City of Key West, Florida

Indirect Cost Study Presentation

July 25, 2011





Cost Allocation Plan

- A distribution of General Fund costs to benefiting recipients
- Allocates overhead costs to departments that benefit from the service

Indirect Cost Study

City of Key West, Florida

Departments Serving Departments

City Manager

Finance

Human Resources

Information Technology

City Attorney

Fleet Services Mngt

Engineering

Indirect Costs

Stormwater Utility Fund Solid Waste Fund

Sewer Fund

Key West Bight Fund

Transit System Fund

Garrison Bight Fund

Infrastructure Surtax Fund

Internal Improvements Fund

Bahama Village / Caroline TIF Fund

Departments Serving Public

Direct Costs

Allocating Indirect Costs

Allocation Bases:

The method by which **Indirect Costs** are distributed to other benefiting departments

Examples Include:

- Number of Active Employees;
- Number of Transactions Processed;
- Square Footage Occupied;
- Number of Computers;

Indirect Cost Results

	General Fund	Indirect Cost		
Description	Budget	Allocations		
Total FY2010/11 General Fund Budget \$	47,950,000			
Special Revenue Funds Infrastructure Surtax Fund Internal Improvements Fund Fort Taylor Surcharge Fund Affordable Housing Fund Law Enforcement Trust Fund Bahama Village / Caroline Street TIF Fund Navy Outer Mole Payments Fund		\$ 109,667 128,667 2,361 - 1,361 20,384 34,742		
Capital Projects Fund		28,703		
Enterprise Funds Sewer Fund Stormwater Utility Fund Solid Waste Fund Key West Bight Fund Transit System Fund Garrison Bight Fund Internal Service Fund - Insurance Fund		332,143 247,473 294,721 355,022 274,219 122,020 314,699		
Total Indirect Cost Allocations \$		\$ 2,266,181		

General Fund

Indirect Cost

Payment in Lieu of Taxes ("PILOTs")

- Means to partially offset forgone property tax because the Enterprise Fund's property is tax exempt.
- Covers share of General Fund cost not covered by the indirect allocation, such as:
 - fire and police services
 - road maintenance

Payment-In-Lieu of Taxes Calculation

Millage Rate

\$ 2.9132

per \$1,000 of AV

PILOT Results

	Estimated	Public	PILOT
Description	Asset Values	Asset Value ¹	Payment
Enterprise Funds			
Sewer Fund	\$ 87,229,410	\$ 87,229,410	\$ 254,117
Stormwater Utility Fund	21,430,535	21,430,535	62,431
Solid Waste Fund	12,236,082	12,236,082	35,646
Key West Bight Fund ¹	23,496,885	15,272,975	68,451
Transit System Fund	3,555,916	3,555,916	10,359
Garrison Bight Fund	3,965,119	3,965,119	11,551
Total	\$151,913,947	\$143,690,037	\$ 442,556

Right-of-Way / Franchise Fees

- A right-of-way fee can be charged for use of the right-of-way and to cover the cost of disturbances.
- A franchise fee is payment for the right given by a municipal government to operate a municipal service enterprise within the government's jurisdiction.

Right-of-Way / Franchise Fee Analysis Results

	Fees (% of Revenues)			Annual			Projected Revenue from Fees				
Enterprise Fun	d Low	Average	High Revenues			Low Av		Average		High	
Sewer	3.0%	6.0%	10.0%	\$	11,647,936	\$	349,438	\$	698,876	\$	1,164,794
Stormwater	3.0%	6.0%	10.0%		2,392,744		71,782		143,565		239,274
Solid Waste	3.0%	12.0%	20.0%		9,282,866		278,486		1,113,944		1,856,573
Transit System	3.0%	4.0%	10.0%		1,066,901		32,007		42,676		106,690
Key West Bight	3.0%	4.0%	10.0%		6,500,198		195,006		260,008		650,020
Garrison Bight ¹	3.0%	4.0%	10.0%		1,459,300		43,779		58,372		145,933
Total					,	\$	970,498	\$	2,317,441	\$	4,163,281

¹No survey benchmarks available. Instead considered water, sewer, and stormwater as benchmarks.

General Fund Cost Recovery Summary

	Indirect Cost				Franchise / Proposed			Proposed		
Description	Α	Allocations		PILOT		Right-of-Way		FY11-12		FY10-11
Special Revenue Funds										
Infrastructure Surtax Fund	\$	109,667	\$	-	\$	-	\$	109,667		
Internal Improvements Fund		128,667		-		-		128,667		
Fort Taylor Surcharge Fund		2,361		-		-		2,361		
Affordable Housing Fund		-		-		-		-		
Law Enforcement Trust Fund		1,361		-		-		1,361		
Bahama Village / Caroline Street		20,384		-		-		20,384		
Navy Outer Mole Payments Fund		34,742		-		-		34,742		
Capital Projects Fund		28,703		-		-		28,703		
Enterprise Funds										
Sewer Fund	\$	332,143	\$	254,117	\$	698,876	\$	1,285,135	\$	1,338,000
Stormwater Utility Fund		247,473		62,431		143,565		453,469		408,100
Solid Waste Fund		294,721		35,646		1,113,944		1,444,311		1,589,200
Key West Bight Fund		355,022		68,451		260,008		683,481		500,000
Transit System Fund		274,219		10,359		42,676		327,254		240,900
Garrison Bight Fund		122,020		11,551		58,372		191,944		90,800
Internal Service Fund - Insurance Fu		314,699	_			<u>-</u>		214,699		
Total Indirect Cost Allocations	\$	2,266,181	\$	442,556	\$	2,317,441	6	5,026,178	\$	4,167,000

Discussion

