



# **TOWN OF HEMPSTEAD, NEW YORK**

**FINAL**

## **EXECUTIVE SUMMARY**

**ANALYSIS OF ADMINISTRATIVE CHARGES  
CENTRAL SERVICES COST ALLOCATION PLAN  
BASED ON ACTUAL EXPENDITURES  
FOR THE YEAR ENDING DECEMBER 31, 2015**

**8/24/17**

**TOWN OF HEMPSTEAD, NEW YORK  
EXECUTIVE SUMMARY**

**TABLE OF CONTENTS**

	<u>Page</u>
Introduction.....	1
Cost Allocation Methodology .....	1
Operating Funds With Total Increase > \$500K From Prior Year .....	4
 Exhibit I Schedule A – Allocated Costs by Department	
Exhibit II Reconciliation of Actual Expenditures Allocated	

# **TOWN OF HEMPSTEAD, NEW YORK EXECUTIVE SUMMARY**

## **INTRODUCTION**

A study of administrative and support costs associated with operating departments, functions and programs was undertaken by the Town of Hempstead (Town) with the assistance of MAXIMUS Consulting Services, Inc. (MAXIMUS). As part of the Town's effort to maintain the quality of services provided to its citizens and to identify the total costs incurred to provide these services, the Town initiated an in-depth analysis of indirect costs applicable to all Town departments as well as specific funds and special districts.

Because government budgets and accounting systems are appropriation based, the direct costs of operating a particular department, function or program are typically well known to management. However, appropriation-based systems do not allow for identifying the total costs (direct and indirect) associated with government operations. In order to determine what the total costs of operations are, a methodology for distributing administrative and support costs (indirect) must be developed. Further, when government services are provided to specific users, there is an added emphasis to this determination and to the purpose of generating logical and defensible new revenues from specific sources.

The central services cost allocation plan (the plan) is prepared to meet the objectives of the Town's initiative by providing a comprehensive analysis of administrative costs. This document can be used by Town management to charge indirect costs to its various funds. The plan also identifies the costs incurred by the Town in providing services to its special districts. Further, the plan allows Town management to better identify the total costs (direct and indirect) of all departments and ultimately, better control of Town resources.

This report provides a summary and explanation of the methodology used in developing the plan. In addition, the logical flow of costs incurred by various service-oriented departments to the receivers of those services will be identified, along with the cost impact they represent. Although the explanations that follow are in many cases universal in application; that is, the procedures followed are used consistently in the development of cost allocation plans for various sub-divisions of government, they are within the context of this synopsis specifically applicable to the Town.

## **COST ALLOCATION METHODOLOGY**

The Town structures its budget and chart of accounts in a hierarchy of: fund, agency, organization (department) and object. The plan has identified certain costs incurred within general fund departments as "central service" in nature. In addition, the receivers of cost allocations are typically referred to as receiving departments. The term "cost plan" as used throughout this summary generally refers to a methodology by which indirect costs are identified

as applicable to the operation of the various departments of the Town. This is to say that during the normal accounting process, direct costs of salaries, supplies, etc., are charged to appropriate accounts within the Town's department and fund structure, however, there are additional costs incurred relative to these departments which have not been directly budgeted or accounted for. Indirect costs represent administrative and general support costs incurred by departments such as the Town Comptroller, Town Attorney, General Services, Human Resources, Information and Technology, etc. In addition, undistributed costs of property and liability insurance, general fund employee fringe benefits and general fund debt service are allocated in the plan.

Indirect costs, as exemplified by the specific departments mentioned above, generally apply to the Town as a whole and require intensified analysis in order to accommodate accurate distribution to benefiting departments. Through the development of a cost allocation plan, these costs, which are sometimes referred to as overhead, are identified in specific detail and allocated to those departments and programs which they affect. In this way, the Town can determine what the true costs of operations are, both direct and indirect, for any department or program under its control.

Indirect costs can represent various types of centralized services. They include purchasing, accounting and financial reporting, payroll processing, legal services, photocopying, labor relations, personnel administration, etc. The methodology used in development and compilation of data contained in the plan involves a segregation process whereby central service areas or cost centers are broken down as to specific activity. These finite cost pools are then allocated to receivers or user departments via identifiable and equitable statistical bases. Throughout the plan, this same methodology is applied until all allocable central service costs have been distributed. It should be noted however, that certain costs incurred by the Town within central service departments that are not relative to the support or administration of other departments or funds and have been deemed general government in nature and not allocated (i.e., constituent services).

