Building & Safety Enterprise Fund Advisory Meeting

(General Govt. Allocation Rate and Fringe Benefit Rate Changes)

Submitted At Meeting
Date 9/25/12 Item 5 by STAFF

General Government Cost Allocation

- Introduced in FY 2000 as method of distributing overhead costs in a reasonable and equitable manner.
- Methodology was changed in FY 2012 to:
  1. Expand cost pool to include Mayor & Council and Operations and Maintenance (Administration and Real Estate)
  2. Modify distribution base to salary & wages only—excluding benefits
- Estimated cost pool increased to $37.9M, labor pool decreased to $176.5M, and rate increased to 21%

Comparison of Cost Allocation Changes Between FY 11 & FY 12

Analysis of Government Cost Allocation
(FY 2012 Benefits were excluded from calculation)
(Numbers in millions)

	FY 2011	FY 2012
Labor		$ 176.5
Labor & Benefits	$ 317.2	
Total (Allocation Base)	$ 317.2	$ 176.5
Applied Rate against Allocation Base	*10%*	*21%*
Cost Pool	$ 32.0	$ 37.9

Employee Benefit Internal Service Fund Allocation

- Applied rate was increased mid-year in FY 12 from 62% to 72.5% and to 76% in FY 13
- Rate increases were needed to realign structural deficit (recurring expenses with recurring revenue) caused by:
  1. PERS contribution rate for FY 12 increased 2.25% from 21.50% to 23.75%
  2. Total time worked amount decreased by $8.3M in FY 12 due to wage reductions and fewer employees requiring higher rates
  3. Under application of rates that had reduced fund balance by $14.9M in FY 11 and $7.9M in FY 12

Analysis of Employee Benefit Internal Service Fund (Regular Employees)

(OT excluded from allocation base starting in FY13) (Numbers in millions)	**FY 2011 Audited**	**FY 2012 Unaudited**	**FY 2013 Budget**
Worked (Excluding OT)	$101.9	$ 94.2	$ 97.0
OT and Callback	2.6	2.0	
Total Time Worked (Allocation Base)	$104.5	$ 96.2	$ 97.0
Applied Rate against Allocation Base	*62.0%*	*67.25%*	*76.0%*
ISF Cost Allocation Charge	$ 64.8	$ 64.7	$ 73.7
Expenditure Categories (Allocation Pool):			
Retirement	$ 26.7	$ 28.2	$ 29.0
Taxes	6.6	5.7	5.9
Paid Time Off (PTO) Earned	18.3	15.4	15.9
Insurance	15.0	14.6	14.6
OPEB (non-recurring)	5.0		
Other (Allow, etc.)	8.1	8.7	8.7
Total Expenditures	$ 79.7	$ 72.6	$ 74.1
Effective Rate - based on actual	*76.3%*	*75.5%*	*76.4%*
Under Application (Excess)	$ 14.9	$ 7.9	$ 0.3
% Under Applied	*14.3%*	*8.2%*	*0.4%*

Questions