

Washtenaw County Cost Allocation Plan Description of Charges and Distribution of Revenue

In accordance with OMB Circular A-87, Washtenaw County has chosen to have an annual Cost Allocation Plan (CAP) completed as a means to allocate indirect costs to the many county program cost units. This allows for the financials of each program area to reflect the true cost of doing business. Another benefit is that some county programs are able to submit these indirect costs for reimbursement from outside funding sources (such as the federal and state governments) since they can be attributable with the program needs, increasing the amount of outside funding to cover the cost of county services.

The following indirect services are provided centrally by the county and are included in the county's Cost Allocation Plan:

- Administration
- Corporation Counsel
- Information Technology
- Building Use (Depreciation)
- Building Operations
- Finance
- Treasurer
- Human Resources
- Professional Development
- Insurance

The annual costs of each of these indirect services are gathered and calculations are made to determine how to distribute these indirect costs to the multiple cost units within the county. The indirect cost allocation is based on various indicators/measures that estimate each program cost unit's actual usage of each indirect service during the course of the fiscal year. These indirect cost estimates are then used in the forthcoming budget for these cost units to pay for indirect services previously rendered. Due to the timing needed to complete the calculations and prepare the following year's budget, the cost units pay the county for these services on a two year lag.

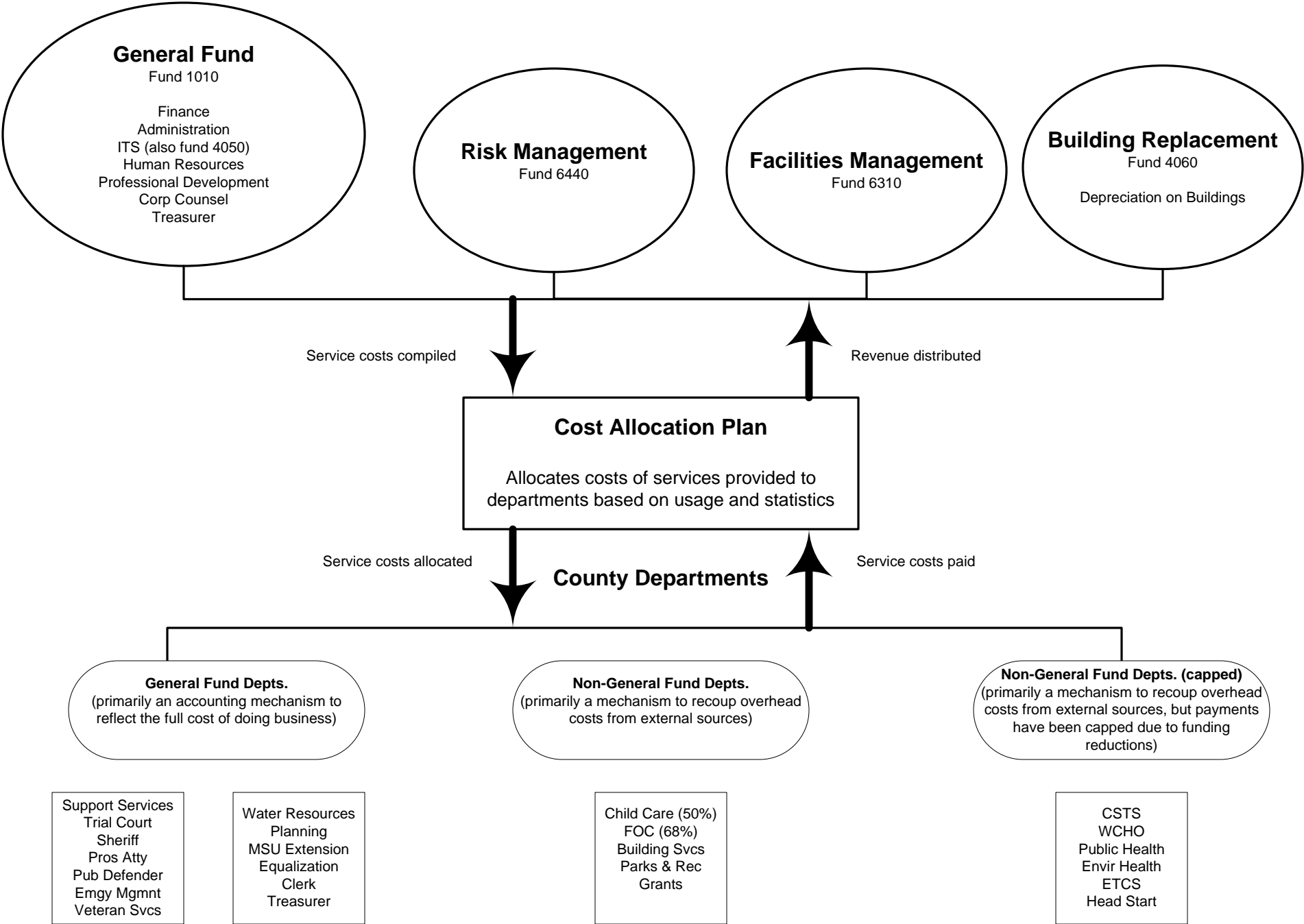
Since revenue is received on a two year lag and since costs for these indirect services rise on an annual basis, the revenue generated from the cost units for previous indirect services will never equal the annual costs needed to pay for the services in the current fiscal year. In addition, the county Board of Commissioners have agreed to "freeze" some cost allocation amounts at previous levels or "waive" these costs entirely. This is essentially the county choosing to subsidize these cost units by not charging them the full amount for indirect costs that is calculated as their financial responsibility. This results in an even bigger discrepancy between the annual cost of providing indirect costs and the amount of revenue received for such indirect costs by the county's cost units.