An example of a central service department is Town Comptroller. This department is responsible for a variety of duties relative to the financial operations of the Town as a whole. As such, the Town Comptroller provides financial accounting and reporting, accounts payable, payroll processing, purchasing, and other financially oriented services to Town departments, funds and special districts. In following through with the cost finding process, costs incurred by the Town Comptroller, both direct and indirect, are in turn analyzed and allocated to those departments and funds it serves. Cost allocation is accomplished through the use of various representative statistical bases or work measurements. In this example, these would be corresponding bases such as the number of expense and revenue transactions processed for allocating accounting/accounts payable costs; the number of employees for allocating payroll processing costs, etc.

The methodology illustrated by the previous example is consistently applied throughout the cost plan formula. Also, as can be seen by the example, only those departments that provide services to or benefit other departments are classified as central service areas.

MAXIMUS has developed software that uses a double step-down allocation procedure to distribute costs of central services to other user departments (beneficiaries). The first step requires a sequential ordering of departments before the allocation process begins. Departmental indirect costs are then allocated to each user department in the sequence ordered in the first allocation process.

A second step-down allocation is made from each central service department to capture costs related to the cross-benefit of services among central service departments not identified in the first allocation. The user department is subsequently closed and not allowed to receive any additional allocation.

The costs allocated from each central service department consist of costs accumulated in a two-step allocation process as follows:

1. First allocation – The actual operating expenditures incurred in the central service department, plus all central service costs allocated from other central service departments.
2. Second allocation – Central service costs not previously identified and allocated by other central service departments.

Within the Town's cost allocation plan, each central service cost center is prefaced by a narrative which identifies the type of service provided, the segregation of costs into separate and distinct cost pools, and the means by which these costs are allocated. Schedules contained within each section illustrate the direct costs incurred, allocated costs from other central service cost centers and other adjustments, in total and by specific activity area. Detail allocation schedules identify how each cost pool is distributed to receivers. The statistical bases, which serve to proportion costs among the receivers, are clearly noted on each detail allocation schedule. Cost allocation summary schedules appearing at the end of each section show the total costs allocated to each receiver department, function or program. Upon completion of all allocations, summary Schedule A (see Exhibit I) is prepared showing the final allocated costs by receiving department for each central service department.

The methodology, as discussed above and as reflected in the plan, provides for a clear and concise trail of how the total costs of administrative and support services have been developed. Moreover, these costs are identified at departmental levels and specifically by service categories.

**OPERATING FUNDS WITH TOTAL INCREASE > \$500K FROM PRIOR YEAR**

None.

**EXHIBIT I**

**SCHEDULE A – ALLOCATED COSTS BY DEPARTMENT**

**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2015 Central Services Cost Allocation Plan**  
**Schedule A - Allocated Costs By Department**

<b>Central Service Departments</b>	<b>Civil Defense</b>	<b>Publicity</b>	<b>Tourism</b>	<b>Senior Enrichment</b>	<b>Housing Authority</b>
Gen Fund-Undistributed	0	0	127,851	2,317,584	0
Gen Fund-Debt Service	0	0	1,129	124,547	0
Insurance	0	0	6,678	117,019	0
General Services	0	0	150,404	1,411,908	0
Supervisor	0	0	11,535	211,620	0
Town Comptroller	3,147	253	19,033	202,095	1,500
Receiver of Taxes	124	319	2,075	34,546	71
Town Clerk	0	0	1,928	13,561	0
Town Attorney	0	0	3,240	66,068	0
Human Resources	0	0	4,421	81,189	0
Civil Service	0	0	3,346	61,549	0
Engineering	0	0	0	0	0
Information & Tech	0	0	25,423	94,894	0
Public Safety	0	0	0	0	103,591
DGS-Traffic Control	0	0	0	0	0
Highway Dept	0	0	0	0	0
Town Board	0	0	19,268	353,402	0
<b>Allocated Costs for Fiscal 2015</b>	<b>3,271</b>	<b>572</b>	<b>376,331</b>	<b>5,089,982</b>	<b>105,162</b>



**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2015 Central Services Cost Allocation Plan**  
**Schedule A - Allocated Costs By Department**

Central Service Departments	Consrvtm & Waterways	DGS-Cemeteries	Contingency	Apportioned Costs	Animal Shelter
Gen Fund-Undistributed	4,114,907	909,821	0	0	1,576,579
Gen Fund-Debt Service	1,196,538	216,630	0	0	297,413
Insurance	256,983	68,425	0	0	116,301
General Services	93,150	1,038,345	0	0	1,749,574
Supervisor	311,660	65,403	0	0	123,131
Town Comptroller	601,237	92,178	0	30,529	541,411
Receiver of Taxes	64,662	13,116	0	206,841	25,448
Town Clerk	37,303	0	0	0	23,972
Town Attorney	119,135	30,863	0	0	53,392
Human Resources	119,569	25,088	0	0	47,229
Civil Service	90,641	19,017	0	0	35,805
Engineering	135,340	0	0	0	0
Information & Tech	139,478	34,984	0	0	196,222
Public Safety	621,537	414,352	0	0	414,352
DGS-Traffic Control	528,964	264,482	0	0	264,482
Highway Dept	37,995	190,011	0	0	0
Town Board	520,465	109,236	0	0	205,612
Allocated Costs for Fiscal 2015	8,989,564	3,491,951	0	237,370	5,670,923

