

Summary Calculation of the Indirect Cost Rate

City of Bell
Central Service Cost Allocation Plan For Use During Fiscal Year 2014/15
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Description	Total
Allocable Indirect Costs	\$ 3,688,371
Total Direct Costs (Modified)	\$ 9,745,878
Indirect Cost Rate	37.85%

Purpose of the Central Service Cost Allocation Plan

Appendix C of OMB Circular A-87 addresses the preparation of central service cost allocation plans. The Appendix states:

Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

Bell provides certain support services to operating units on a centralized basis. This plan allocates the costs of those support services to benefitted activities on a reasonable and consistent basis. This plan is supported by formal accounting records that support the propriety of the costs assigned to Federal awards.

Documentation Submitted with the Cost Allocation Plan

Appendix C of OMB Circular A-87 addresses documentation requirements for submitted plans. The Appendix states:

All proposed plans must be accompanied by the following: an organization chart...a copy of the comprehensive annual financial report...a certification that the plan was prepared in accordance with ("OMB Circular A-87")...

For each allocated central service, the plan must also include the following: a brief description of the service, an identification of the unit rendering the service and the operating agencies receiving the service, the items of expense included in the cost of service, the method used to distribute the cost of service to benefitted agencies ("units"), and a summary schedule showing the allocation of each service to the specific benefitted agencies ("units")...

This plan and its attachments provide documentation required by Appendix C of OMB Circular A-87. Details follow:

Organization Chart

An organization chart is included as Attachment A of this plan.

Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013 (CAFR) is included as Attachment B of this plan.

Certification

The certificate of cost allocation plan is included as page 3 of this report.

Brief Description of Allocated Central Services and Identification of the Unit Rendering Service

Bell uses "programs" to identify and account for operating and central service costs. This plan allocates the costs of various central service and executive level support programs to the operating programs that benefit from the central services provided. A description of each central service program considered in this plan follows.

City Council (0100) - The City Council program includes three major activities: legislation; policy; supervision. The City Council program activities are considered general government and are unallocable according to OMB Circular A-87 guidelines.

City Manager (0200) - The City Manager is responsible for various functions assigned by the City's Charter and City Council. These include overseeing the implementation and administration of Council policy, supervising the activities of all City departments, enforcing City ordinances, preparing the operating and capital improvement budgets, completing the publication of periodic reports to the public, and such other duties and responsibilities as may be assigned by the City Council.

Administration Support (0225) - This program is anticipated to be inactive effective FY 13/14 and future years. Minimal actual costs were incurred for this program for the Fiscal Year ended June 30, 2013. The costs have been excluded from the central service allocation to avoid developing an estimated indirect cost rate that includes non-recurring costs.

City Clerk (0300) - The main functions of this program include: information dissemination, agenda coordination, records management, administering City elections, and agreement processing. The program's election related activities are considered general government and are unallocable according to OMB Circular A-87 guidelines.

Finance Department (0400) - The major responsibilities of the program include budget preparation and monitoring, financial reporting, accounting, payroll, accounts payable, accounts receivable/cash receipts, business licenses, debt management, cash management/investing, risk management and technology management. The estimated costs of business licensing activities are considered direct services and are not allocated.

City Attorney (0600) - The major responsibilities of this program include: legal review and advice, litigation, and enforcement and prosecution of violations of the Bell Municipal Code. This program incurred extraordinary costs in recent years, primarily due to litigation of scandal related activities. According to the City Manager's FY 13/14 budget message, the City should typically expect to spend between \$350,000 to \$500,000 per year on legal services with business as usual. Accordingly, the cost allocation plan allocates less than 20% of legal costs incurred, in order to avoid including extraordinary expenses, claims involving the Federal government, and litigation and enforcement costs unrelated to supporting the City's federal award related efforts.

Personnel Administration (0800) - The primary goals of this program are: recruit, train and motivate employees; keep employees well informed through ongoing communication programs; maintain recruitment and retention practices consistent with law; assist in the implementation of organizational change through maintenance of job classification specifications.

Non-Departmental (0900) - This program contains expenditure items essential to the operation of the City which do not fall within the functional assignment of any single department, or which are related to more than one department. For example this program accounts for information technology contract costs, utility costs, animal shelter costs, replacement computer equipment and scandal transition expenses.

Facilities Maintenance (5250) - This program includes a portion of the expenditures required to maintain City facilities including janitorial services for the parks, community center, City Hall and police department.

Risk Management Fund (Fd 85) - This program administers the City's self-insured property, general liability, and workers' compensation programs; works with the City Attorney's Office to monitor, control, and resolve litigated matters; and maintains excess insurance policies.

Brief Description of the Operating Units ("Programs" "Divisions") Receiving Allocated Services

General Fund

Community Development Department

Planning - The Planning Division reviews permit applications for new development projects, tenant improvement plans, zoning clearance for business licenses, business signs, etc. The division also provides support to the Planning Commission and City Council; conducts architectural reviews; maintains census information; supervises contract services; and participates in regional issues in planning, housing and transportation.

