690	(21,690)	59%
Certificate of Occupancy	44,130	43,280	849	102%
Mechanical Inspection	127,334	124,884	2,450	102%
Plumbing Inspection	116,032	113,799	2,233	102%
Electrical Inspection	171,160	167,866	3,294	102%
Demolition Inspection	19,121	18,753	368	102%
Demolition Plan Check	5,823	5,711	112	102%
Request for Change of Address	18,105	17,756	348	102%
Alternative Method of Construction	19,460	19,086	374	102%
Grading & Site Imprvmnt Inspection	55,008	53,950	1,059	102%
Grading & Site Imprvmnt Plan Check	73,146	71,739	1,408	102%
Mobil Home Inspection	9,000	30,332	(21,332)	30%
Faithful Performance Bond Execution	10,006	9,813	193	102%
Inspection Investigation	6,671	6,543	128	102%
Fire Damage Inspection	5,527	5,421	106	102%
Sub-Total	3,731,000	3,708,217	22,783	101%
<b><i>Police</i></b>				
Alarm Call Response	49,000	1,088,603	(1,039,603)	5%
Citizen Fingerprinting	2,000	168,206	(166,206)	1%
Sub-Total	51,000	1,256,809	(1,205,809)	4%

Table 1

## COST ALLOCATION BY PROGRAM

Activities	FY06-07 Budgeted Revenue	FY06-07 Fully Loaded Cost	Net Recovery	Cost Recovery Rate
<b>Fire</b>				
Plan Reviews & Permits	7,857	33,715	(25,857)	23%
Fire Code Inspections	447,143	1,137,711	(690,568)	39%
Hazardous Materials Inspections	118,337	240,026	(121,690)	49%
Hazardous Materials Investigations	16,663	33,799	(17,135)	49%
Sub-Total	590,000	1,445,251	(855,251)	41%
<b>Other Fund Activities</b>				
Private Development Projects (PJ)	1,132,000	2,285,470	(1,153,470)	50%
Light & Landscape Maint District	297,000	279,470	17,530	106%
CIP - Water & Sewer	10,707,000	10,907,957	(200,957)	98%
Water Operation	7,552,651	4,781,674	2,770,977	158%
Wholesale Water Purchase	6,200,000	6,200,000	0	100%
Recycled Water Operation	1,034,680	337,712	696,968	306%
Recycle Water Purchase	216,320	216,320	0	100%
Sewer Operation	4,213,723	3,536,954	676,769	119%
Trtmnt Plant Opn & Cap Right Contrib	5,435,000	5,435,000	0	100%
Solid Waste Operation	610,000	606,674	3,326	101%
Sub-Total	37,398,374	34,587,231	2,811,143	108%
<b>Total</b>	43,491,566	48,774,381	(5,282,815)	89%

**TAX SUPPORTED ACTIVITIES****General Fund Activities****City Clerks**

Open Government	0	30,822	(30,822)	0%
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**Finance**

SB90 Mandated Cost Reimb Filings	0	14,219	(14,219)	0%
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**Recreation**

Commissions Supports	0	189,065	(189,065)	0%
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**Engineering**

Urban Runoff Program	521,626	487,280	34,346	107%
Private Dvpmnt Projects (NonPJ)	5,000	148,623	(143,623)	3%
CIP Budget Preparation	0	24,873	(24,873)	0%
Flood Plain Management Program	0	82,962	(82,962)	0%
Digital Base Map	0	35,364	(35,364)	0%
Transportation Planning-Local	0	341,505	(341,505)	0%

Table 1

## COST ALLOCATION BY PROGRAM

Activities	FY06-07 Budgeted Revenue	FY06-07 Fully Loaded Cost	Net Recovery	Cost Recovery Rate
Traffic Safety	0	443,102	(443,102)	0%
Regional Projects Coordination	0	102,310	(102,310)	0%
School Safety Program	0	88,512	(88,512)	0%
<b>Public Works</b>				
Sidewalk Survey	0	91,150	(91,150)	0%
Pavement Repair	36,000	723,754	(687,754)	5%
Striping/Pavement Marking	0	462,437	(462,437)	0%
Traffic Control System Maint	0	857,306	(857,306)	0%
Street Sweeping	0	68,552	(68,552)	0%
Park Maintenance	0	3,117,144	(3,117,144)	0%
Landscape and Tree Maintenance	0	2,082,796	(2,082,796)	0%
Dead Animal Pickup	0	70,913	(70,913)	0%
Dispatch Services/General	0	49,169	(49,169)	0%
Facility Grnd & Lighting Maintnce	0	162,894	(162,894)	0%
Sign Maintenance	0	173,729	(173,729)	0%
Street Light Repair	0	17,013	(17,013)	0%
<b>Planning and Neighborhood Preservation</b>				
Code Enforcement	24,000	200,808	(176,808)	12%
Animal Control	11,000	266,604	(255,604)	4%
<b>Police</b>				
Anti-terrorist Patrol Checks	5,920	370,120	(364,200)	2%
Community Oriented Policing	29,600	1,286,072	(1,256,472)	2%
Crime Analysis	0	1,401,862	(1,401,862)	0%
Criminal Investigations	179,200	3,988,474	(3,809,274)	4%
Disturbance Calls	74,000	2,784,939	(2,710,939)	3%
Gang Enforcement	59,200	601,154	(541,954)	10%
Generalized Patrol	30,880	3,816,213	(3,785,333)	1%
PCR Community Outreach	0	510,381	(510,381)	0%
Pre-Bookings	0	452,371	(452,371)	0%
Response to 911 calls	0	1,202,650	(1,202,650)	0%
School Contacts	8,880	1,484,194	(1,475,314)	1%
Traffic Enforcement	673,320	4,902,795	(4,229,475)	14%
<b>Fire</b>				
Records & Support Services	0	190,585	(190,585)	0%
Response Division Management	0	149,229	(149,229)	0%
A-B-C Platoon Management	0	795,918	(795,918)	0%
Response to 9-1-1 Calls (fire & rescue)	0	883,284	(883,284)	0%
Response to 9-1-1 Calls (medical)	200,000	2,403,510	(2,203,510)	8%
Response to 9-1-1 Calls (hazmat)	0	102,118	(102,118)	0%