During the establishment of the county budget, the county uses the calculated cost allocation plan to determine how much is appropriate to charge each cost unit for indirect costs. The sum of these charges then becomes the revenue the county will receive from

these units. The intent of this revenue is to “repay” the county for the indirect services provided two years previously. However, since there isn’t enough revenue generated to cover current year expenses, only partial repayment is possible. For simplicity of budgeting, the county chooses to allocate the revenue by fund rather than divvy it up between all indirect service providers. Also for simplicity, the county chooses not to divvy up the revenue proportionally between indirect service providers, but ensures that all budgets are made whole either through the CAP revenue received or through other General Fund allocations. The CAP revenue is distributed to the indirect service providers in the following manner:

1. Allocate sufficient revenue to balance the Facilities Operations & Maintenance fund (6310) budget that provides Building Operations services
2. Allocate sufficient revenue to balance the Risk Management fund (6440) budget that provides Insurance services
3. Allocate a lump sum amount of revenue (determined annually depending on financial status of county but typically at least \$100K and up to \$500K) to the Building Replacement fund (4060) where Building Use charges are incurred as a means to build up reserves for future building expenses
4. Allocate remaining funds to the General Fund (1010) to partially cover the costs for indirect services including Administration, Corporation Counsel, Finance, Human Resources, Professional Development, Information Technology and Treasurer

Washtenaw County Cost Allocation Plan



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| County Programs | 2006/07 CAP Amounts | 2009 Budgeted CAP Amounts | Portion "Frozen" or "Waived" | Considerations |
|--|---------------------|---------------------------|------------------------------|---|
| General Fund All Departments Combined | 13,819,121 | 13,819,121 | - | An accounting practice to show total cost of doing business per program |
| Prosecuting Attorney - Cooperative Reimbursement | 81,534 | 81,534 | - | Receive 66% Reimbursement |
| Solid Waste Coordination | 70,837 | 70,837 | - | |
| Resource Management | 53,067 | 53,067 | - | Currently being balanced by Capital Reserves |
| Building Inspection | 210,495 | 210,495 | - | Currently being balanced by Capital Reserves |
| Environmental Health | 591,678 | 343,646 | 248,032 | Limited State revenue |
| Emerg Mgmt/911 | 20,443 | 5,146 | 15,297 | Limited E911 revenue |
| Parks & Recreation | 362,469 | 362,469 | - | |
| County Library | 344,109 | - | 344,109 | Program transferred so no longer contribution for CAP |
| Friend Of The Court | 876,116 | 876,116 | - | Receive 66% Reimbursement |
| ETCS | 788,363 | 474,163 | 314,200 | |
| Head Start | 457,138 | 167,974 | 289,164 | Allowable administrative expenditures are capped by Federal grant requirements |
| Community Corrections | 176,751 | - | 176,751 | CAP waived since inception of program due to funding limitations |
| Juvenile Accountability Block Grant | 1,850 | 1,850 | - | |
| WCHO | 1,128,790 | 282,379 | 846,411 | Current agreement to unfreeze CAP up to full amount |
| CSTS Mental Health | 2,757,743 | 2,692,299 | 65,444 | |
| WC Health Care | 21 | - | 21 | |
| Public Health | 1,212,590 | 855,471 | 357,119 | Limited State revenue |
| CCWC | 8,123 | - | 8,123 | County administrative support for collaborative ended in 2008 |
| Child Care Probate | 371,803 | 371,803 | - | Receive 50% Reimbursement |
| Child Care Probate - Building (94220) | 11,394 | 11,394 | - | Ineligible for CCF Reimbursement - allocate to demonstrate total cost of operations |
| Child Care Welfare | 17,854 | 17,854 | - | Ineligible for CCF Reimbursement - allocate to demonstrate total cost of operations |
| Child Care Day Treatment | 146,840 | 146,840 | - | Receive 50% Reimbursement |
| Child Care Day Treatment - Building (94220) | 69,267 | 69,267 | - | Ineligible for CCF Reimbursement - allocate to demonstrate total cost of operations |
| Child Care Detention | 635,026 | 635,026 | - | Receive 50% Reimbursement |
| Child Care Detention - Building (94220) | 396,594 | 396,594 | - | Ineligible for CCF Reimbursement - allocate to demonstrate total cost of operations |
| Facilities Mgmt O & M | 854,905 | 854,905 | - | |
| Facilities Mgmt Fleet | 294,925 | 294,925 | - | |
| Facilities Mgmt General Services | 28,518 | - | 28,518 | |
| Risk Management | 36,643 | 36,643 | - | |
| Property Foreclosure | 94,131 | - | 94,131 | |
| Retirement Administration | 22,431 | 22,431 | - | |
| Total Non General Fund CAP Charges | 25,941,569 | 23,154,249 | 2,787,320 | |

Note:

The county does a two year budget and maintains the second year CAP amount at the first year level except for where outside funding could be maximized
 CAP amounts exclude Equipment Use Charge calculation except where outside funding consideration