

Municipal Service Charge (MSC)

Background A cost allocation study is performed in order to effectively allocate the City's administrative and overhead costs to the service units that utilize the General Fund administrative services and facilities. Since 1993, the City has applied the MSC to non-General Funds to recover these costs. Since 2003, the City has engaged the services of Maximus Consulting Group to perform the cost allocation plan study.

Methodology The MSC charge has two main components. The first component is the determination of the costs to be allocated. Maximus uses the City's audited financial information to establish the costs of administrative activities and overhead. The overhead is then allocated to the various service units based on a number of factors such as that fund/service area's total expenditures, square footage usage, number of personnel and/or transaction counts. These factors are representative of how much a fund/service area uses a service. For example, payroll costs are spread based on the number of employees in that fund. Attached is Schedule E from the Maximus study which describes the allocation methodology in full.

Examples of costs distributed are City Administrator, City Attorney, City Clerk, Human Resources, and Financial Services. Below are the last two studies of MSC allocated costs:

Centralized Services Spread to MSC

<u>Centralized Costs</u>	<u>FY 06 Amount used for FY08/FY09</u>		<u>FY 08 Amount used for FY10/FY11</u>	
	<u>budgets</u>	<u>% of Total</u>	<u>budgets</u>	<u>% of Total</u>
Building Depreciation	862,290	7.6%	599,141	5.0%
Equipment Depreciation	26,880	0.2%	11,656	0.1%
Mayor and Council	353,148	3.1%	569,138	4.7%
City Administrator	558,162	4.9%	580,584	4.8%
Facility Management	718,091	6.3%	827,384	6.8%
Human Resources	1,253,709	11.0%	1,323,719	10.9%
Procurement	401,214	3.5%	379,342	3.1%
City Attorney	1,379,306	12.1%	1,395,711	11.5%
City Clerk	222,718	2.0%	487,495	4.0%
Finance Admin	493,741	4.3%	762,205	6.3%
Accounting	1,011,015	8.9%	971,744	8.0%
Assessor	301,739	2.7%	311,056	2.6%
Treasurer	542,817	4.8%	612,316	5.1%
Non-departmental	371,347	3.3%	95,519	0.8%
Community Development	348,495	3.1%	570,482	4.7%
Public Services Re-distribution	60,718	0.5%	65,185	0.5%
Public Services GF Retirees	372,984	3.3%	425,061	3.5%
Parks & Rec Admin	804,794	7.1%	871,663	7.2%
Parks & Rec GF Retiree	313,350	2.8%	267,560	2.2%
Community Services Admin	363,199	3.2%	333,440	2.8%
Building Department redistribution	179,559	1.6%	168,544	1.4%
Utilities redistribution	59,658	0.5%	58,755	0.5%
Customer Service Call Center	196,413	1.7%	331,774	2.7%
Environmental Coordinator	169,029	1.5%	71,480	0.6%
	\$ 11,364,376	100%	\$ 12,090,954	100%
% of MSC subject to allocation	24%		26%	
Total	\$ 2,726,616	FY08	\$ 3,181,635	FY10
	\$ 2,773,752	FY09	\$ 3,261,258	FY11

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Please note the amounts represent not only the amounts spent in each area, but also include the amount allocated to their area (i.e. the City Attorney costs represents the cost of their operations plus their share of payroll, accounting, Mayor, etc.). A detailed explanation can be found in the Maximus cost allocation study. Also, of the total costs to be allocated, only a percentage of the costs actually result in MSC cost recovery revenue. Generally, approximately 25% of the MSC costs are recovered. The remaining amount either belongs to General Fund service units or to funds that are excluded from the MSC allocation as explained below.

For each budget development cycle, the cost allocation is based on the fiscal year amounts of the last completed fiscal year (i.e. when staff is developing the FY10 budget, FY08 is the last completed audit and thus becomes the basis for the cost allocation study). Maximus performs the study at the beginning of each two year budget cycle and the City uses one study for the two year cycle, inflating the second year by 2-3%.

The second component of the cost allocation is based on the activity in the funds paying for the MSC. For example, the fund's budget (a potential form of allocation methodology) may have changed, its number of FTEs may have changed, or their usage of an internal service (such as the City Attorney) may have changed. Below is a chart of four years of how each fund has been charged or is budgeted to be charged. Please note some funds have not been charged. This is due to restrictions placed on the fund, either by ordinance, law or other restriction.