**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2015 Central Services Cost Allocation Plan**  
**Schedule A - Allocated Costs By Department**

Central Service Departments	Building Department	Board of Zoning	Planning & Econ Dev	Memorial Day Fund	Part Town Undistrib
Gen Fund-Undistributed	0	0	0	0	0
Gen Fund-Debt Service	22,613	2,698	0	0	0
Insurance	26,396	3,147	5,471	0	0
General Services	1,963,876	193,470	346,664	0	0
Supervisor	353,982	57,710	42,312	0	0
Town Comptroller	409,200	64,921	117,808	0	87,559
Receiver of Taxes	116,926	25,453	17,585	3	41,135
Town Clerk	138,375	210,346	35,240	0	0
Town Attorney	1,506,539	863,414	18,145	0	0
Human Resources	135,807	22,139	16,232	0	0
Civil Service	102,955	16,778	12,301	0	0
Engineering	473,693	135,340	203,010	0	0
Information & Tech	1,126,828	65,297	178,805	0	0
Public Safety	0	0	0	0	0
DGS-Traffic Control	264,482	0	132,243	0	0
Highway Dept	0	0	0	0	0
Town Board	591,138	96,384	70,683	0	0
Allocated Costs for Fiscal 2015	7,232,810	1,757,097	1,196,499	3	128,694

**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2015 Central Services Cost Allocation Plan**  
**Schedule A - Allocated Costs By Department**

Central Service Departments	Part Town Highway Fd	Fire Protectn Districts	T/H Lighting District	Library Districts	Parking Fields
Gen Fund-Undistributed	0	0	0	0	0
Gen Fund-Debt Service	0	0	0	0	0
Insurance	0	0	0	0	0
General Services	0	0	7,323	0	0
Supervisor	742,600	0	0	0	19,232
Town Comptroller	940,958	25,367	167,493	10,196	100,351
Receiver of Taxes	486,065	38,490	69,510	8,982	60,136
Town Clerk	15,501	0	0	0	0
Town Attorney	2,214,983	0	0	0	5,417
Human Resources	284,894	0	0	0	7,369
Civil Service	215,993	0	0	0	5,581
Engineering	0	0	0	0	473,693
Information & Tech	166,040	0	0	0	0
Public Safety	0	0	0	0	1,450,242
DGS-Traffic Control	396,717	0	4,363,945	0	264,482
Highway Dept	2,470,031	0	0	0	342,011
Town Board	1,240,133	0	0	0	32,128
Allocated Costs for Fiscal 2015	9,173,915	63,857	4,608,271	19,178	2,760,642

**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2015 Central Services Cost Allocation Plan**  
**Schedule A - Allocated Costs By Department**

<b>Central Service Departments</b>	<b>Sanitation Utility</b>	<b>Parks &amp; Recreation</b>	<b>Water Utility</b>	<b>Credit Union</b>	<b>Urban Renewal</b>
Gen Fund-Undistributed	0	168,585	0	0	0
Gen Fund-Debt Service	475	0	0	408	0
Insurance	1,389	19,145	0	450	2,581
General Services	253,376	1,870,517	151,278	43,174	160,858
Supervisor	1,500,592	1,531,434	265,492	0	0
Town Comptroller	1,584,231	1,688,805	506,368	0	0
Receiver of Taxes	1,158,001	936,787	278,657	0	0
Town Clerk	32,815	38,233	35,662	0	959
Town Attorney	1,328,766	656,356	174,131	0	498,977
Human Resources	575,707	587,571	101,859	0	0
Civil Service	436,452	445,518	77,217	0	0
Engineering	0	203,010	0	0	0
Information & Tech	449,415	557,371	369,272	0	30,918
Public Safety	207,178	2,589,742	207,178	0	0
DGS-Traffic Control	264,482	396,717	0	0	0
Highway Dept	0	190,011	0	0	0
Town Board	2,505,947	2,557,372	443,359	0	0
Allocated Costs for Fiscal 2015	10,298,826	14,437,174	2,610,473	44,032	694,293

**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2015 Central Services Cost Allocation Plan**  
**Schedule A - Allocated Costs By Department**

