

Executive Summary



To: Jim Scholl, City Manager

CC: Mark Z. Finigan, Assistant City Manager - Administration

From: Roger D. Wittenberg, Finance Director

Date: January 11, 2012

RE: Formal Adoption of Indirect Cost Study and Cost Allocation Plan

Action:

Respectfully request the City Commission formally adopt the Indirect Cost Study and Cost Allocation Plan, prepared by Malcolm Pirnie, dated July 21, 2011 (copy attached) for the City of Key West.

Background:

During fiscal year 2011 the City of Key west engaged the services of Malcolm Pirnie to conduct a cost allocation study and develop a cost allocation plan for the City of Key West for subsequent incorporation into the Fiscal year 2011-12 budget.

The plan was developed and presented to the City Commission in July of 2011 during the Fiscal Year 2011-12 budget workshops. At that time the Commission acknowledged the results of the study and accepted Staff's recommendation to incorporate the results of the study into the Fiscal Year 2011-12 budget. The final Fiscal Year 2011-12 budget approved by the City Commission incorporated the recommendations of the study.

Certain grants received by the City of Key west have provisions that allow for indirect charges to be grant eligible expenditures. Most grants contain a provision requiring a cost allocation plan be developed, implemented and formally adopted by the governing body. This resolution will complete those requirements by formally adopting the City's Indirect Cost Study and Cost Allocation Plan, prepared by Malcolm Pirnie, dated July 21, 2011.

Advantages/Disadvantages:

Advantages:

1. Under certain grants, adoption will allow indirect cost to become eligible expenses.
2. Adoption will formalize the City's commitment to proper allocation of indirect costs.
3. Adoption will address a recommendation by the City's independent auditors.

Disadvantages:

1. Formal action will be required to change the methodology for which the General Fund charges the Enterprise Funds if formally adopted.
2. Grant reimbursement opportunities may be lost if not formally adopted.

Options:

1. Formally adopt the Cost allocation plan.
2. Do not formally adopt the cost allocation plan.

Financial:

Non adoption may result in lost grant reimbursement opportunities.
Adoption does not cost the City. The plan has been completed and remains the property of the City.

Recommendation:

Staff supports the formal adoption of the Cost Allocation Plan.

Attachments:

Final Key West Indirect Cost Allocation Report
Key West Indirect Cost Presentation