



# **TOWN OF HEMPSTEAD, NEW YORK**

**FINAL**

## **EXECUTIVE SUMMARY**

**ANALYSIS OF ADMINISTRATIVE CHARGES  
CENTRAL SERVICES COST ALLOCATION PLAN  
BASED ON THE YEAR ENDED DECEMBER 31, 2014**

**10/24/16**

**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**

### **Part Town Highway Fund**

Total allocated costs went from \$9,083,090 in 2013 to \$9,859,003 in 2014 which was an increase of \$775,913. The majority of the increase was the Town Attorney which increased from \$1,939,442 to \$2,484,798 or \$545,356. The primary reason for the increase was the number of torts/damage claims increased from 184 to 282 which was an increase of 53.26%.

**EXHIBIT I**

**SCHEDULE A – ALLOCATED COSTS BY DEPARTMENT**

**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2014 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	122,720	2,305,254	0	4,085,228	962,698
Gen Fund-Debt Service	0	0	1,143	124,733	0	1,222,306	214,774
Insurance	0	0	7,206	158,488	0	266,424	47,816
General Services	0	0	111,031	1,346,379	0	94,738	1,303,874
Supervisor	0	0	12,837	235,344	0	350,877	89,859
Town Comptroller	2,540	401	13,724	182,826	2,196	574,457	76,908
Receiver of Taxes	133	332	2,067	35,216	71	65,575	13,838
Town Clerk	0	0	1,851	12,957	0	34,583	0
Town Attorney	0	0	4,579	107,334	0	156,338	32,049
Human Resources	0	0	5,522	101,228	0	150,923	38,651
Civil Service	0	0	3,289	60,291	0	89,889	23,020
Engineering	0	0	0	0	0	0	0
Information & Tech	0	0	26,702	106,682	0	115,117	44,064
Public Safety	0	0	0	0	101,827	610,962	407,308
DGS-Traffic Control	0	0	0	0	0	394,605	131,535
Highway Dept	0	0	0	0	0	42,291	211,453
Town Board	0	0	17,123	313,917	0	468,022	119,859
<b>Total Allocated</b>	<b>2,673</b>	<b>733</b>	<b>329,794</b>	<b>5,090,649</b>	<b>104,094</b>	<b>8,722,335</b>	<b>3,717,706</b>
Roll Forward	0	0	0	0	0	0	0
<b>Cost With Roll Forward</b>	<b>2,673</b>	<b>733</b>	<b>329,794</b>	<b>5,090,649</b>	<b>104,094</b>	<b>8,722,335</b>	<b>3,717,706</b>
Adjustments	0	0	0	0	0	0	0
<b>Proposed Costs</b>	<b>2,673</b>	<b>733</b>	<b>329,794</b>	<b>5,090,649</b>	<b>104,094</b>	<b>8,722,335</b>	<b>3,717,706</b>





**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2014 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	1,645,085	0	0	0	0
Gen Fund-Debt Service	0	0	283,082	22,849	2,727	0	0
Insurance	0	0	87,777	23,227	2,772	4,816	0
General Services	0	0	1,655,901	2,081,733	181,678	342,726	0
Supervisor	0	0	145,485	363,714	59,906	34,232	0
Town Comptroller	0	67,431	457,501	342,754	60,207	98,728	1
Receiver of Taxes	0	207,952	27,559	104,040	26,408	17,209	5
Town Clerk	0	0	28,188	125,908	186,844	34,088	0
Town Attorney	0	0	51,888	1,627,389	866,660	12,209	0
Human Resources	0	0	62,577	156,444	25,768	14,724	0
Civil Service	0	0	37,271	93,178	15,347	8,769	0
Engineering	0	0	0	402,547	67,091	0	0
Information & Tech	0	0	197,140	1,147,884	71,337	171,653	0
Public Safety	0	0	407,308	0	0	0	0
DGS-Traffic Control	0	0	131,535	526,141	0	263,070	0
Highway Dept	0	0	0	0	0	0	0
Town Board	0	0	194,058	485,145	79,906	45,661	0
<b>Total Allocated</b>	<b>0</b>	<b>275,383</b>	<b>5,412,355</b>	<b>7,502,953</b>	<b>1,646,651</b>	<b>1,047,885</b>	<b>6</b>
Roll Forward	0	0	0	0	0	0	0
<b>Cost With Roll Forward</b>	<b>0</b>	<b>275,383</b>	<b>5,412,355</b>	<b>7,502,953</b>	<b>1,646,651</b>	<b>1,047,885</b>	<b>6</b>
Adjustments	0	0	0	0	0	0	0
<b>Proposed Costs</b>	<b>0</b>	<b>275,383</b>	<b>5,412,355</b>	<b>7,502,953</b>	<b>1,646,651</b>	<b>1,047,885</b>	<b>6</b>



