

Cost Allocation Plan

Finance Department

Board of Public Utilities

February 26, 2024

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Cost Allocation Plan (CAP) Purpose

- Identify and distribute indirect costs (administrative and support services) to recipient departments.
- Most large organizations – public and private – create a CAP to efficiently & fairly distribute the costs throughout the organization.



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CAP Guidance

- Government Finance Officers Association (GFOA)
 - The cost to directly attribute each cost to each recipient function would exceed the benefits.
 - Estimates are made to distribute indirect costs to programs or functions, in order to approximate their full cost.
- U.S. Code of Federal Regulations (2 CFR 200.416)
 - Charging indirect costs to federal funding, such as grants
 - Or 10% de minimis overhead rate
 - City selection - less administrative burden



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Benefits of a CAP

- Efficiency – shared infrastructure
- Specialized Expertise – e.g., Human Resources & Finance
- Focus on Core Functions – Recipients can focus on primary mission and goals
- Standardization of processes and procedures – enhance efficiency, reduce errors, cohesive framework
- Risk Management – compliance and internal controls
- Cost of Services – transparency into the full cost of services for each recipient function



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CAP Development

- Identify Allocable Costs
- Identify Recipients
- Obtain identifiable and reliable metrics
- Use standardized cost-allocation software



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Allocable Costs

- Expenses that can be reasonably and directly attributed to a specific function within an organization.
- Costs are typically incurred by Internal Service Departments (ISDs) for the benefit of another department or fund.

Allocable Department/Division	
Mayor	City Council
City Manager	City Clerk
City Attorney	Human Resources
General Services	Finance
Innovation & Technology	CEDD – Property Services
Non-Dept – City Occupancy	Non-Dept – Employee Parking



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Allocation Bases

- Objective measure of the benefit provided
 - Measurable and reliable
- Consider reliability and availability of data
- Metrics used include, among others:
 - # of agenda items
 - # of FTEs
 - # invoices
 - # support hours
 - # transactions
 - Net expenditures



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Methodology (Outcome)

Cost Allocation Plans distribute costs from
Internal Service Departments (ISDs) to
Receiving Departments in a Step-down process

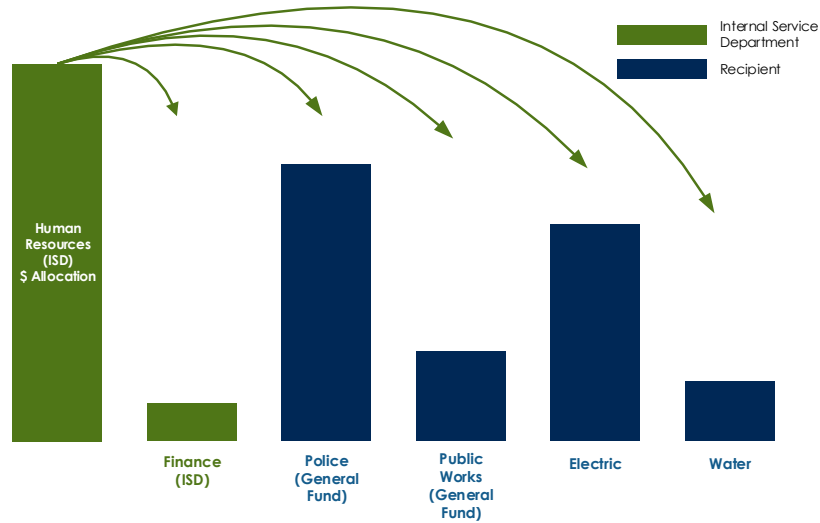


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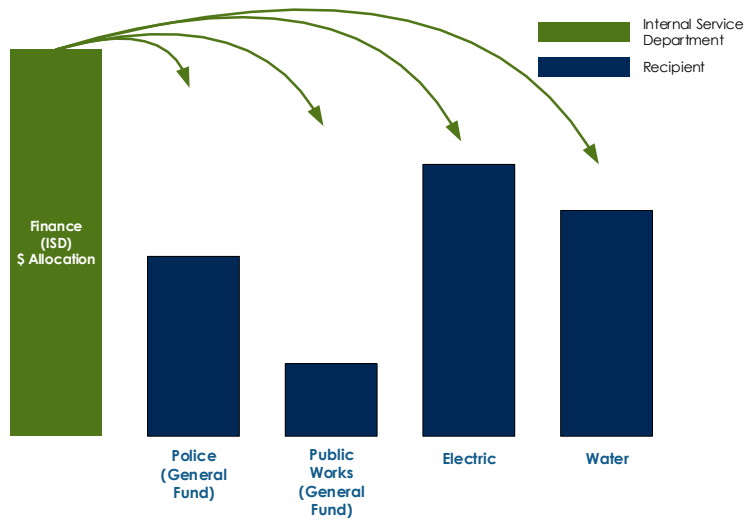
Standard Step-Down Methodology – Step 1



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Standard Step-Down Methodology – Step 2

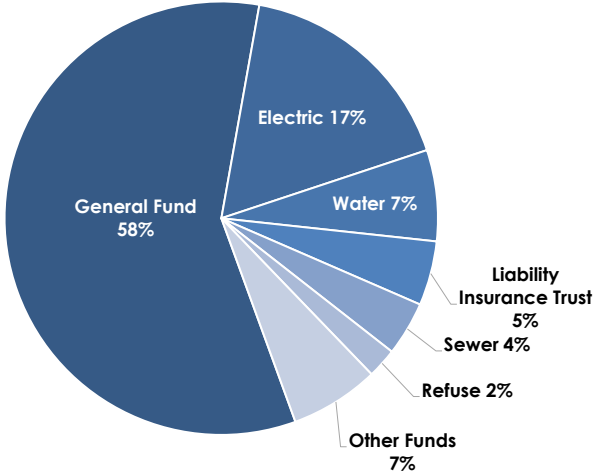


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FY 2023/24 CAP Results by Fund

Approximately 58% of ISD costs remain with the General Fund.



Impact of FY 2023/24 Positions Added to ISDs

14.75 FTE added to ISDs in amended FY 2023/24 budget

Fund	% Share of Allocation	Estimated Fiscal Impact
General Fund	58%	\$ 1,248,565
Electric	17%	365,958
Water	7%	150,689
Liability Insurance Trust	5%	107,635
Sewer	4%	86,108
Refuse	2%	43,054
Other Funds	7%	150,689
Total	100%	\$ 2,152,698



STRATEGIC PLAN ALIGNMENT



HIGH PERFORMING GOVERNMENT

CROSS-CUTTING THREADS



Community Trust



Equity



Innovation



Fiscal Responsibility




Sustainability and Resiliency

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RECOMMENDATION

That the Board of Public Utilities receive and file a report on the City of Riverside's Cost Allocation Plan.

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