



City of Hallandale Beach City Commission Agenda Cover Memo

Meeting Date:	Item Type:		1 st Reading	2 nd Reading
11/17/2021	<input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Other	Ordinance Reading	N/A	N/A
		Public Hearing	<input type="checkbox"/>	<input type="checkbox"/>
		Advertising Required	<input type="checkbox"/>	<input type="checkbox"/>
		Quasi-Judicial:	<input type="checkbox"/>	<input type="checkbox"/>
File No.:				
21-429				
Fiscal Impact (\$):	Account Balance (\$):	Funding Source:	Project Number :	
N/A	N/A	N/A	N/A	
Contract/P.O. Required	RFP/RFQ/Bid Number:	Sponsor Name:	Department:	
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	N/A	Geovanne Neste, Finance Director	Finance Department	
Strategic Plan Focus Areas:				
<input checked="" type="checkbox"/> Finance & Budget		<input type="checkbox"/> Organizational Capacity		<input type="checkbox"/> Infrastructure/Projects
Implementation Timeline:				
Estimated Start Date: 10/1/2021 Estimated End Date: 9/30/2022				

SHORT TITLE:

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF HALLANDALE BEACH, FLORIDA ADOPTING THE 2021-22 CENTRAL SERVICES FULL COST ALLOCATION PLAN (FCAP); AND PROVIDING AN EFFECTIVE DATE.

STAFF SUMMARY:

Summary:

The City has completed an update to its Fiscal Year 2021-22 (FY2022) Central Services Full Cost Allocation Plan (FCAP) which is used to identify the costs incurred by the General Fund in providing administrative support services to other City funds. The FCAP is based on Fiscal Year 2019-20 (FY2020) audited expenditures. Staff has reviewed the FCAP's allocation methodology and is recommending the adoption of the FCAP as well as City Commission approval to apply it retroactively to FY2020-21.

Background:

The National Advisory Council on State and Local Budgeting (NACSLB) and the Government Finance Officers Association (GFOA) acknowledge the importance of measuring the cost of government services. GFOA recommends that governments calculate the full cost of the different services they provide and encourages governments to allocate their indirect costs to departments and programs receiving support services.

Indirect costs are costs incurred that are not directly accountable to a particular department, function, or project such as general administration, technology, accounting, legal services, personnel administration, and building maintenance. Direct costs are cost incurred to enable the operation of a program or service such as, police and fire protection, parks & recreation, street maintenance, and utility services.

In addition to recovering costs incurred by the General Fund, the FCAP can also be used as an internal analytical tool through which the City can apportion costs which have either broad or specific benefits to individual departments and programs within its organization. By identifying full program costs, the FCAP can be used as an analytical tool in a wide range of financial decision-making situations, including:

Enterprise Fund Accounting - The cost allocation plan can be used to identify the costs incurred by the General Fund in providing administrative support services to the City's enterprise operations. For example, although the City's legislative, legal, accounting, human resources, and building maintenance programs are budgeted in the General Fund, these programs also provide support services to the Utility Fund. For enterprise funds to fully recover their operating costs through the collection of utility fees, it is essential that the support costs be allocated to the enterprise funds.

User Fees - User fee services are those performed by a governmental agency on behalf of a private citizen or group. Examples of City's user fees include service charges, building plan reviews and permit fees, parking fees, and parks user fees. The assumption underlying most fee recommendations is that the costs of services benefiting individuals, and not the City as a whole, should be borne by the individual receiving the benefit. For user fees to fully account for the cost of service, it is essential that the support costs be allocated to the individual programs.

Current Situation:

The City has completed an update to its FY2022 FCAP. MAXIMUS Consulting Services, Inc. has prepared the analysis using FY2020 audited expenditures. A summary comparison of the previously issued FY2020 FCAP and the updated FY2022 FCAP is below:

	FY2020	FY2022		
Fund	Central Services Full Cost Allocation		Variance \$	Variance %
120 3 Islands Safe Neighbor District	\$ 24,635	\$ 110,183	\$ 85,548	347%
121 Golden Isles Safe Neighborhood	12,491	41,208	28,717	230%
130 Community Redevelopment Agency	344,625	347,882	3,257	1%
160 Transportation Fund	227,874	397,362	169,488	74%
170 Permits and Inspections Fund	529,739	468,534	(61,205)	-12%
410 Sanitation Fund	423,750	415,337	(8,413)	-2%
420 Cemetery Fund	69,833	105,664	35,831	51%
440 Stormwater Fund	221,750	244,754	23,004	10%
490 Utility Fund	1,404,336	1,664,541	260,205	19%
530 Fleet Services Fund	243,518	252,397	8,879	4%
570 General Liability-Self Insurance	74,985	74,554	(431)	-1%
575 Workers' Compensation	15,402	15,529	127	1%
	\$ 3,592,938	\$ 4,137,945	\$ 545,007	15%

Please note that not all funds included in Schedule A of the FY2022 FCAP (Exhibit 2) are included in the summary above. Excluded funds are restricted from cost allocation but included in the FCAP to follow full cost principles. As such, amounts not allocated to those funds represent costs supported by the General Fund.

General Fund costs allocated to other funds in the FY2022 FCAP total \$4,137,945. This represents a \$545,007 increase from the FY2020 FCAP. Significant increases are noted in the safe neighborhood districts, Transportation Fund, Cemetery Fund, and the Utility Fund and are primarily due to increases in the cost of central services and increased facility maintenance activity during FY2020.

The Finance Department and City Manager's Office has reviewed the FCAP's cost allocation methodology and the information used to calculate the allocation amounts. Staff is recommending the adoption of the FCAP which may be used in determining interfund charges, user fees, enterprise fund accounting, and other financial decision-making situations.

Staff intends to propose an amendment to the FY2021-22 City operating budget to retroactively apply the FY2022 FCAP to FY2020-21 and FY2021-22 as a true-up adjustment. This will increase revenues in the General Fund for FY2021-22 by up to \$1,090,014. Retroactively applying the FY2022 FCAP will ensure that interfund charges are based on the latest available full cost allocation plan.

Why Action is Necessary:

Adopting a cost allocation plan provides the City a defensible basis to allocate costs from central service departments to other funds. An adopted cost allocation plan may be used in determining interfund charges and user fees, and for other financial decision-making situations.

Cost Benefit:

Adopting the FY2022 FCAP provides the City an updated basis to allocate costs from central service departments to other funds. If fully implemented, the updated cost allocation plan will increase interfund charges to the General Fund by \$545,007 as compared to the FY2020 FCAP. The City is not required to implement all recommended cost allocations.

PROPOSED ACTION:

Staff recommends approval of the attached resolution.

ATTACHMENT(S):

Exhibit 1 – Proposed Resolution

Exhibit 2 – FY 2021/2022 Central Services Full Cost Allocation Plan

Prepared By: Geovanne Neste

Geovanne Neste
Finance Director

Reviewed By: Noemy Sandoval

Noemy Sandoval
Assistant City Manager

Approved By: Jeremy Earle

Dr. Jeremy Earle
City Manager