

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item: Cost Allocation Policy of the Mayor

OVERVIEW

On March 20, 2006, the City of San Diego's Mayor and Chief Financial Officer (CFO) will release the City of San Diego's Cost Allocation Policy to the City Council. This policy provides a guideline for allocating cost to various funds, programs, grants, contracts and agreements. This includes direct, indirect and central support service costs.

FISCAL/POLICY DISCUSSION

The Office of the Independent Budget Analyst has reviewed and supports the cost allocation policy. This policy is consistent with the Federal Government Office of Management and Budget Circular A-87 (OMB A-87). The OMB A-87 is a publication that provides guidance regarding cost allocation methods for federal awards carried out through grants, cost reimbursement contracts, and other agreements. This policy ensures that all departments, funds, and other operations contain full cost recovery. This is important in analyzing the "true" cost of programs and services provided.

If approved, adopted and implemented, this policy will be the policy that the City of San Diego uses for all future cost allocations.

Included in the CFO's Cost Allocation Policy is the following:

"The City's Chief Financial Officer shall consult with the City's Auditor and Comptroller about accounting and cost allocations determinations as frequently as necessary to ensure that cost accounting principles are being accurately applied. Disputes between the City's Chief Financial Officer and Auditor and Comptroller as to the appropriate cost allocation methodology shall be resolved by the City's outside auditors."

We would hope that no disputes between the City's Chief Financial Officer and the City's Auditor and Comptroller concerning the appropriate cost allocation methodology

would occur. But in the event that a dispute arises between the City’s Chief Financial Officer and the City’s Auditor and Comptroller, the policy sets guidelines on the process whereby the dispute is resolved.

QUESTIONS/COMMENTS

After this Policy is approved, adopted and implemented, this policy will be the policy that the City of San Diego uses for all future cost allocations. How does this Policy affect the current cost allocations of the Meet and Confer legal costs, the Kroll investigation costs and other legal fees?

CONCLUSION

This Cost Allocation Policy sets the guidelines for allocating all cost associated with programs and services to obtain full cost recovery. All cost allocations have to abide by the City Charter and applicable law. The Independent Budget Analyst supports this Policy.

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