



Cost Allocations

Finance Committee
May 19, 2025

Agenda

What are cost allocations?

Types of Cost Allocations

Other General Fund Contributions

Questions

What are cost allocations?

Cost allocations fairly spread the administrative functions cost to the benefitting entity; internal and external. This is completed through the indirect cost model or direct cost allocation.

Cost allocation is then used as a factor in developing internal and external rate models (Fleet, Development Fee, etc).

Laws and requirements applicable to cost allocations

3.9.5.20 RCW [43.09.210](#) indicates that when one fund is charging another, the fund being charged must only pay for the actual costs of the services it receives. Governments are expected to document those services and the costs of providing them to demonstrate these charges are fair, equitable and valid and reflect services provided.

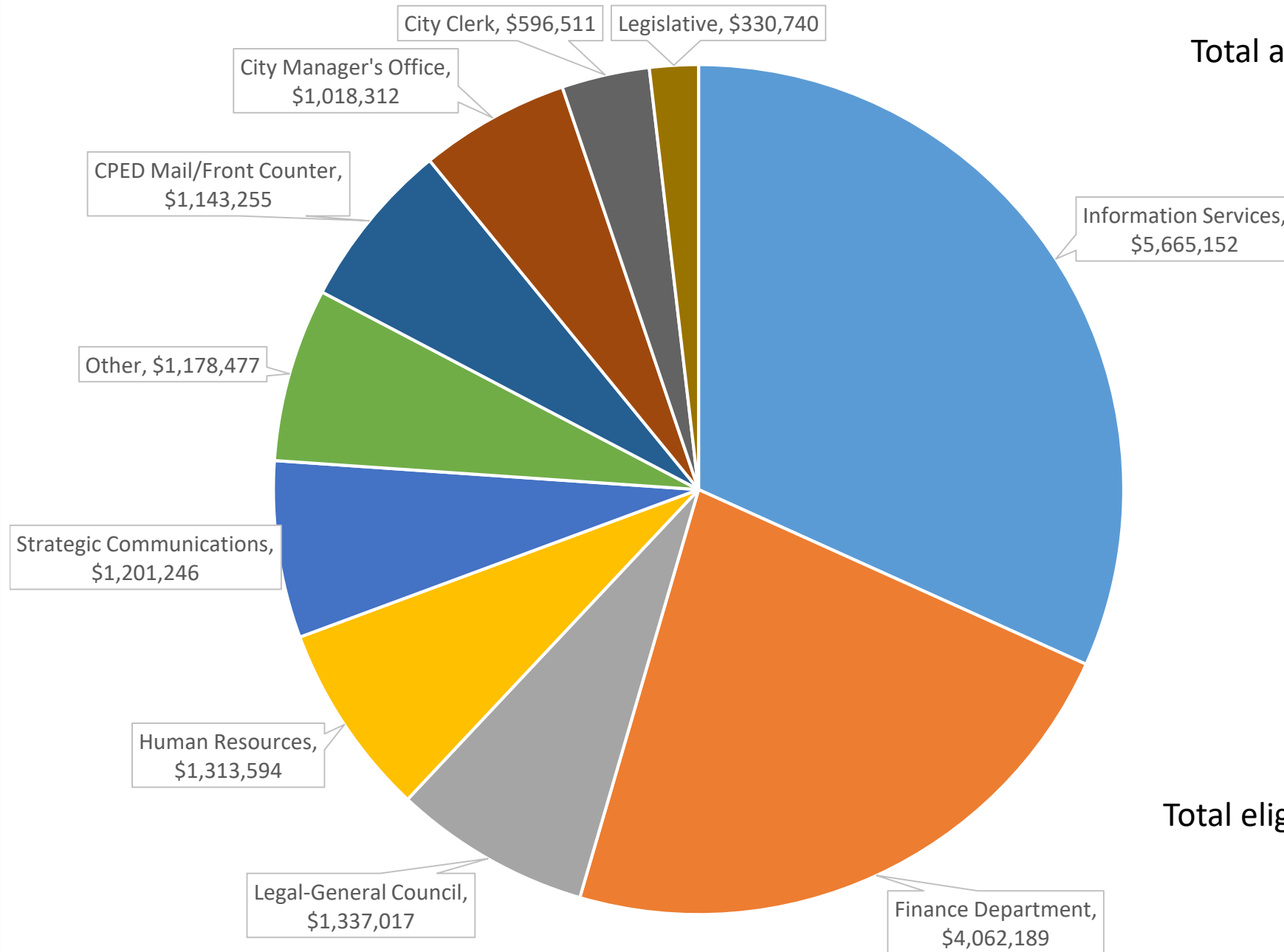
Types of Cost Allocation

Indirect cost allocation is a method to systematically and rationally distribute the costs for administrative functions to the receiving department.

Some examples of administrative functions:

- Legislative and City Manager's Office
- Legal Services
- Human Resources
- Information Technologies
- Finance

Total administrative costs: \$17.85M



Allocation Factors:

- FTE count
- Number of
 - Agenda Items
 - Legal Requests
 - Union Employees
 - Recruitments
 - Devices
 - Invoices Processed
- Percentage of Time
- Expenditure Budget

Total eligible costs allocated: \$ 5.69M

Types of Cost Allocation

Direct cost allocation is sharing the cost on the basis of benefit received from the services.

Some examples are:

- City Hall and Maintenance Rent
- Engineering Rate
- Fleet: Capital Replacement, Operating & Maintenance, Fuel
- PC User Rate and Replacement Rate
- Property and Liability Insurance
- Workday Subscription and Workiva License

Other General Fund Contributions

Development Fee Fund

- Community Planning and Development General Fund Services
- Balance of recovery rate

Facilities Fund – City buildings not occupied by City personnel

- Library
- 108 State Ave NW

Workers Compensation Fund – historically used fund balance above reserve to support the fund.



Questions?