Table 1

## COST ALLOCATION BY PROGRAM

Activities	FY06-07 Budgeted Revenue	FY06-07 Fully Loaded Cost	Net Recovery	Cost Recovery Rate
Facility & Equipment Maintenance	0	3,814,976	(3,814,976)	0%
EMS Quality Assurance	0	323,804	(323,804)	0%
T.I.D.E. Program Management	0	150,818	(150,818)	0%
Training & Safety Compliance	0	3,041,661	(3,041,661)	0%
Information and Education	0	1,406,850	(1,406,850)	0%
Disaster Preparedness Planning	0	129,147	(129,147)	0%
Emergency Operations Center	0	22,272	(22,272)	0%
Prevention Division Management	0	87,513	(87,513)	0%
Fire Cause Investigations	0	62,679	(62,679)	0%
Urban Runoff Regulation	0	70,061	(70,061)	0%
<b><i>Other Unallocated Revenue</i></b>				
Property Tax	15,609,000	0	15,609,000	
Taxes Other Than Property	25,289,750	0	25,289,750	
Use of Money and Property	1,174,000	0	1,174,000	
Intergovernmental	599,000	0	599,000	
Charge for Current Services	178,808	0	178,808	
Other Revenue	234,000	0	234,000	
Sub-Total	44,943,184	46,768,558	(1,825,374)	96%
<b><i>Other Fund Activities</i></b>				
Hetch-Hetchy Ground Lease Pmt	52,000	30,811	21,189	169%
Housing & Community Dev- CDBG	638,000	956,379	(318,379)	67%
Abandoned Vehicle Abatement	78,000	470,196	(392,196)	17%
RDA-Affordable Housing	675,800	1,462,413	(786,613)	46%
Storm Drain System Operations	0	924,935	(924,935)	0%
Capital Imp Project Mgnt	0	1,368,331	(1,368,331)	0%
CIP - Non Water & Sewer	6,883,078	41,964,237	(35,081,159)	16%
Redevelopment Project Adm & Mgnt	12,724,000	7,824,958	4,899,042	163%
RDA Debt Service	16,720,000	16,720,000	0	100%
Sub-Total	37,770,878	71,722,260	(33,951,382)	53%
<b>Total</b>	<u>82,714,062</u>	<u>118,490,818</u>	<u>(35,776,756)</u>	70%
<b>Grand Total</b>	<u>126,205,628</u>	<u>167,265,199</u>	<u>(41,059,571)</u>	75%

## Section 3

### Cost Allocation by Fund

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#### Methodology

Table 2, entitled “Cost Allocation by Fund” identifies several operating funds that reimburse expenses to the City’s General Fund on an annual basis. The cost allocation methodology used is similar to the cost allocation by program. In addition to the direct cost of operating such as water purchase, Waste Water Treatment Plant capital contribution, debt service payments and direct staff cost, the Cost study further allocated central service, building occupancy, and maintenance service costs to these operating funds to calculate the fully loaded costs. After subtracting those costs that were paid directly by the operating funds, the net cost reimbursement amount reflects the computed amount of operating expenses that should be reimbursed to the General Fund.

#### Rationale for Cost Allocation by Fund

The City of Milpitas is considered a full service city because in addition to Police and Fire service, it also provides water and sewer utility services. If these utility funds were to operate like a utility company, it will have to pay rent, insurance, building maintenance and hire its own finance, human resources and information technology support staff.

Similarly, the City has a Redevelopment Agency that encompasses a large part of the areas within the City boundary but there is no separate Agency staff to provide oversight and administration of the Redevelopment projects and implement its plan. Instead, the Agency shares City staff and resources to perform various tasks on a frequent basis. For example, the development and implementation of the Mid-town Plan and Transit Area Plan requires tremendous amount of support from Planning, Engineering, Building, Finance, Fire and Police. The preparation of the Redevelopment Annual financial reporting, auditing, and mandated reports required by the State consume a fair amount of Finance staff time.

General Fund advances tax money to pay for utility expenses, liability and property insurance premiums and various central services which benefit the Water and Sewer operations and enable the continued function of the Redevelopment Agency. Consequently, these central services or administrative and overhead expenses need to be allocated to these funds in order to ensure that the operations reflect the true cost and that General Fund tax revenues are not used to subsidize utility operations.

## **Cost Allocation Factors**

In this Cost Allocation study, 20% of the time spent by various departments servicing Redevelopment projects was further allocated to the 20% Set-Aside Housing fund. The primary reason is many of the developments that occurred in the Redevelopment Project areas are residential and required by the Redevelopment Agency to provide affordable housing. The time spent by staff in reviewing the whole development project cannot be easily isolated for the affordable housing component. Therefore, it is appropriate to allocate 20% of the administrative and overhead costs spent on administration of the Redevelopment projects to the 20% Set-Aside Housing fund to correspond with the affordable housing requirement.

The City staff also spent time addressing solid waste issues even though the services are provided by Allied Waste. City staff has to handle public outreach, recycling education and promotion, state mandated compliance, odor complaints and coordination with other agencies. The Engineering Division directly oversees the Solid Waste program. Consequently, the Solid Waste fund was allocated a portion of the department administration, central services and building occupancy and maintenance service costs similar to other Engineering programs. For other non specific solid waste activities such as odor complaints, 50% of the administration and overhead costs was allocated to the Sewer Fund as the origin of the odor could be traced to the operation of the Waste Water Treatment Plant. The remaining 50% of the administration and overhead costs of the odor complaint program was absorbed by the General Fund.