Economic Development - This division works to attract new businesses to the City and to revitalize the commercial sector.

Code Compliance - This division works to improve the City's overall appearance by ensuring that private properties are well maintained. The division is responsible for investigating residential and commercial code violations and working with residents and businesses to obtain voluntary compliance.

Building and Safety - This division issues building permits for residential, commercial and industrial projects. The permitting process involves plan check prior to construction and inspections during construction.

Engineering (3200) - This division focuses on projects not charged to restricted funds such as Gas Tax. For example, any City facility issue requiring engineering work would be charged to this division. The cost of issuing encroachment permits is also included in this division.

Community Services Department

Youth, Sports, and Parks Activities - This division provides youth sports, adult sports, and team programs as well as staffing at the parks.

Recreation and Community Services - This division is comprised of four recreation centers, five parks, and a myriad of classes and programs for children, adults and seniors.

Skate Park - This program accounts for expenses linked to the City's skate park.

Technology Center - This program accounts for expenses linked to the City's technology center.

Police Department

Patrol - This program uses uniformed officers to respond to emergency situations and calls for service, conduct preliminary investigations of criminal activity, enforce traffic laws, conduct routine traffic collision investigations, control disturbances, manage unusual incidents, implement crime prevention strategies, and provide other public safety related services as directed.

Detective - This division is comprised of staff assigned to conduct investigations and case preparation for the prosecution of criminal acts.

Communications - This division uses a computer-aided dispatch system to receive emergency calls from the public requesting police, fire, medical or other emergency services; enters, updates, and retrieves information; processes information requests; and monitor radio frequencies.

Records Bureau - This division maintains police records, reports, citations, and documents for the Police Department. This division is the first point of contact for the public in the lobby, they answer phone calls and direct the public, as necessary. This division also processes requests for police public records and statistical data.

Traffic - This division focuses on high-visibility enforcement, education, and traffic engineering assistance.

Police Administration - This program provides leadership and administration for all divisions, sections and units of the department, including command direction, policy formulation, financial coordination, special investigation supervision, staff inspection, risk management, research and development, and personnel administration.

Jail - This division pays for the housing of Bell prisoners in a neighboring city facility.

Training - This unit provides training for Police personnel.

Parking Enforcement - This unit assists with parking enforcement within the City, such as, monitoring and ticket writing for illegally parked vehicles.

Fund 3 - Air Quality - Collected as part of vehicle license fees and distributed by the Air Quality Management District (AQMD), this fund is used for activities or equipment that reduce air pollution from vehicles.

Fund 4 - Gas Tax - A portion of the Gas Taxes collected by the State of California is distributed, incrementally, to local governments. The taxes fund allowable uses toward street, road, alley, and sidewalk improvements, and can also be used toward administrative support of these programs.

Fund 8 - Sanitation - This fund is used by the City to comply with National Pollution Discharge Elimination System (NPDES) permit requirements. This fund is also used to pay for consulting services to monitor and evaluate the City's refuse franchise.

Fund 9 - Sewer - This fund is used to pay for the maintenance and upgrade of the City's sanitary sewer collection system.

Fund 14 - Bikeway - This fund is used for projects and expenditures that create, improve, and expand bike paths.

Fund 18 - Public Financing Authority - The PFA is used for debt servicing of two City bond issues.

Fund 20 - Successor Agency Administration - The Bell Community Redevelopment Agency (CRA) was dissolved by AB1x26 on February 1, 2012. The City, as the Successor Agency, is required to wind down the business of the CRA. The creation of the Oversight Board for the Successor Agency requires funding for the administrative and staff support to the seven-member Oversight Board. The passage of AB 1484 resulted in new requirements for additional analysis and work products, including a Recognized Obligations Payment Schedule; Due-Diligence Reports; and additional public meetings.

Fund 21 - Successor Agency Tax Increment - The Bell Community Redevelopment Agency (CRA) was dissolved by AB1x26 on February 1, 2012. The City, as the Successor Agency, is required to wind down the business of the CRA. This fund was created to assist with monitoring revenues and expenditures linked to the winding down process.

Fund 22 - Successor Agency Low & Moderate Housing - The Bell Community Redevelopment Agency (CRA) was dissolved by AB1x26 on February 1, 2012. The City, as the Successor Agency, is required to wind down the business of the CRA. The CRA's activities included administering the Low & Moderate Housing Fund activities. Per AB1x26, housing assets have been transferred to the Successor Housing Agency / Bell Community Housing Authority (BCHA).

Fund 23 - Successor Agency Debt Service - This fund is use for debt servicing of a Bell CRA bond issue.

Fund 30 - CDBG - This fund is used for providing grants to low and moderate income homeowners; funding graffiti eradication services; lead-based paint and lead hazard testing and abatement costs in conjunction with the Residential Rehabilitation and Handyworker Programs; a portion of the City's Code Compliance activities; and ADA improvements for City facilities; and Handworker program materials and repair costs.

Fund 32 - Grants Fund - This fund is used to account for grants received by the City, except for CDBG, COPs, and Justice Assistance Grants, each of which have their own fund.