**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2014 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	296
Insurance	0	0	0	0	0	0	1,224
General Services	0	0	0	8,825	0	0	232,454
Supervisor	0	800,170	0	0	0	17,116	1,617,457
Town Comptroller	93,927	979,785	31,323	160,434	7,328	106,725	1,566,669
Receiver of Taxes	38,607	459,674	38,564	82,269	8,385	54,790	1,189,223
Town Clerk	0	14,808	0	0	0	0	28,262
Town Attorney	0	2,484,798	0	0	0	6,105	1,589,061
Human Resources	0	344,178	0	0	0	7,362	695,717
Civil Service	0	204,990	0	0	0	4,385	414,366
Engineering	0	0	0	0	0	603,820	0
Information & Tech	0	96,720	0	0	0	0	536,438
Public Safety	0	0	0	0	0	1,425,577	203,654
DGS-Traffic Control	0	657,676	0	3,946,055	0	657,676	131,535
Highway Dept	0	2,748,886	0	0	0	380,616	0
Town Board	0	1,067,318	0	0	0	22,831	2,157,467
<b>Total Allocated</b>	<b>132,534</b>	<b>9,859,003</b>	<b>69,887</b>	<b>4,197,583</b>	<b>15,713</b>	<b>3,287,003</b>	<b>10,363,823</b>
Roll Forward	0	0	0	0	0	0	0
<b>Cost With Roll Forward</b>	<b>132,534</b>	<b>9,859,003</b>	<b>69,887</b>	<b>4,197,583</b>	<b>15,713</b>	<b>3,287,003</b>	<b>10,363,823</b>
Adjustments	0	0	0	0	0	0	0
<b>Proposed Costs</b>	<b>132,534</b>	<b>9,859,003</b>	<b>69,887</b>	<b>4,197,583</b>	<b>15,713</b>	<b>3,287,003</b>	<b>10,363,823</b>



**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2014 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	203,237	0	0	0	0	0	0
Gen Fund-Debt Service	0	0	410	0	1,659	226	0
Insurance	16,837	0	397	2,271	1,603	932	0
General Services	1,885,454	100,870	47,883	154,546	136,314	536,031	37,020
Supervisor	1,720,155	312,366	0	0	0	0	0
Town Comptroller	1,646,700	525,930	0	0	0	0	0
Receiver of Taxes	932,463	274,967	0	0	0	0	0
Town Clerk	37,162	32,946	0	926	0	0	256
Town Attorney	738,285	189,400	0	497,805	0	0	0
Human Resources	739,886	134,358	0	0	0	0	0
Civil Service	440,678	80,023	0	0	0	0	0
Engineering	0	0	0	0	0	0	0
Information & Tech	584,590	288,400	0	38,114	28,334	0	0
Public Safety	2,545,674	203,654	0	0	0	0	0
DGS-Traffic Control	131,535	0	0	0	0	0	0
Highway Dept	211,453	0	0	0	0	0	0
Town Board	2,294,450	416,654	0	0	0	0	0
<b>Total Allocated</b>	<b>14,128,559</b>	<b>2,559,568</b>	<b>48,690</b>	<b>693,662</b>	<b>167,910</b>	<b>537,189</b>	<b>37,276</b>
Roll Forward	0	0	0	0	0	0	0
<b>Cost With Roll Forward</b>	<b>14,128,559</b>	<b>2,559,568</b>	<b>48,690</b>	<b>693,662</b>	<b>167,910</b>	<b>537,189</b>	<b>37,276</b>
Adjustments	0	0	0	0	0	0	0
<b>Proposed Costs</b>	<b>14,128,559</b>	<b>2,559,568</b>	<b>48,690</b>	<b>693,662</b>	<b>167,910</b>	<b>537,189</b>	<b>37,276</b>



