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**CITY OF ANN ARBOR, MICHIGAN  
CENTRAL SERVICES  
COST ALLOCATION PLAN  
FISCAL 2005/06**

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**FINAL REPORT  
MARCH 2007**

**BASED ON ACTUAL COSTS  
FOR THE YEAR ENDED  
JUNE 30, 2006**

**MAXIMUS**  
*HELPING GOVERNMENT SERVE THE PEOPLE™*



**CITY OF ANN ARBOR, MICHIGAN  
COST ALLOCATION PLAN  
FISCAL YEAR 2006**

**INTRODUCTION**

This cost allocation plan for indirect services provided by central service departments is based on actual expenditures for the fiscal year 2006. The plan was prepared by MAXIMUS, Inc.

**METHODOLOGY**

A consistent approach has been followed in the treatment of direct or indirect costs; costs charged directly to programs are not allocated as indirect costs in any circumstance. Actual expenditure information was obtained from the financial statements for the fiscal year ending June 30, 2006. Statistics used to allocate costs were taken from fiscal 2006 data by performing one hundred percent counts or, in some cases, conducting a representative sample period count.

A double step-down allocation procedure was used to distribute costs among central services and to other departments that receive benefits. The double step-down procedure initially requires a sequential ordering of departments. Department indirect cost allocations are then made in the order selected to all benefiting departments, including cross allocation to other central service departments. To insure that the cross-benefit of services among central service departments is fully recognized, a second step-down allocation for each central service department is made. Costs allocated for each central service department consist of the following:

**First Allocation** – the actual operating expenditures for the department, exclusive of unallowable items, plus all allocated costs from other central service departments, which have been identified up to this point.

**Second Allocation** – costs from other central services made subsequent to that department's original allocation.

With respect to the double step-down methodology, an important point should be noted: After the second allocation of each central service department, that department is "closed" and could not receive any additional allocations from other central services.

To ease comprehension and avoid unnecessary bulk in the plan, the first and second allocations are shown on the same schedule within the plan.

**FORMAT**

A table of contents is included at the beginning of the plan and the allocation of costs has been completed in the order as listed in the table of contents. The table of contents also permits the identification of the following summary data and sections of the plan:

**Summary Data** – four summary schedules are provided at the beginning of the plan.

- (1) **Allocated Costs by Department (Schedule A)** – provides the costs allocated from each central service department to each operating department. The central

service departments are listed on the left side of the page and the operating departments detailed in the plan are listed across the top with the total allocated costs summed at the end of each column.

- (2) **Summary of Allocated Costs (Schedule C)** – summarizes the total costs allocated from each central service department to each grantee department. The central service and grantee departments are listed along the left side of the page. Two line spaces distinguish the two department groups from each other.
- (3) **Detail of Allocated Costs (Schedule D)** – details the costs allocated from each central service department to each grantee department. The central service departments are listed across the top and departments receiving allocations are listed on the left side of the page.
- (4) **Summary of Allocation Basis (Schedule E)** – provides the basis used to allocate the costs for each function of every central service department. The allocation methodologies are listed in the same department order as they appear in the table of contents.

**Sections** – sections for each central service department are presented in the following format:

- (1) **Nature and Extent of Services** – describes the central service department and each functional activity identified. Also describes the allocation bases used for each function, along with any other pertinent information.
- (2) **Costs to be Allocated** – presents the total costs to be allocated based on actual expenditures from the financial statements and allocated additional costs. Allocated additions represent costs allocated to a central service department from other central service departments. The allocated additional costs are distributed in the second allocation step, which is explained in the Methodology section.
- (3) **Costs to be Allocated by Function** – costs for each department are functionalized to the extent deemed necessary to ensure the application of an allocation basis which most closely correlates to the benefits dispersed to receiving departments. Functions of the department are listed across the top of the page and a detailed allocation schedule is provided for each allocated function. Functions considered to be general government in nature are not allocated and, therefore, a detailed allocation schedule is unnecessary.
- (4) **Detail Allocation** – a schedule detailing the allocation of each function is provided for all allocated functions, except for General Administration. Costs in the General Administration function are reallocated to all other departmental functions based on functional costs, unless otherwise directed.
- (5) **Departmental Cost Allocation Summary** – the final schedule for each central service department provides a summary of the costs allocated by function. The departments that received allocations are listed on the left side of the page and the central service functions are listed across the top.