Fund 45 - Lighting and Landscape - This funds the maintenance of the City's parks, trees, medians, other landscaped areas, irrigation systems, street lights, and traffic signals. Funding comes from an annual property assessment.

Fund 67 - Measure R - This fund can be used for major street resurfacing, pothole repair, bike path improvements, signal synchronization, and pedestrian walkway improvements.

Fund 68 - Proposition C - This fund can be used to fund transit programs allowed under Proposition A as well as expenditures for congestion management programs, bikeways, street improvements supporting public transit services, and pavement management system projects.

Fund 70 - Proposition A - This fund is primarily used toward funding of the City's Dial-a-Ride and Bus Pass Subsidy Program. Administration, Recreational Transit, and Bus Shelter maintenance are also included in this fund.

Fund 71 - Asset Forfeiture - Funding is composed of asset forfeitures, mainly from narcotics investigations. Funding is used for programs intended to expose youth (ages 14 to 21) to every facet of law enforcement; funding for part-time employees on an as-needed basis; and funding for Police equipment replacement.

Fund 72 - COPS - Funds are allocated from the US Dept of Justice COPS office. Funds are used to purchase and replace much needed equipment and technology.

Fund 74 - Justice Assistance Grant - Funds provided through the US Dept of Justice. Funds are allocated for use with the approval of the grantor. Anticipated use of funds includes radio equipment to improve police radio reception within the City.

Fund 89 - GOB Debt Service Fund - The fund is used for debt servicing of the General Obligation bonds issued in 2004 and 2007.

Fund 90 - BCHA Operating - The City activated the Bell Community Housing Authority (BCHA) to assist the City in the acquisition, construction, financing, and management of low and moderate income housing within the City. The BCHA has acquired the Bell Mobile Home Park, the Florence Village Mobile Home Park, and various rental housing apartments and single family homes. City staff is responsible for the management and operations of the mobile home parks and property management for 64 rental units. This program reflects the administrative costs and operations for overseeing the Housing Authority Operations.

Fund 92 - BCHA Debt Service - This fund is dedicated to debt servicing of the BCHA debt.

Items of Expense Included in the Cost of Service

The items of expense included in the cost of service are detailed, by program, on pages 24 through 36 of this report. The items of expense exclude unallowable costs as defined in Appendix B of OMB A-87 (e.g. equipment and capital expenditures, bad debts, lobbying, etc.).

Distribution of the Cost of Service to Benefitted Units

Appendix A of OMB Circular A-87 addresses the distribution of indirect cost pools to benefitted cost objectives. The Appendix states:

To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department...Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

The Review Guide for State and Local Governments State/Local-Wide Central Service Cost Allocation Plans and Indirect Cost Rates, prepared by the U.S. Department of Health and Human Services Cost Allocation Division, clarifies the appropriate allocation bases to be used for allocating each central service. The Review Guide states:

Any method of distribution which will produce an equitable distribution of the cost can be used. In selecting one method over another consideration should be given to the additional effort required to achieve a greater degree of accuracy...

Bell uses multiple methods of distribution for the allocation of central service costs to operating units. Among those used are actual expenditures modified to exclude distorting expenditures, pass through funds, etc., and base salary expenditures. The various distribution methods are identified on page 16 of this plan. The bases were deliberately chosen in an effort to provide an equitable distribution of costs to benefitted cost objectives. An additional consideration made by the City when selecting the various methods of distribution was a desire to keep the allocation as simple as possible while maintaining an equitable distribution. Preparing a plan that is easily understandable is particularly important to the City as it seeks to create an atmosphere of transparency in its operations and financial management practices. Finally, the City desired to use distribution methods based on data that was readily available and able to be re-created for auditing purposes or future year updates. The City currently uses an antiquated financial system, but expects to begin operating an updated financial management system in July 2014. As statistical data is maintained and tracked in the new system, the City will determine if any of the additional data and metric tracking can be used to enhance the equitable distribution of costs to benefitted units.

Summary Schedule Showing the Allocation of Each Service to the Specific Benefitted Units

Summary schedules showing the allocation of each service to the specific benefitted units are included on pages 17 through 23 of this plan.

Qualification of Personnel for Assigned Responsibilities, Duties, and Functions

Bell staff has received training on the requirements of OMB Circular A-87 and the cost allocation process. Staff has worked directly with and received training from the consulting firm contracted to assist in the development and annual update of the cost allocation plan and indirect cost rate proposal. Finally, staff retains a consulting firm to assist with the preparation of the cost allocation plan, and to provide guidance and recommendations. Staff training areas include, but are not limited to:

- Bell's use of the indirect rate
- Requirements of 2 CFR Part 225 (OMB Circular A-87)
- Allowable indirect costs
- Unallowable indirect costs
- Identification of central government service providers, and discussion of the services provided to operating units
- Identification of the operating units receiving centralized support services
- Potential methods for allocating central service costs to operating units and the additional effort required to achieve a greater level of accuracy
- Options for the distribution base
- Use of the simplified versus multiple rate allocation methodology