<b>Central Service Departments</b>	<b>IDA</b>	<b>CSEA</b>	<b>DOOR</b>	<b>Capital Funds</b>	<b>Community Development</b>
Gen Fund-Undistributed	0	0	0	0	0
Gen Fund-Debt Service	1,651	361	0	0	0
Insurance	1,821	1,057	0	0	0
General Services	142,664	284,257	2,023	0	0
Supervisor	0	0	0	0	0
Town Comptroller	0	0	0	0	0
Receiver of Taxes	0	0	0	0	0
Town Clerk	0	0	0	0	43,601
Town Attorney	0	0	0	0	0
Human Resources	0	0	0	0	0
Civil Service	0	0	0	0	0
Engineering	0	0	0	4,060,235	0
Information & Tech	34,220	0	0	0	0
Public Safety	0	0	0	0	0
DGS-Traffic Control	0	0	0	0	0
Highway Dept	0	0	0	570,020	0
Town Board	0	0	0	0	0
Allocated Costs for Fiscal 2015	180,356	285,675	2,023	4,630,255	43,601

**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2015 Central Services Cost Allocation Plan**  
**Schedule A - Allocated Costs By Department**

<b>Central Service Departments</b>	<b>Other Misc</b>	<b>Total Allocated</b>	<b>Direct Billed</b>	<b>Unallocated</b>	<b>Cost Adjustments</b>
Gen Fund-Undistributed	645,000	9,860,327	0	7,353,375	0
Gen Fund-Debt Service	2,507,179	4,371,642	0	0	0
Insurance	15,133	641,996	0	0	0
General Services	1,477,455	11,340,316	0	0	0
Supervisor	0	5,236,703	0	797,042	0
Town Comptroller	245,563	7,440,203	0	0	0
Receiver of Taxes	0	3,584,932	0	5,854,670	0
Town Clerk	8,396	635,892	0	8,726,533	0
Town Attorney	263,631	7,803,057	0	429,997	0
Human Resources	0	2,009,074	0	0	0
Civil Service	0	1,523,153	0	0	0
Engineering	0	5,684,321	0	0	0
Information & Tech	13,826	3,482,993	0	0	0
Public Safety	0	6,008,172	0	0	0
DGS-Traffic Control	0	7,140,996	0	0	0
Highway Dept	0	3,800,079	0	0	0
Town Board	0	8,745,127	0	0	0
Allocated Costs for Fiscal 2015	5,176,183	89,308,983	0	23,161,617	

**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2015 Central Services Cost Allocation Plan**  
**Schedule A - Allocated Costs By Department**

<b>Central Service Departments</b>	<b>Disallowed</b>	<b>Total Expenditures</b>
Gen Fund-Undistributed		
Gen Fund-Debt Service		
Insurance		
General Services		
Supervisor		
Town Comptroller		
Receiver of Taxes		
Town Clerk		
Town Attorney		
Human Resources		
Civil Service		
Engineering		
Information & Tech		
Public Safety		
DGS-Traffic Control		
Highway Dept		
Town Board		
Allocated Costs for Fiscal 2015		112,470,600

**EXHIBIT II**

**RECONCILIATION OF ACTUAL EXPENDITURES ALLOCATED**



**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**Reconciliation of Actual Expenditures Allocated**

Total 2015 General Fund Actual Expenditures		<u>\$ 164,424,518</u>	
Building Department	\$ 7,232,810		
Board of Zoning	1,757,097		
Planning & Econ Dev	1,196,499		
Memorial Day Fund	3		
Part Town Undistributed	128,694		
Part Town Highway Fund	9,173,915		
Fire Protectn Districts	63,857		
T/H Lighting District	4,608,271		
Library Districts	19,178		
Parking Fields	2,760,642		
Sanitation Utility	10,298,826		
Parks & Recreation	14,437,174		
Water Utility	2,610,473		
Capital Funds	<u>4,630,255</u>		
Total Other Funds Allocated *	(1)	\$ 58,917,694	35.8%
Civil Defense	3,271		
Publicity	572		
Tourism	376,331		
Senior Enrichment	5,089,982		
Housing Authority	105,162		
Consrvtn & Waterways	8,989,564		
DGS-Cemeteries	3,491,951		
Apportioned Costs	237,370		
Animal Shelter	5,670,923		
Credit Union	44,032		
Urban Renewal	694,293		
IDA	180,356		
CSEA	285,675		
DOOR	2,023		
Community Development	43,601		
Other Misc	<u>5,176,183</u>		
Total General Fund Allocated *	(2)	<u>\$ 30,391,289</u>	18.5%
Sub Total *	(3)=(1)+(2)	\$ 89,308,983	
Total General Fund Central Services Unallocated *	(4)	<u>\$ 23,161,617</u>	14.1%
Total *	(3)+(4)	\$ 112,470,600	
Total General Fund Non-Central Services Expenditures		<u>\$ 51,953,918</u>	31.6%
Total 2015 General Fund Actual Expenditures		<u>\$ 164,424,518</u>	100.0%

\* Refer to Schedule A in plan.