In allocating the administration and overhead costs to the Water utility fund, 8% of those costs were further allocated to the Recycled Water fund. The allocation factor is based on the usage of potable water vs. recycled water. The City provides potable and recycled water services. While the direct costs such as the costs of purchasing potable water and recycled water are easy to distinguish, other operation costs are difficult to separate. Therefore, the usage of portable vs. recycled water in term of volume consumption appears to be the most equitable allocation factor to divide the central service costs between these two funds.

**Table 2**  
**COST ALLOCATION BY FUND**

Departments	RDA- Affordable Housing	Redevelopment Project Adm & Mgmt	Water Operation	Recycled Water Operation	Sewer Operation	Solid Waste Operation
City Council	84,675	338,699	59,016	5,132	47,920	0
City Manager	66,536	266,145	46,374	4,033	37,653	0
Information Services	76,984	307,938	154,402	13,426	188,098	0
City Clerk	15,595	62,382	7,333	638	9,039	0
Human Resources	5,101	20,403	51,780	4,503	36,430	0
RDA and Economic Development	69,264	277,058	0	0	0	0
City Attorney	38,252	153,008	29,690	2,582	36,861	0
Recreation	13,939	55,755	0	0	0	0
Finance	109,394	597,159	846,452	72,164	792,654	0
Engineering	427,324	1,709,294	878,049	111,111	544,256	606,674
Public Works	19,934	79,732	1,857,548	108,653	1,014,956	0
Planning	129,233	1,080,552	64,556	5,471	0	0
Building and Safety	1,309	5,234	0	0	0	0
Police	202,116	788,856	143,882	7,000	150,882	0
Fire	202,759	811,035	0	0	0	0
Non-Departmental	0	17,991,710	6,842,590	219,320	6,113,205	0
<b>Total</b>	<b>1,462,413</b>	<b>24,544,958</b>	<b>10,981,674</b>	<b>554,032</b>	<b>8,971,954</b>	<b>606,674</b>
Less: Direct Charge	<b>(121,456)</b>	<b>(19,203,045)</b>	<b>(9,526,442)</b>	<b>(360,103)</b>	<b>(7,685,700)</b>	<b>(457,762)</b>
Net Cost Reimbursement	<b>1,340,957</b>	<b>5,341,913</b>	<b>1,455,232</b>	<b>193,929</b>	<b>1,286,254</b>	<b>148,912</b>

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## Section 4

### **Cost Allocation by Department (Summary)**

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The worksheets included in pages 21 to 35 summaries the cost allocation by department. Each worksheet identifies the direct cost of funding a program. It also identifies the central services costs, building occupancy and maintenance costs that were allocated to the department. These indirect costs were further allocated to the various programs based on the size of the program's budget.

#### **Allocation Factors Used by the Central Service Departments**

The allocation factors of central services to the external service departments may not be uniform across the board because each external department requires different levels of central services. This Study attempts to measure the level of central services provided using various allocation factors.

For the City Council, City Manager, and City Attorney costs, the number and nature of the agenda items is an indication of the service provided to each department. Another indicator for the is the number and nature of each commission and subcommittee served by the City Council members.

The City Clerk allocated its costs based on the amount of time spent on various activities. Majority of these activities are central services provided to other departments. These activities include central printing, document processing and agenda preparation.

Information Services Department measured the support they provide to each department based on the amount of time servicing the technological items installed in each department workspace or vehicles. These items include computer system hardware, cell phones, PCs, laptops, and software licensing and maintenance.

Human Resources Department measured the support they provide to each department based on the number of employees in each department. Human Resources Department is responsible for recruitments, workers compensation, labor relations benefits administration, and training. The number of employees in each department is an appropriate measure of Human Resources' work efforts devoted to each department.

Finance Department allocated its costs based on the percentage of time spent on various activities. Majority of these activities are central services provided to other departments. Central Services include investment of idle cash and banking services for various funds, issuance of payroll checks, issuance of checks to vendors, miscellaneous billings and revenue collection. One measure used to allocate costs is based on the number of transactions of these activities. Another measure used to allocate investment management and banking costs to various funds is based of the fund's share of the portfolio.

## **Non-Departmental Budget Allocation**

Non-Departmental budget finances a variety of activities which generally are not specific to any one department. These activities include labor contract obligations, leave cash outs, benefit administration fees, citywide tuition reimbursement and unemployment benefits payments. Other centralized costs include utility expenses (PG&E and water consumption), liability insurance premiums, and debt service payments.

Those expenditures in the non-departmental budget that are related to employee benefits are allocated to each department based on the number of full time equivalent employees. Expenditures that are building related such as utility expenses are allocated to each department based on the number of cubicles and office space occupied.

Debt service payments are allocated to the departments that benefited from the debt proceeds. For example, the Technology Certificates of Participation was issued in 2000 to provide funding for the installation and implementation of several technology projects, including public safety system, radio replacement and Geographic Information system. These projects ultimately benefit the Police Department, Fire Department, Public Works & Engineering Department and Planning Department. Therefore, it is appropriate to allocate the debt service payments to these departments.

