



TOWN OF HEMPSTEAD, NEW YORK

FINAL

EXECUTIVE SUMMARY

**ANALYSIS OF ADMINISTRATIVE CHARGES
CENTRAL SERVICES COST ALLOCATION PLAN
BASED ON THE YEAR ENDED DECEMBER 31, 2013**

1/29/16

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

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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

Building Department

The primary reasons for the \$956K overall increase are as follows.

Town Attorney: Total allocated costs increased by 12.90% and the number of tort/damage claims increased from 2 to 4.

Information Technology: Total allocated costs increased by 12.43% and Applications and Technical support hours increased from 3,480 to 4,921 which is an increase of 41.41%.

DGS Traffic Control: Percentage of effort afforded increased from 2% to 4%.

Sanitation Utility

The primary reasons for the \$551K overall increase are as follows.

General Services: Total allocated costs increased by 3.90%, Reproduction work orders increased from 46 to 94 which is an increase of 104.35%, and Telephone costs totaling \$61K were allocated based on 113 lines. In the previous year's analysis Sanitation wasn't included in the allocation.

Supervisor: Total allocated costs increased by 5.32% and headcount increased from 375 to 420 which is an increase of 12.00%.

Town Attorney: Total allocated costs increased by 12.90%, the number of tort/damage claims increased from 59 to 62, and headcount increased from 375 to 420 which is an increase of 12.00%.

Parks & Recreation

The primary reasons for the \$833K overall increase are as follows.

Supervisor: Total allocated costs increased by 5.32% and headcount increased from 408 to 473 which is an increase of 15.93%.

Human Resources: Total allocated costs increased by 6.75% and headcount increased from 408 to 473 which is an increase of 15.93%.

Civil Service: Total allocated costs increased by 20.24% and headcount increased from 408 to 473 which is an increase of 15.93%.

Information Technology: Total allocated costs increased by 12.43% and the number of PC's supported increased from 75 to 107 which is an increase of 42.67%.

Town Board: Total allocated costs increased by 4.26% and headcount increased from 408 to 473 which is an increase of 15.93%.

EXHIBIT I

SCHEDULE A – ALLOCATED COSTS BY DEPARTMENT

Town of Hempstead, New York
Analysis of Administrative Charges
2013 Central Services Cost Allocation Plan
Allocated Costs By Department

Central Service Departments	Civil Defense	Publicity	Tourism	Senior Enrichment	Housing Authority	Consrvtm & Waterways	DGS-Cemeteries
Gen Fund-Undistributed	0	0	0	2,428,327	0	4,233,734	1,089,394
Gen Fund-Debt Service	0	0	741	89,088	0	1,220,358	200,121
Insurance	0	0	776	121,872	0	179,357	40,267
General Services	0	0	120,940	1,500,669	29,410	113,257	1,725,740
Supervisor	0	0	11,268	270,422	0	323,004	86,385
Town Comptroller	2,332	354	13,826	196,540	4,809	528,956	80,195
Receiver of Taxes	132	330	1,868	34,172	70	63,188	14,587
Town Clerk	0	0	1,679	11,753	0	33,590	0
Town Attorney	0	0	4,417	141,819	0	144,492	33,848
Human Resources	0	0	4,830	115,933	0	138,475	37,034
Civil Service	0	0	3,044	73,046	0	87,249	23,334
Engineering	0	0	0	0	0	0	0
Information & Tech	0	0	27,501	94,052	0	85,411	39,049
Public Safety	0	0	0	0	96,444	578,662	385,775
DGS-Traffic Control	0	0	0	0	0	389,542	129,848
Highway Dept	0	0	0	0	0	42,209	211,047
Town Board	0	0	14,956	358,949	0	428,745	114,665
Total Allocated	2,464	684	205,846	5,436,642	130,733	8,590,229	4,211,289
Roll Forward	0	0	0	0	0	0	0
Cost With Roll Forward	2,464	684	205,846	5,436,642	130,733	8,590,229	4,211,289
Adjustments	0	0	0	0	0	0	0
Proposed Costs	2,464	684	205,846	5,436,642	130,733	8,590,229	4,211,289



Town of Hempstead, New York
Analysis of Administrative Charges
2013 Central Services Cost Allocation Plan
Allocated Costs By Department