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MAXIMUS, Inc  
City of Ann Arbor Cost Plan  
Allocated Costs by Department  
Consolidated

Central Svc Departments	Comm Dev GF	District Court	Police	Parking Enforce	Fire	Bldg - Admin	Bldg - Hist Pres
Bldg Deprec	\$87,427	\$864	\$11,764		\$108,118		
Equip Deprec	5,396		11,412				
Mayor & Council	4,082	6,812	44,370	2,077	22,704	1,378	13
City Admin	3,308	15,570	118,595	5,719	58,073	2,727	11
Human Resources		56,397	429,047	20,879	186,095		
Procurement	4,618	61,571	134,802	7,402	57,676	3,727	768
Facility Mgmt		10,132	381,993	2,605	23,231		
City Attorney	87,953	2,627	339,383	1,660	39,850	362	3
City Clerk	2,574	4,296	27,982	1,310	14,319	870	8
Finance Admin	3,466	5,783	37,672	1,763	19,277	1,170	11
Accounting	2,307	49,949	187,114	4,676	69,954	3,577	95
Assessor	7,857	13,109	85,395	3,996	43,697	2,653	25
Treasurer	2,463	4,360	30,669	379,953	13,804	1,243	8
Non-Dept Expense	785	3,693	55,884	949	8,467	6,989	
Comm Devel Admin	348,495						
Pub Svc Redistr							
PS GF Retiree							
Parks & Rec Adm							
P&R GF Retiree							
Comm Svcs Admin						105,480	
Bldg Dept Redist						25,367	
Utilities Redist							
Cust Svc Call Ct	1,598	2,932	21,528	139,459	8,995	980	5
Environ Coord		4,314	22,715	1,109	9,891		
Total Allocated	\$562,329	\$242,409	\$1,940,325	\$573,557	\$684,151	\$156,523	\$947

MAXIMUS, Inc  
City of Ann Arbor Cost Plan  
Allocated Costs by Department  
Consolidated

Central Svc Departments	Bldg - Construct	Bldg - Housing	Bldg - Cent Perm	Bldg - Appeals	Bldg - Plan Rev	Bldg - Planning	Public Svc GF
Bldg Deprec						\$1,413	\$4,922
Equip Deprec						1,622	5,320
Mayor & Council	562	1,052		60	601	220	3,152
City Admin	453	2,988		180	1,844	494	2,826
Human Resources							1,389
Procurement		3,422		883	1,198	7,187	52,447
Facility Mgmt						46,708	153,454
City Attorney	147	276		15	157	197,392	122,311
City Clerk	354	664		38	379	139	1,987
Finance Admin	478	893		51	510	187	2,676
Accounting	261	43,231	429	97	262	2,253	4,066
Assessor	1,082	2,025		117	1,156	425	6,066
Treasurer	338	644	932	83	364	970	1,970
Non-Dept Expense	9,792	41,109		2,317	2,280	4,747	91
Comm Devel Admin							
Pub Svc Redistr							433
PS GF Retiree							11,977
Parks & Rec Adm							
P&R GF Retiree							
Comm Svcs Admin		139,762		8,534	88,747	20,676	
Bldg Dept Redist		33,613		2,053	21,345	2,446	
Utilities Redist							
Cust Svc Call Ct	220	422	998	73	238	983	1,306
Environ Coord							21,045
Total Allocated	\$13,687	\$270,101	\$2,359	\$14,501	\$119,081	\$287,862	\$397,438

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City of Ann Arbor Cost Plan  
Allocated Costs by Department  
Consolidated

Central Svc Departments	Parks Ops/For GF	Parks Rec GF	Utilities GF	0001 DDA HSG	0002 Energy Pr	0003 DDA Oper	0004 MT Fac Cons
Bldg Deprec		\$387,148	\$256,882			\$665	
Equip Deprec							
Mayor & Council	7,573	4,901	236		221		6,830
City Admin	14,674	11,913	328		254		5,831
Human Resources	41,816	27,440	674			4,126	
Procurement	8,832	43,306	125				
Facility Mgmt	7,513		121				
City Attorney	1,988	29,840	3,312	5,283	1,408		1,792
City Clerk	4,776	3,092	149		139		4,307
Finance Admin	6,429	4,162	200		188		5,799
Accounting	21,555	36,887	2,669		185	1,013	4,679
Assessor	14,575	9,435	452			22,281	
Treasurer	4,653	13,795	156		46	4,623	1,395
Non-Dept Expense	98,972	74,109	530			271	
Comm Devel Admin							
Pub Svc Redistr	13,049						505
PS GF Retiree	361,007						
Parks & Rec Adm		575,800					
P&R GF Retiree		313,350					
Comm Svcs Admin							
Bldg Dept Redist							
Utilities Redist			188				
Cust Svc Call Ct	3,052	13,521	103				
Environ Coord	3,200	4,904	51				
<b>Total Allocated</b>	<b>\$613,664</b>	<b>\$1,553,603</b>	<b>\$266,176</b>	<b>\$5,283</b>	<b>\$2,441</b>	<b>\$32,979</b>	<b>\$31,138</b>