History of MSC Charged to Funds

<u>Description</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
MUN SVC CHG OTHER	\$ 6,684	\$ -	\$ 5,824	\$ -
MUN SVC CHG ENERGY	2,436	2,508	20,348	20,938
MUN SVC CHG PARKS REPAIR/RESTORATION	34,008			
MUN SVC CHG CENTRAL STORES	19,716	20,208	29,108	29,836
MUN SVC CHG FLEET	106,644	109,308	138,351	141,810
MUN SVC CHG INFO TECHNOLOGY	364,764	373,884	474,824	486,695
MUN SVC CHG PARKS SERV HQ	4,596		1,531	1,569
MUN SVC CHG CABLECASTING	55,056	56,424	60,411	61,921
MUN SVC CHG PARKS REHAB/DEVELOPMENT	53,988	73,896	30,094	30,846
MUN SVC CHG MAJOR STREETS	142,872	146,448	192,423	197,234
MUN SVC CHG LOCAL STREETS	30,960	31,728	46,099	47,251
MUN SVC CHG BANDEMER	660	672	2,471	2,533
MUN SVC CHG CONSTRUCTION	155,220	159,096	169,374	173,608
MUN SVC CHG METRO EXPANSION		6,852	-	4,400
MUN SVC CHG WATER	535,548	548,940	404,902	415,025
MUN SVC CHG SEWAGE	362,688	371,760	424,135	434,738
MUN SVC CHG MARKET	23,136	23,712	18,621	19,087
MUN SVC CHG RECREATION FACILITY	113,352	116,184	174,943	179,318
MUN SVC CHG AIRPORT	41,292	42,324	25,015	25,640
MUN SVC CHG PROJECT MANAGEMENT	56,268	57,672	131,245	134,526
MUN SVC CHG INSURANCE	231,516	237,300	303,660	311,252
MUN SVC CHG STREET REPAIR MILLAGE	133,596	136,932	158,646	162,612
MUN SVC CHG STORMWATER	59,028	60,504	96,290	98,697
MUN SVC CHG SOLID WASTE	192,588	197,400	274,851	281,722
Grand Total	\$ 2,726,616	\$ 2,773,752	\$ 3,183,166	\$ 3,261,258
Total % Change from Prior Year		2%	15%	2.5%
Based On Recovery of Costs from FY:	2006	2006 + 2%	2008	2008 + 2.5%

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In the cost allocation study, each fund has a detailed calculation of how their charge was determined. For example, the Water Fund has a section detailing how much of each allocation area (i.e. Mayor, City Administrator, City Clerk, Finance, etc.) that fund used and how the allocation was calculated. Each fund has a different calculation depending on the services they utilize.

City of Ann Arbor, MI
Cost Allocation Plan
Schedule E - Summary of Allocation Basis

Department	Allocation Basis:	Allocation Source:
Building Depreciation		
1.4.1 City Hall	Assigned Sq Footage - City Hall	Facilities Management Report
1.4.2 City Center	Assigned Sq Footage - City Center	Facilities Management Report
1.4.3 Dept Specific	Dollar Amount of Building Depreciation by Department	Fixed Asset Report - Finance
Equipment Depreciation		
2.4.1 Equip Deprec	Dollar Amount of Equipment Depreciation by Department	Fixed Asset Report - Finance
2.4.2 Vehicle Deprec	Dollar Amount of Vehicle Depreciation by Department	Fixed Asset Report - Finance
2.4.3 City Hall Equip	Assigned Sq Footage - City Hall	Facilities Management Report
Mayor & Council		
3.4.1 Mayor & Council	Expenditures by Program	Financial Report
City Administrator		
4.4.1 Personnel Issues	Salaries and Wages by Program	Financial Report
4.4.2 Financial Issues	Expenditures by Program	Financial Report
Facility Management		
5.4.1 City Hall	Assigned Sq Footage - City Hall	Facilities Management Report
5.4.2 City Center	Direct Allocation to Human Resources	
5.4.3 Facility-Maint	General Fund Full-Time Employees by Department	Budget Report
5.4.4 Garage-Maint	Assigned Sq Footage - City Hall	Facilities Management Report
5.4.5 P&R Gen Fund	Direct Allocation to Parks Recreation General Fund	
Human Resources		
6.4.1 Personnel	Full-Time Employees by Department	Personnel Summary Budget
6.4.2 Labor Relations	Union Employees by Department	Human Resources Report
6.4.3 Human Rights	Full-Time Employees by Department	Personnel Summary Budget
6.4.4 Employ Benefits	Full-Time Employees by Department	Personnel Summary Budget
Procurement		
7.4.1 Purchasing	Purchase Orders by Department	Finance Report
7.4.2 Telecomm	Centrex Phone Lines by Department (non-billed)	Phone Directory
7.4.3 Postage	Dollar Amount of General Fund Salaries	Financial Report



All Monetary Values Are \$ Dollars
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Schedule E - Summary of Allocation Basis