Central Service Departments	Contingency	Apportioned Costs	Animal Shelter	Building Department	Board of Zoning	Planning & Econ Dev	Memorial Day Fund
Gen Fund-Undistributed	0	0	1,616,692	0	0	0	0
Gen Fund-Debt Service	0	0	157,817	14,824	1,769	0	0
Insurance	0	0	85,822	15,521	1,852	3,218	0
General Services	0	0	1,777,830	2,065,313	197,210	354,080	0
Supervisor	0	0	146,478	326,760	60,094	30,047	0
Town Comptroller	0	53,328	360,893	297,427	54,991	166,466	263
Receiver of Taxes	0	192,563	26,691	87,084	20,160	15,685	6
Town Clerk	0	0	22,398	114,146	158,729	30,501	0
Town Attorney	0	0	84,289	1,610,932	868,497	11,773	0
Human Resources	0	0	62,797	140,085	25,763	12,882	0
Civil Service	0	0	39,567	88,264	16,233	8,116	0
Engineering	0	0	0	462,895	66,128	0	0
Information & Tech	0	0	170,358	1,008,406	71,369	170,379	0
Public Safety	0	0	385,775	0	0	0	0
DGS-Traffic Control	0	0	129,848	519,389	0	259,694	0
Highway Dept	0	0	0	0	0	0	0
Town Board	0	0	194,431	433,731	79,766	39,883	0
Total Allocated	0	245,891	5,261,686	7,184,777	1,622,561	1,102,724	269
Roll Forward	0	0	0	0	0	0	0
Cost With Roll Forward	0	245,891	5,261,686	7,184,777	1,622,561	1,102,724	269
Adjustments	0	0	0	0	0	0	0
Proposed Costs	0	245,891	5,261,686	7,184,777	1,622,561	1,102,724	269



Town of Hempstead, New York
Analysis of Administrative Charges
2013 Central Services Cost Allocation Plan
Allocated Costs By Department

Central Service Departments	Part Town Undistrib	Part Town Highway Fd	Fire Protectn Districts	T/H Lighting District	Library Districts	Parking Fields	Sanitation Utility
Gen Fund-Undistributed	0	0	0	0	0	0	0
Gen Fund-Debt Service	0	0	0	0	0	0	235
Insurance	0	0	0	0	0	0	817
General Services	0	0	0	20,197	0	0	352,828
Supervisor	0	739,906	0	0	0	15,023	1,577,463
Town Comptroller	87,912	971,271	31,466	144,576	6,370	91,283	1,730,612
Receiver of Taxes	38,390	455,743	43,226	72,585	8,439	45,929	1,204,839
Town Clerk	0	13,431	0	0	0	0	22,107
Town Attorney	0	1,939,442	0	179,296	0	5,887	1,730,466
Human Resources	0	317,206	0	0	0	6,440	676,275
Civil Service	0	199,862	0	0	0	4,058	426,102
Engineering	0	0	0	0	0	595,151	0
Information & Tech	0	71,252	0	0	0	0	437,780
Public Safety	0	0	0	0	0	1,350,211	192,887
DGS-Traffic Control	0	649,236	0	3,895,412	0	649,236	129,848
Highway Dept	0	2,743,616	0	0	0	379,885	0
Town Board	0	982,125	0	0	0	19,942	2,093,869
Total Allocated	126,302	9,083,090	74,692	4,312,066	14,809	3,163,045	10,576,128
Roll Forward	0	0	0	0	0	0	0
Cost With Roll Forward	126,302	9,083,090	74,692	4,312,066	14,809	3,163,045	10,576,128
Adjustments	0	0	0	0	0	0	0
Proposed Costs	126,302	9,083,090	74,692	4,312,066	14,809	3,163,045	10,576,128



Town of Hempstead, New York
Analysis of Administrative Charges
2013 Central Services Cost Allocation Plan
Allocated Costs By Department

Central Service Departments	Parks & Recreation	Water Utility	Credit Union	Urban Renewal	IDA	CSEA	DOOR
Gen Fund-Undistributed	174,272	0	0	0	0	0	0
Gen Fund-Debt Service	0	0	400	0	1,620	178	0
Insurance	11,253	0	265	1,518	1,071	622	0
General Services	1,822,970	136,597	49,594	165,489	142,705	446,688	33,813
Supervisor	1,776,524	289,202	0	0	0	0	0
Town Comptroller	1,804,185	506,308	0	0	0	0	0
Receiver of Taxes	916,344	265,431	0	0	0	0	0
Town Clerk	32,182	28,824	0	839	0	0	0
Town Attorney	920,207	185,037	0	491,527	0	0	0
Human Resources	761,618	123,984	0	0	0	0	0
Civil Service	479,872	78,119	0	0	0	0	0
Engineering	0	0	0	0	0	0	0
Information & Tech	706,265	260,277	0	37,466	24,731	0	0
Public Safety	2,411,091	192,887	0	0	0	0	0
DGS-Traffic Control	129,848	0	0	0	0	0	0
Highway Dept	211,047	0	0	0	0	0	0
Town Board	2,358,095	383,876	0	0	0	0	0
Total Allocated	14,515,773	2,450,542	50,259	696,839	170,127	447,488	33,813
Roll Forward	0	0	0	0	0	0	0
Cost With Roll Forward	14,515,773	2,450,542	50,259	696,839	170,127	447,488	33,813
Adjustments	0	0	0	0	0	0	0
Proposed Costs	14,515,773	2,450,542	50,259	696,839	170,127	447,488	33,813



