

Results of OMB Cost Allocation Plan

The City of Fort Bragg contracted with the Matrix Consulting Group to prepare a 2 CFR Part 200 Compliant OMB Full Cost Allocation Plan (OMB) that documents current indirect costs associated with Citywide services. This plan helps to reimburse indirect costs associated with the administration of State and/or Federal grants. The following subsections are meant to provide a summary overview of the OMB Cost Plan developed for the City.

Purpose and Benefits of an OMB Compliant Cost Allocation Plan

The primary purpose of a CAP is to provide a fair and defensible document, which clearly outlines the support provided to general fund and non-general fund sources from central service departments. The results of a CAP are typically considered a more transparent and justifiable methodology for establishing transfers from non-general fund sources, as well as outline indirect costs for inclusion in cost-of-service (user fee and development impact fee) studies. An OMB compliant CAP utilizes the same concepts as a CAP but with additional scrutiny as to what expenses are allowable under federal requirements outlined by Office of Management and Budget.

Overall, an OMB analyzes the annual support provided by central service departments. The utilization of department and City specific metrics are then used to validate the support from central service departments to all sources. The methodology used to develop an OMB compliant CAP follows guidelines set by the Office of Management and Budget (OMB), as well as Generally Accepted Accounting Principles (GAAP). A more detailed explanation of the methodology used to develop the OMB can be found in the full report.

Overview of Central Services

Matrix Consulting Group worked with the City's staff to identify key central services for the City, which were as follows:

- **City Manager** – acts as the City's administrative head, responsible for general administrative and managerial support Citywide. Additionally, this department

oversees and administers Human Resources and City Attorney functions for all city departments. This department also includes the City Clerk and providing support in agenda management and review.

- **Finance** – is responsible for general fiscal management Citywide, including; processing transactions, accounting, auditing, and the developing of financial reports for all city funds and department.

These two central service departments provide various services which are in direct support of other City departments. Matrix worked with City staff to select relatable allocation bases for the service functions provided. Then the central service department's expenditures, along with incoming allocations from other central service departments, were allocated to receiving departments. There were seven unique metrics utilized ranging from number of agenda items per fund and department to number of transactions per fund and department.

Use of OMB Plan Results

The primary purpose of an OMB is to provide a fair and defensible document, which clearly outlines the support provided to general fund and non-general fund sources from central service departments, all in compliance with OMB regulations. The results from an OMB can be utilized to recover administrative, labor, and various other costs from external funding sources such as grants and programs.

The results of this plan can be used to generate an indirect rate which is then applied towards projects and / or grants that only have personnel cost. The following table shows the indirect rate calculation for the City of Fort Bragg:

$$\frac{\text{Total Indirect Costs Allocated}}{\text{Total Citywide Salaries and Benefits Expenses}} = \frac{\$1,376,683}{\$5,081.095} = 27.10\%$$

The 27.10% can be applied to staff hourly rates to recover indirect costs. For example, if a staff person costs \$100 per hour, the 27.10% indirect rate results in indirect costs of \$27.10, resulting in a fully burdened rate of \$127.10.

The detailed OMB Cost Plan report has been provided under separate cover to City staff. This report is extensive and includes additional information on how indirect costs were allocated to various funds and departments to meet the fairness, equitability, and defensibility criteria for a successful cost allocation plan.