Department	Allocation Basis:	Allocation Source:
City Attorney		
8.4.1 City-wide Svcs	Expenditures by Program	Financial Report
8.4.2 Personnel Supp	Full-Time Employees by Department	Personnel Summary Budget
8.4.3 Labor Relations	Union Employees by Department	Human Resources Report
8.4.4 All Other Svcs	Percentage of Direct Attorney Time by Department	Attorney Time Distribution Sheets
8.4.5 Outside Counsel	Dollar Amount of Contracted Counsel Svcs by Department	Attorney Report
City Clerk		
9.4.1 City-Wide Suppt	Expenditures by Program	Financial Report
Finance Administration		
10.4.1 Finance Admin	Dollar Amount of Salaries by Finance Organization	Financial Report
10.4.2 Budget	Expenditures by Program	Financial Report
10.4.3 Retiree Benefit	Dollar Amount of S&W by Finance Org (excluding I.T.)	Financial Report
Accounting		
11.4.1 1820 Accounting	Weighted Transactions by Dept (Expenditures & Revenues)	General Ledger
11.4.2 1821 Payroll	Full-Time Employees by Department	Personnel Summary Budget
11.4.3 1822 A/P	Expenditure Transactions Posted	General Ledger
11.4.4 1823 A/R	Revenue Transactions Posted	General Ledger
11.4.5 1824 Budget	Expenditures by Program	Financial Report
11.4.6 1825 Fin Report	Expenditures by Program	Financial Report
11.4.7 1826 Fix Asset	Dollar Amount of Actual Depreciation	Fixed Asset Report - Accounting Division
11.4.8 1827 Grant Mgt	Federal Grant Expenditures by Fund	SEFA
11.4.9 1828 Invest Mgt	Expenditures by Program	Financial Report
11.4.10 1829 Syst Admin	Total Transactions Posted - Expenditures and Revenues	General Ledger
Assessor		
12.4.1 Tax Adm-Gen Op	General Fund Expenditures	Financial Report
12.4.2 Tax Adm-Special	Actual Special Millage Dollars Collected	Tax Year Distribution Report - Treasurer



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Schedule E - Summary of Allocation Basis

Department	Allocation Basis:	Allocation Source:
Treasurer		
13.4.1 Investments	Expenditures by Program	Financial Report
13.4.2 Audit Support	Direct Allocation to Police - Parking Enforcement	
13.4.3 Parking Enforce	Direct Allocation to Parking Enforcement	
13.4.4 Misc Receipting	Total Number of Cash Receipts by Department	General Ledger
13.4.5 Tax Adm-Gen Op	General Fund Expenditures	Financial Report
13.4.6 Tax Adm-Special	Actual Special Millage Dollars Collected	Tax Year Distribution Report - Treasurer
Non-Department Expenses		
14.4.1 Memberships	Full-Time Employees by Department	Personnel Summary Budget
14.4.2 AFSCME Settlem	Percentage of AFSCME Settlement Pay by Department	Finance Report
14.4.3 Retiree Medical	Retiree Health Costs by Department	Finance Report
14.4.4 Insurance	Full-Time Employees by Department	Personnel Summary Budget
14.4.5 Human Resources	Direct Allocation to Human Resources	
Community Development Admin		
15.4.1 Comm Dev Admin	Direct Allocation to Community Development General Fund	
Public Svcs Redistribution		
16.4.1 Pub Svc Redistr	Dollar Amount of Public Services Salaries by Program	Financial Report
16.4.2 P.S. (excl For)	Dollar Amt of P.S. S&W by Prog (excl Forest Operations)	Financial Report
Public Svcs Gen Fund Retiree		
17.4.1 PS GF Retiree	Dollar Amount of Public Svcs S&W by Agency	Financial Report
Parks & Recreation Admin		
18.4.1 P&R Admin	Dollar Amount of S&W by Parks & Recreation Fund	Financial Report
18.4.2 P&R Gen Fund	Direct Allocation to Parks Recreation General Fund	
Parks & Rec Gen Fund Retiree		
19.4.1 P&R GF Retiree	Direct Allocation to Parks and Recreation General Fund	



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Schedule E - Summary of Allocation Basis

Department	Allocation Basis:	Allocation Source:
Community Svcs Administration 20.4.1 Svc Area Admin	Dollar Amount of Building Dept S&W by Organization	Financial Report
Building Dept Redistribution 21.4.1 Bldg Dept Redts 21.4.2 Bldg (exc Plan)	Dollar Amount of S&W by Building Organization Dollar Amount of S&W by Bldg Org (excluding Planning)	Financial Report Financial Report
Utilities Redistribution 22.4.1 Utility Redistr 22.4.2 Util (excl CS)	Dollar Amount of Utilities Salaries & Wages by Program Dollar Amt of Utilities S&W by Prog (excl Call Center)	Financial Report Financial Report
Customer Service Call Center 23.4.1 Parking Collect 23.4.2 Misc Receiving 23.4.3 Gen Tax Collect	Direct Allocation to Parking Enforcement Total Number of General Fund Cash Receipts by Dept. General Fund Expenditures	General Ledger Financial Report
Environmental Coordinator 24.4.1 Energy Admin 24.4.2 Energy Misc 24.4.3 Grants Admin	Percent of Energy Consumption by Department Full-Time Employees by Department Direct Allocation to Major Grants Fund	Energy Report Personnel Summary Budget



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