

2017 – 2018 BUDGET QUERY

Question: 1

Date: September 27, 2016

Topic: Cost Allocation Manual

BACKGROUND

The City shares some costs across one or more of its operating funds because some costs provide benefit to more than one fund at the same time. This practice is called “cost allocation” and is used by many organizations, both public and private. Cost allocation is considered a best practice for municipal financial management, and is consistent with the City’s financial policies. There are a range of possible approaches to cost allocation; each organization must choose a methodology that matches its preferences while also complying with applicable guidance from regulatory agencies.

The City of Bainbridge Island has developed a cost allocation methodology to distribute certain costs across its operating funds, including shared costs such as insurance and space rent, personnel, and certain capital projects. The methodology uses a numerical approach whenever possible to distribute costs. Examples of this approach is to distribute costs based on factors such as operating expense by fund, a count of Council agenda items, and the number of cash receipts processed.

In accordance with the City’s financial policies, as part of the budget development process, the City Council reviewed and approved the City’s cost allocation methodology.

INFORMATION PROVIDED

The approved Cost Allocation Manual is posted to the City’s website at the following link:

<http://www.bainbridgewa.gov/213/Budget-Financial-Reports>

	2017	2018	One-time or ongoing	Comment
Estimated Dollar Change				
Funds involved				
FTE Change				