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### City Council

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
City Council	103,191	(103,191)	0	0	0
Information Services	3,217	1,519	5,829	2,265	12,830
City Attorney	3,217	1,519	5,829	2,265	12,830
Recreation	16,084	7,597	29,142	11,325	64,148
Finance	6,434	3,039	11,658	4,530	25,661
Engineering	3,812	1,800	6,907	2,684	15,204
Planning	16,084	7,597	29,142	11,325	64,148
Building and Safety	3,217	1,519	5,829	2,265	12,830
Police	6,434	3,039	11,658	4,530	25,661
Fire	12,867	6,077	23,314	9,060	51,318
RDA-Affordable Housing	21,231	10,027	38,467	14,949	84,675
Capital Imp Project Mgnt	12,867	6,077	23,314	9,060	51,318
Redevelopment Project Adm & Mgnt	84,922	40,109	153,870	59,797	338,699
Water Operation	14,797	6,989	26,811	10,419	59,016
Recycled Water Operation	1,287	608	2,331	906	5,132
Sewer Operation	12,015	5,675	21,770	8,460	47,920
<b>Total</b>	<b>321,676</b>	<b>0</b>	<b>395,870</b>	<b>153,844</b>	<b>871,390</b>

#### SUMMARY

Fully Loaded Cost	\$ 871,390
Direct Cost %	25%
Dept Admin %	12%
Central Services %	45%
Other Indirect Cost %	18%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### City Manager

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
Information Services	29,599	0	4,910	5,816	40,325
City Clerk	44,398	0	7,365	8,724	60,487
Human Resources	51,798	0	8,593	10,178	70,569
City Attorney	22,791	0	3,781	4,478	31,050
Recreation	29,599	0	4,910	5,816	40,325
Finance	36,998	0	6,138	7,270	50,406
Engineering	16,169	0	2,682	3,177	22,028
Public Works	7,400	0	1,228	1,454	10,082
Planning	7,400	0	1,228	1,454	10,082
Building and Safety	36,998	0	6,138	7,270	50,406
Police	51,798	0	8,593	10,178	70,569
Fire	36,998	0	6,138	7,270	50,406
Private Development Projects (PJ)	36,999	0	6,138	7,270	50,407
Housing & Community Dev-CDBG	7,400	0	1,228	1,454	10,082
RDA-Affordable Housing	48,838	0	8,102	9,597	66,536
Capital Imp Project Mgnt	14,799	0	2,455	2,908	20,162
Redevelopment Project Adm & Mgnt	195,352	0	32,407	38,386	266,145
Water Operation	34,039	0	5,647	6,689	46,374
Recycled Water Operation	2,960	0	491	582	4,033
Sewer Operation	27,638	0	4,585	5,431	37,653
<b>Total</b>	<b>739,970</b>	<b>0</b>	<b>122,753</b>	<b>145,402</b>	<b>1,008,125</b>

### SUMMARY

Fully Loaded Cost	\$1,008,125
Direct Cost %	73%
Dept Admin %	0%
Central Services %	12%
Other Indirect Cost %	14%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### City Clerk

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
City Council	180,527	0	0	0	180,527
City Manager	17,998	0	0	0	17,998
Information Services	18,196	0	0	0	18,196
City Clerk	13,588	(13,588)	0	0	0
Human Resources	26,127	480	10,935	8,614	46,157
RDA and Economic Development	15,978	294	6,687	5,268	28,227
City Attorney	13,594	250	5,690	4,482	24,016
Recreation	91,969	1,691	38,492	30,323	162,475
Finance	38,451	707	16,093	12,678	67,929
Engineering	64,711	1,190	27,084	21,335	114,319
Public Works	31,361	577	13,126	10,340	55,403
Planning	35,590	654	14,896	11,734	62,874
Building and Safety	21,732	400	9,096	7,165	38,392
Police	248,497	4,569	104,005	81,931	439,002
Fire	22,954	422	9,607	7,568	40,551
RDA-Affordable Housing Redevelopment Project Adm & Mgmt	8,828	162	3,695	2,911	15,595
Water Operation	35,311	649	14,779	11,642	62,382
Recycled Water Operation	4,151	76	1,737	1,369	7,333
Sewer Operation	361	7	151	119	638
Passport Services	5,117	94	2,141	1,687	9,039
Entertainment/Bingo File Permit	52,490	965	21,969	17,306	92,730
Open Government	4,412	81	1,847	1,455	7,794
Open Government	17,447	321	7,302	5,752	30,822
<b>Total</b>	<b>969,389</b>	<b>(0)</b>	<b>309,331</b>	<b>243,680</b>	<b>1,522,400</b>

### SUMMARY

Fully Loaded Cost	\$1,522,400
Direct Cost %	63%
Dept Admin %	1%
Central Services %	20%
Other Indirect Cost %	16%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Information Services

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
City Council	84,414	0	0	0	84,414
City Manager	90,321	0	0	0	90,321
Information Services	310,051	(310,051)	0	0	0
City Clerk	136,943	17,668	10,972	27,887	193,470
Human Resources	87,745	11,320	7,030	17,868	123,964
City Attorney	10,129	1,307	812	2,063	14,310
Recreation	103,422	13,343	8,286	21,061	146,112
Finance	121,714	15,703	9,752	24,786	171,955
Engineering	147,371	19,013	11,808	30,011	208,202
Public Works	29,183	3,765	2,338	5,943	41,229
Planning	89,530	11,551	7,173	18,232	126,486
Building and Safety	196,098	25,299	15,712	39,933	277,042
Police	512,711	66,147	41,079	104,408	724,345
Fire	302,633	39,044	24,248	61,628	427,552
Business License Tax Collection	13,741	1,773	1,101	2,798	19,413
Housing & Community Dev-CDBG	12,624	1,629	1,011	2,571	17,835
RDA-Affordable Housing	54,492	7,030	4,366	11,097	76,984
Capital Imp Project Mgnt	115,007	14,837	9,215	23,420	162,479
Redevelopment Project Adm & Mgnt	217,966	28,121	17,464	44,387	307,938
Water Operation	109,290	14,100	8,757	22,256	154,402
Recycled Water Operation	9,503	1,226	761	1,935	13,426
Sewer Operation	133,141	17,177	10,668	27,113	188,098
<b>Total</b>	<b>2,888,029</b>	<b>0</b>	<b>192,553</b>	<b>489,396</b>	<b>3,569,977</b>

### SUMMARY

Fully Loaded Cost	\$3,569,977
Direct Cost %	72%
Dept Admin %	9%
Central Services %	5%
Other Indirect Cost %	14%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Human Resources