**Town of Hempstead, New York**  
**Analysis of Administrative Charges**  
**2014 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	415,221	9,739,443	0	19,018,190	28,757,633
Gen Fund-Debt Service	0	0	2,213,237	4,087,442	0	0	4,087,442
Insurance	0	0	13,319	635,109	0	0	635,109
General Services	0	0	1,169,260	11,426,717	0	0	11,426,717
Supervisor	0	0	0	5,759,518	0	678,372	6,437,890
Town Comptroller	0	0	514	6,999,009	0	0	6,999,009
Receiver of Taxes	0	0	0	3,579,347	0	5,939,956	9,519,303
Town Clerk	0	41,649	0	580,428	0	8,389,349	8,969,777
Town Attorney	0	0	273,643	8,637,543	0	475,147	9,112,690
Human Resources	0	0	0	2,477,338	0	0	2,477,338
Civil Service	0	0	0	1,475,496	0	0	1,475,496
Engineering	5,031,831	0	0	6,105,289	0	0	6,105,289
Information & Tech	0	0	13,817	3,466,992	0	0	3,466,992
Public Safety	0	0	0	5,905,964	0	0	5,905,964
DGS-Traffic Control	0	0	0	6,971,363	0	0	6,971,363
Highway Dept	634,359	0	0	4,229,058	0	0	4,229,058
Town Board	0	0	0	7,682,411	0	0	7,682,411
<b>Total Allocated</b>	<b>5,666,190</b>	<b>41,649</b>	<b>4,099,011</b>	<b>89,758,467</b>	<b>0</b>	<b>34,501,014</b>	<b>124,259,481</b>
Roll Forward	0	0	0	0	0	0	0
<b>Cost With Roll Forward</b>	<b>5,666,190</b>	<b>41,649</b>	<b>4,099,011</b>	<b>89,758,467</b>	<b>0</b>	<b>34,501,014</b>	<b>124,259,481</b>
Adjustments	0	0	0	0	0	0	0
<b>Proposed Costs</b>	<b>5,666,190</b>	<b>41,649</b>	<b>4,099,011</b>	<b>89,758,467</b>	<b>0</b>	<b>34,501,014</b>	<b>124,259,481</b>



**EXHIBIT II**

**RECONCILIATION OF ACTUAL EXPENSES ALLOCATED**

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

Total 2014 General Fund Actual Expenses		<u>\$ 176,573,017</u>	
Building Department	\$ 7,502,953		
Board of Zoning	1,646,651		
Planning & Econ Dev	1,047,885		
Memorial Day Fund	6		
Part Town Undistributed	132,534		
Part Town Highway Fund	9,859,003		
Fire Protectn Districts	69,887		
T/H Lighting District	4,197,583		
Library Districts	15,713		
Parking Fields	3,287,003		
Sanitation Utility	10,363,823		
Parks & Recreation	14,128,559		
Water Utility	2,559,568		
Capital Funds	5,666,190		
Total Other Funds Allocated *	(1) <u>60,477,358</u>		34.3%
Civil Defense	2,673		
Publicity	733		
Tourism	329,794		
Senior Enrichment	5,090,649		
Housing Authority	104,094		
Consrvtm & Waterways	8,722,335		
DGS-Cemeteries	3,717,706		
Apportioned Costs	275,383		
Animal Shelter	5,412,355		
Credit Union	48,690		
Urban Renewal	693,662		
IDA	167,910		
CSEA	537,189		
DOOR	37,276		
Community Development	41,649		
Other Misc	4,099,011		
Total General Fund Allocated *	(2) <u>29,281,109</u>		16.6%
Sub Total *	(3)=(1)+(2)	<u>\$ 89,758,467</u>	
Total General Fund Central Services Unallocated *	(4)	<u>\$ 34,501,014</u>	19.5%
Total *	(3)+(4)	<u>\$ 124,259,481</u>	
Total General Fund Non-Central Services Expenses		<u>\$ 52,313,536</u>	29.6%
Total 2014 General Fund Actual Expenses		<u>\$ 176,573,017</u>	100.0%

\* Refer to Schedule A in plan.