Town of Hempstead, New York
Analysis of Administrative Charges
2013 Central Services Cost Allocation Plan
Allocated Costs By Department

Central Service Departments	Capital Funds	Community Development	Other Misc	SubTotal	Direct Billed	Unallocated	Total
Gen Fund-Undistributed	0	0	1,538	9,543,957	0	2,119,993	11,663,950
Gen Fund-Debt Service	0	0	2,156,970	3,844,121	0	0	3,844,121
Insurance	0	0	8,898	473,129	0	0	473,129
General Services	0	0	799,072	11,854,402	0	0	11,854,402
Supervisor	0	0	0	5,652,576	0	645,223	6,297,799
Town Comptroller	0	0	5,182	7,139,545	0	0	7,139,545
Receiver of Taxes	0	0	0	3,507,462	0	5,701,503	9,208,965
Town Clerk	0	37,775	841	508,795	0	8,777,553	9,286,348
Town Attorney	0	0	275,432	8,627,361	0	474,849	9,102,210
Human Resources	0	0	0	2,423,322	0	0	2,423,322
Civil Service	0	0	0	1,526,866	0	0	1,526,866
Engineering	4,893,464	0	0	6,017,638	0	0	6,017,638
Information & Tech	0	0	0	3,204,296	0	0	3,204,296
Public Safety	0	0	0	5,593,732	0	0	5,593,732
DGS-Traffic Control	0	0	0	6,881,901	0	0	6,881,901
Highway Dept	633,142	0	0	4,220,946	0	0	4,220,946
Town Board	0	0	0	7,503,033	0	0	7,503,033
Total Allocated	5,526,606	37,775	3,247,933	88,523,082	0	17,719,121	106,242,203
Roll Forward	0	0	0	0	0	0	0
Cost With Roll Forward	5,526,606	37,775	3,247,933	88,523,082	0	17,719,121	106,242,203
Adjustments	0	0	0	0	0	0	0
Proposed Costs	5,526,606	37,775	3,247,933	88,523,082	0	17,719,121	106,242,203



EXHIBIT II

RECONCILIATION OF ACTUAL EXPENSES ALLOCATED

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

Total 2013 General Fund Actual Expenses		<u>\$ 156,416,044</u>	
Building Department	\$ 7,184,777		
Board of Zoning	1,622,561		
Planning & Econ Dev	1,102,724		
Memorial Day Fund	269		
Part Town Undistributed	126,302		
Part Town Highway Fund	9,083,090		
Fire Protectn Districts	74,692		
T/H Lighting District	4,312,066		
Library Districts	14,809		
Parking Fields	3,163,045		
Sanitation Utility	10,576,128		
Parks & Recreation	14,515,773		
Water Utility	2,450,542		
Capital Funds	<u>5,526,606</u>		
Total Other Funds Allocated *	(1) <u>\$ 59,753,384</u>		38.2%
Civil Defense	2,464		
Publicity	684		
Tourism	205,846		
Senior Enrichment	5,436,642		
Housing Authority	130,733		
Consrvtn & Waterways	8,590,229		
DGS-Cemeteries	4,211,289		
Apportioned Costs	245,891		
Animal Shelter	5,261,686		
Credit Union	50,259		
Urban Renewal	696,839		
IDA	170,127		
CSEA	447,488		
DOOR	33,813		
Community Development	37,775		
Other Misc	<u>3,247,933</u>		
Total General Fund Allocated *	(2) <u>\$ 28,769,698</u>		18.4%
Sub Total *	(3)=(1)+(2) <u>\$ 88,523,082</u>		
Total General Fund Central Services Unallocated *	(4) <u>\$ 17,719,121</u>		11.3%
Total *	(3)+(4) <u>\$ 106,242,203</u>		
Total General Fund Non-Central Services Expenses		<u>\$ 50,173,841</u>	32.1%
Total 2013 General Fund Actual Expenses		<u>\$ 156,416,044</u>	100.0%

* Refer to Schedule A in plan.