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
City Council	135	0	0	0	135
City Manager	14,434	0	0	0	14,434
Information Services	47,399	0	0	0	47,399
City Clerk	28,868	0	0	0	28,868
Human Resources	144,845	(144,845)	0	0	0
RDA and Economic Development	10,465	1,529	3,210	2,215	17,419
Recreation	98,557	14,399	30,230	20,860	164,047
Finance	62,795	9,174	19,261	13,291	104,521
Engineering	66,556	9,724	20,414	14,087	110,781
Public Works	161,350	23,573	49,491	34,151	268,565
Planning	38,718	5,657	11,876	8,195	64,446
Building and Safety	53,228	7,777	16,327	11,266	88,597
Police	262,391	38,336	80,483	55,537	436,747
Fire	162,951	23,807	49,982	34,490	271,230
Housing & Community Dev-CDBG	3,367	492	1,033	713	5,604
RDA-Affordable Housing	3,064	448	940	649	5,101
Redevelopment Project Adm & Mgnt	12,258	1,791	3,760	2,594	20,403
Water Operation	31,109	4,545	9,542	6,584	51,780
Recycled Water Operation	2,705	395	830	573	4,503
Sewer Operation	21,887	3,198	6,713	4,632	36,430
<b>Total</b>	<b>1,227,081</b>	<b>0</b>	<b>304,090</b>	<b>209,837</b>	<b>1,741,009</b>

#### SUMMARY

Fully Loaded Cost	\$1,741,009
Direct Cost %	62%
Dept Admin %	8%
Central Services %	17%
Other Indirect Cost %	12%
Total %	100%

**COST ALLOCATION BY DEPARTMENT (SUMMARY)**

**RDA and Economic Development**

<b>Activities</b>	<b>Direct Cost</b>	<b>Dept Admin Alloc</b>	<b>Central Services Alloc</b>	<b>Building Occupancy/Maint Services Alloc</b>	<b>Total</b>
RDA and Economic Development	180,744	(180,744)	0	0	0
RDA-Affordable Housing	19,893	36,149	9,697	3,526	69,264
Redevelopment Project Adm & Mgnt	79,573	144,595	38,787	14,102	277,058
<b>Total</b>	<b>280,210</b>	<b>0</b>	<b>48,484</b>	<b>17,628</b>	<b>346,322</b>

**SUMMARY**

Fully Loaded Cost	\$ 346,322
Direct Cost %	29%
Dept Admin %	52%
Central Services %	14%
Other Indirect Cost %	5%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### City Attorney

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
City Council	112,040	0	0	0	112,040
Information Services	17,583	0	0	0	17,583
Human Resources	37,925	0	0	0	37,925
RDA and Economic Development	2,838	0	0	0	2,838
City Attorney	19,790	(19,790)	0	0	0
Recreation	54,246	1,794	10,260	1,598	67,898
Finance	59,450	1,966	11,244	1,752	74,412
Engineering	148,586	4,915	28,102	4,378	185,980
Public Works	23,181	767	4,384	683	29,015
Planning	58,898	1,948	11,139	1,735	73,721
Building and Safety	7,963	263	1,506	235	9,967
Police	23,811	788	4,503	702	29,804
Fire	14,113	467	2,669	416	17,665
RDA-Affordable Housing Redevelopment Project Adm & Mgnt	30,561	1,011	5,780	900	38,252
Water Operation	122,243	4,044	23,120	3,602	153,008
Recycled Water Operation	23,720	785	4,486	699	29,690
Sewer Operation	2,063	68	390	61	2,582
	29,450	974	5,570	868	36,861
<b>Total</b>	<b>788,460</b>	<b>0</b>	<b>113,153</b>	<b>17,628</b>	<b>919,241</b>

#### SUMMARY

Fully Loaded Cost	\$ 919,241
Direct Cost %	84%
Dept Admin %	2%
Central Services %	12%
Other Indirect Cost %	2%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Recreation

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
Facilities Rental	172,361	25,758	36,445	86,274	320,838
Senior Citizen Programs	354,186	52,931	74,891	177,284	659,292
Senior Nutrition	215,093	32,144	45,480	107,663	400,380
Preschool	222,456	33,245	47,037	111,348	414,086
Child Care Resources & Referral	46,389	6,933	9,809	23,220	86,350
After the Bell	264,678	39,555	55,965	132,482	492,679
Youth Camps	43,194	6,455	9,133	21,620	80,403
Milpitas Adventures	98,641	14,741	20,857	49,374	183,613
Teens	157,077	23,474	33,213	78,623	292,388
Special Events	217,067	32,439	45,898	108,651	404,055
4th July	103,278	15,434	21,838	51,695	192,245
Cultural Arts	59,888	8,950	12,663	29,976	111,477
Rainbow Theatre	194,214	29,024	41,065	97,212	361,515
Youth & Adult Classes	371,696	55,548	78,593	186,049	691,885
Aquatics	245,834	36,738	51,980	123,050	457,602
Swimming Lessons	266,487	39,825	56,347	133,387	496,046
Sports Center Fitness	464,537	69,422	98,224	232,519	864,702
Adult Sports Leagues	71,570	10,696	15,133	35,824	133,222
Adult Sports Drop-In	56,331	8,418	11,911	28,196	104,856
Commissions Supports	101,570	15,179	21,476	50,840	189,065
Volunteer Program	55,172	8,245	11,666	27,616	102,699
Youth Sports User Groups	30,359	4,537	6,419	15,196	56,511
Case Manager Services	105,428	15,756	22,292	52,771	196,247
Recreation	591,044	(591,044)	0	0	0
Redevelopment Project Adm & Mgmt	29,953	4,476	6,333	14,993	55,755
RDA-Affordable Housing	7,488	1,119	1,583	3,748	13,939
<b>Total</b>	<b>4,545,991</b>	<b>0</b>	<b>836,250</b>	<b>1,979,609</b>	<b>7,361,850</b>

#### SUMMARY

Budgeted Revenue	\$1,585,000
Fully Loaded Cost	\$7,361,850
Direct Cost %	54%
Dept Admin %	8%
Central Services %	11%
Other Indirect Cost %	27%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Finance

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
City Council	18,754	0	0	0	18,754
Information Services	56,219	0	0	0	56,219
City Clerk	26,506	0	0	0	26,506
Human Resources	25,476	0	0	0	25,476
City Attorney	30,947	0	0	0	30,947
Recreation	125,150	11,138	20,880	34,077	191,244
Finance	263,978	(263,978)	0	0	0
Engineering	140,214	12,478	23,393	38,178	214,264
Public Works	197,692	17,593	32,983	53,829	302,097
Planning	32,653	2,906	5,448	8,891	49,898
Building and Safety	62,574	5,569	10,440	17,038	95,621
Police	245,707	21,866	40,993	66,903	375,470
Fire	135,869	12,092	22,668	36,995	207,624
Private Development Projects (PJ)	111,508	9,924	18,604	30,362	170,398
Housing & Community Dev-CDBG	37,788	3,363	6,304	10,289	57,745
RDA-Affordable Housing	71,587	6,371	11,943	19,492	109,394
Capital Imp Project Mgmt	78,213	6,961	13,049	21,296	119,519
Redevelopment Project Adm & Mgmt	390,780	34,777	65,197	106,404	597,159
Water Operation	553,917	49,295	92,415	150,824	846,452
Recycled Water Operation	47,224	4,203	7,879	12,858	72,164
Sewer Operation	518,712	46,162	86,541	141,239	792,654
Business License Tax Collection	148,004	13,171	24,693	40,300	226,168
Hotel/Motel Tax Collection	22,715	2,022	3,790	6,185	34,711
SB90 Mandated Cost Reimb Filings	9,305	828	1,552	2,534	14,219
Local Imp District Bond Admin	12,148	1,081	2,027	3,308	18,564
Light & Landscape Maint District	6,779	603	1,131	1,846	10,359
Hetch-Hetchy Ground Lease Pmt	3,148	280	525	857	4,811
Storm Drain System Operations	14,551	1,295	2,428	3,962	22,236
<b>Total</b>	<b>3,388,118</b>	<b>0</b>	<b>494,883</b>	<b>807,668</b>	<b>4,690,669</b>

#### SUMMARY

Fully Loaded Cost	\$4,690,669
Direct Cost %	67%
Dept Admin %	6%
Central Services %	11%
Other Indirect Cost %	17%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Engineering

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
Urban Runoff Program	376,511	11,137	54,796	44,836	487,280
Private Dvpmnt Projects (NonPJ)	114,838	3,397	16,713	13,675	148,623
CIP Budget Preparation	19,219	569	2,797	2,289	24,873
Encroachment Permits	111,300	3,292	16,198	13,254	144,044
Flood Plain Management Program	64,103	1,896	9,329	7,634	82,962
Digital Base Map	27,325	808	3,977	3,254	35,364
Transportation Planning-Local	263,874	7,806	38,403	31,423	341,505
Traffic Safety	104,061	3,078	15,145	320,818	443,102
Community Facilities Dist Admin	1,618	48	235	193	2,094
Regional Projects Coordination	79,053	2,338	11,505	9,414	102,310
School Safety Program	68,391	2,023	9,953	8,144	88,512
Engineering	176,989	(176,989)	0	0	0
Private Development Projects (PJ)	731,379	21,635	106,441	87,095	946,550
Storm Drain System Operations	37,353	1,105	5,436	4,448	48,342
Capital Imp Project Mgnt	609,254	18,022	88,668	72,552	788,496
Redevelopment Project Adm & Mgnt	1,320,735	39,068	192,214	157,277	1,709,294
RDA-Affordable Housing	330,184	9,767	48,053	39,319	427,324
Water Operation	678,450	20,069	98,738	80,792	878,049
Recycled Water Operation	85,853	2,540	12,495	10,224	111,111
Sewer Operation	420,535	12,440	61,203	50,079	544,256
Solid Waste Operation	468,764	13,866	68,222	55,822	606,674
Local Imp District Bond Admin	1,618	48	235	193	2,094
Light & Landscape Maint District	68,856	2,037	10,021	8,200	89,113
<b>Total</b>	<b>6,160,263</b>	<b>(0)</b>	<b>870,778</b>	<b>1,020,932</b>	<b>8,051,973</b>

#### SUMMARY

Fully Loaded Cost	\$8,051,973
Direct Cost %	74%
Dept Admin %	2%
Central Services %	11%
Other Indirect Cost %	13%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Public Works

Activities	Direct Cost	Fleet/Fac Alloc	Central Services Alloc	Building Occupancy/Ma int Services Alloc	Total
Sidewalk Survey	67,703	0	5,409	18,038	91,150
Pavement Repair	537,579	0	42,952	143,223	723,754
Striping/Pavement Marking	343,482	0	27,444	91,511	462,437
Traffic Control System Maint	636,777	0	50,877	169,652	857,306
Street Sweeping	50,918	0	4,068	13,566	68,552
Water Operation	1,379,722	0	110,237	367,589	1,857,548
Sewer Operation	753,874	0	60,233	200,849	1,014,956
Storm Drain System Operations	634,587	0	50,702	169,068	854,358
Recycled Water Operation	80,704	0	6,448	21,501	108,653
Fleet Maintenance	1,829,266	(1,829,266)	0	0	0
Building Maintenance	1,994,630	(1,994,630)	0	0	0
Park Maintenance	2,315,306	0	184,988	616,850	3,117,144
Landscape and Tree Maintenance	1,547,028	0	123,604	412,163	2,082,796
Dead Animal Pickup	52,672	0	4,208	14,033	70,913
Dispatch Services/General	36,521	0	2,918	9,730	49,169
Facility Grnd & Lighting Maintnce	120,992	0	9,667	32,235	162,894
Sign Maintenance	129,040	0	10,310	34,379	173,729
Street Light Repair	12,637	0	1,010	3,367	17,013
Redevelopment Project Adm & Mgnt	59,222	0	4,732	15,778	79,732
RDA-Affordable Housing	14,806	0	1,183	3,945	19,934
Light & Landscape Maint District	133,696	0	10,682	35,620	179,998
City Council	0	26,933	0	0	26,933
City Manager	0	85,613	0	0	85,613
Information Services	0	65,630	0	0	65,630
City Clerk	0	54,780	0	0	54,780
Human Resources	0	37,706	0	0	37,706
RDA and Economic Development	0	5,387	0	0	5,387
City Attorney	0	5,387	0	0	5,387
Recreation	0	661,447	0	0	661,447
Finance	0	162,431	0	0	162,431
Engineering	0	157,450	0	0	157,450
Public Works	0	1,000,000	0	(1,000,000)	0
Planning	0	86,470	0	0	86,470
Building and Safety	0	148,038	0	0	148,038
Police	0	924,161	0	0	924,161
Fire	0	402,463	0	0	402,463
<b>Total</b>	<b><u>12,731,162</u></b>	<b><u>0</u></b>	<b><u>711,673</u></b>	<b><u>1,373,096</u></b>	<b><u>14,815,931</u></b>

#### SUMMARY

Fully Loaded Cost	\$14,815,931
Direct Cost %	60%
Fleet/Facilities Alloc to Others %	26%
Central Services %	5%
Other Indirect Cost %	9%
<b>Total %</b>	<b>100%</b>

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Planning

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
Zoning Ltr & Zoning Code Interpretn	70,802	0	12,137	10,790	93,729
Building Plan Check	85,076	0	14,584	12,965	112,625
Zoning Code Text Amendment	1,309	0	224	199	1,733
Code Enforcement	141,314	0	37,958	21,535	200,808
Animal Control	201,390	0	34,524	30,691	266,604
Water Operation	48,765	0	8,360	7,431	64,556
Recycled Water Operation	4,133	0	709	630	5,471
Housing & Community Dev-CDBG	645,188	0	110,603	98,323	854,113
RDA-Affordable Housing	97,621	0	16,735	14,877	129,233
Capital Imp Project Mgnt	43,170	0	7,401	6,579	57,149
Redevelopment Project Adm & Mgnt	816,237	0	139,925	124,390	1,080,552
Business License Tax Collection	23,197	0	3,977	3,535	30,709
Private Development Projects (PJ)	456,473	0	78,252	69,564	604,288
<b>Total</b>	<b>2,634,675</b>	<b>0</b>	<b>465,387</b>	<b>401,509</b>	<b>3,501,571</b>

#### SUMMARY

Fully Loaded Cost	\$3,501,571
Direct Cost %	75%
Dept Admin %	0%
Central Services %	13%
Other Indirect Cost %	11%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Building and Safety

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/Maint Services Alloc	Total
Building Plan Check	579,100	42,956	259,199	163,451	1,044,706
After Hours Plan Check	13,532	1,004	3,425	3,819	21,780
After Hours Inspection	21,398	1,587	5,416	6,040	34,441
Permits Processing	267,691	19,857	67,754	75,556	430,858
Building Inspection	891,445	66,125	225,630	251,611	1,434,811
Microfilming Documentation	32,736	2,428	8,286	9,240	52,690
Certificate of Occupancy	26,890	1,995	6,806	7,590	43,280
Mechanical Inspection	77,590	5,755	19,638	21,900	124,884
Plumbing Inspection	70,703	5,245	17,895	19,956	113,799
Electrical Inspection	104,295	7,736	26,398	29,437	167,866
Demolition Inspection	11,651	864	2,949	3,288	18,753
Demolition Plan Check	3,548	263	898	1,001	5,711
Request for Change of Address	11,032	818	2,792	3,114	17,756
Records Research	36,268	(36,268)	0	0	0
Alternative Method of Construction	11,858	880	3,001	3,347	19,086
Grading & Site Imprvmnt Inspection	33,519	2,486	8,484	9,461	53,950
Grading & Site Imprvmnt Plan Check	44,571	3,306	11,281	12,580	71,739
Mobil Home Inspection	18,845	1,398	4,770	5,319	30,332
Faithful Performance Bond Execution	6,097	452	1,543	1,721	9,813
Inspection Investigation	4,065	302	1,029	1,147	6,543
Fire Damage Inspection	3,368	250	852	951	5,421
Preparation of Rpts and Documnt	131,619	(131,619)	0	0	0
Private Development Projects (PJ)	21,244	1,576	5,377	5,996	34,193
Capital Imp Project Mgnt	4,065	302	1,029	1,147	6,543
Redevelopment Project Adm & Mgnt	3,252	241	823	918	5,234
RDA-Affordable Housing	813	60	206	229	1,309
<b>Total</b>	<b>2,431,195</b>	<b>(0)</b>	<b>685,481</b>	<b>638,819</b>	<b>3,755,495</b>

#### SUMMARY

Budgeted Revenue	\$3,731,000
Fully Loaded Cost	\$3,755,495
Direct Cost %	60%
Dept Admin %	4%
Central Services %	18%
Other Indirect Cost %	17%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Police

Activities	Direct Cost	Communicati on Alloc	Dept Admin Alloc	Central Services Alloc	Building Occupancy/ Maint Services Alloc	Total
Abandoned Vehicle Abatement	252,036	0	125,051	38,459	54,651	470,196
Alarm Call Response	583,516	0	289,519	89,040	126,528	1,088,603
Anti-terrorist Patrol Checks	198,393	0	98,435	30,273	43,019	370,120
Citizen Fingerprinting	90,162	0	44,735	13,758	19,551	168,206
Communications	1,056,403	(1,056,403)	0	0	0	0
Community Oriented Policing	689,364	0	342,037	105,191	149,480	1,286,072
Crime Analysis	751,430	0	372,832	114,662	162,938	1,401,862
Criminal Investigations	2,137,913	0	1,060,754	326,228	463,580	3,988,474
Disturbance Calls	1,492,791	0	740,668	227,788	323,693	2,784,939
Gang Enforcement	322,232	0	159,880	49,170	69,872	601,154
Generalized Patrol	2,045,577	0	1,014,940	312,138	443,558	3,816,213
PCR Community Outreach	273,576	0	135,738	41,745	59,322	510,381
Pre-Bookings	242,481	0	120,310	37,001	52,579	452,371
Records Processing	1,159,215	0	(1,159,215)	0	0	0
Report Writing	1,670,005	0	(1,670,005)	0	0	0
Response to 911 calls	644,648	0	319,851	98,368	139,784	1,202,650
School Contacts	795,562	0	394,728	121,396	172,508	1,484,194
Traffic Enforcement	2,628,010	0	1,303,922	401,013	569,851	4,902,795
Redevelopment Project Adm & Mgnt	422,845	0	209,800	64,523	91,689	788,856
RDA-Affordable Housing	108,339	0	53,754	16,532	23,492	202,116
Water Operation	43,149	63,384	21,409	6,584	9,356	143,882
Recycled Water Operation	3,752	0	1,862	573	814	7,000
Sewer Operation	46,901	63,384	23,271	7,157	10,170	150,882
Police	3,142,249	862,025	(4,004,274)	0	0	0
Public Works	0	5,282	0	0	0	5,282
Fire	0	48,595	0	0	0	48,595
Animal Control	0	13,733	0	0	0	13,733
<b>Total</b>	<b>20,800,549</b>	<b>0</b>	<b>0</b>	<b>2,101,597</b>	<b>2,986,433</b>	<b>25,888,579</b>

#### SUMMARY

Fully Loaded Cost	\$25,888,579
Communication Alloc to Others %	4%
Direct Cost %	50%
Dept Admin %	26%
Central Services %	8%
Other Indirect Cost %	12%
Total %	100%

## COST ALLOCATION BY DEPARTMENT (SUMMARY)

### Fire

Activities	Direct Cost	Dept Admin Alloc	Central Services Alloc	Building Occupancy/ Maint Services Alloc	Total
Records & Support Services	158,823	2,141	12,803	16,818	190,585
Response Division Management	124,359	1,676	10,025	13,168	149,229
A-B-C Platoon Management	663,275	8,940	53,468	70,235	795,918
Response to 9-1-1 Calls (fire & rescue)	736,081	9,921	59,337	77,944	883,284
Response to 9-1-1 Calls (medical)	2,002,956	26,997	161,463	212,095	2,403,510
Response to 9-1-1 Calls (hazmat)	85,100	1,147	6,860	9,011	102,118
Facility & Equipment Maintenance	3,179,195	42,851	256,282	336,647	3,814,976
EMS Quality Assurance	269,841	3,637	21,753	28,574	323,804
T.I.D.E. Program Management	125,684	1,694	10,132	13,309	150,818
Training & Safety Compliance	2,534,756	34,165	204,332	268,407	3,041,661
Information and Education	1,172,393	15,802	94,509	124,146	1,406,850
Disaster Preparedness Planning	107,624	1,451	8,676	11,396	129,147
Emergency Operations Center	18,560	250	1,496	1,965	22,272
Prevention Division Management	72,929	983	5,879	7,723	87,513
Plan Reviews & Permits	28,096	379	2,265	2,975	33,715
Fire Code Inspections	948,107	12,779	76,429	100,396	1,137,711
Fire Cause Investigations	52,233	704	4,211	5,531	62,679
Hazardous Materials Inspections	200,025	2,696	16,124	21,181	240,026
Hazardous Materials Investigations	28,166	380	2,271	2,983	33,799
Urban Runoff Regulation	58,385	787	4,707	6,182	70,061
Fire	186,421	(186,421)	0	0	0
Private Development Projects (PJ)	399,701	5,387	32,221	42,325	479,634
Redevelopment Project Adm & Mgnt	675,873	9,110	54,484	71,569	811,035
RDA-Affordable Housing	168,968	2,277	13,621	17,892	202,759
Capital Imp Project Mgnt	19,767	266	1,593	2,093	23,720
<b>Total</b>	<b>14,017,318</b>	<b>(0)</b>	<b>1,114,940</b>	<b>1,464,564</b>	<b>16,596,823</b>

### SUMMARY

Fully Loaded Cost	\$16,596,823
Direct Cost %	83%
Dept Admin %	1%
Central Services %	7%
Other Indirect Cost %	9%
Total %	100%

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## Section 5

### **Direct Cost Allocation by Department (Detail)**

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The detailed worksheets by department show the percentage of time spent on each program as reported by each department. The departments were given the choice of tracking the time spent on each service center over a shorter period by timesheet or estimating the time spent on these service centers over a longer period of time. Majority of the departments chose to use the estimation method because tracking by timesheet is time consuming and the activities over a shorter period of time may not be representative of the typical activities of the whole year.

The percentages were then multiplied by the budgeted expenditures of each department, including payroll and benefits, contractual services, supplies and capital outlay, to calculate the costs of servicing each program. These costs reflect the direct costs only, before the allocation of central services, building occupancy and maintenance costs. The direct cost worksheets for each department are included in the pages 38 to 123 of this report.

**FOR THE DETAILED WORKSHEETS BY**

**DEPARTMENT, PLEASE CONTACT**

**CITY CLERK'S OFFICE**