Blue Ribbon Commission – Phase II (BRC II)
Meeting Summary
December 10, 2009

Members Present: Susan Graf, Tom Hagerty, Suzanne Jones, Dan King, Michelle Krezek, Beth Pommer, Dorothy Rupert, Rich Wobbekind

Members Absent: Michael Leccese, Jeff Wingert

Staff Present: Peggy Bunzli, Bob Eichem, Paul Fetherston, Kathy McGuire, Jim Reasor

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Public Participation

- none

Welcome by Paul Fetherston

- Paul introduced the evening's agenda
  - Overview of Cost Accounting Systems for Municipalities
  - Follow-up Items From Previous Meetings:
    - Subsidized Services/Programs
    - Other?
  - Review current Draft of BRCII Final Report
    - Principles from BRC I Report
    - "Action Items" for BRC II Report

Cost Accounting Systems

- Bob Eichem presented an overview of cost accounting.
- A challenge to the city is to determine all indirect costs; costing the program requires costing overarching indirect costs, such as CMO, IT, Finance, etc. but also indirect costs/administrative costs that exist at the department level.
- Currently, the city only costs the overhead of CMO, CAO, HR, IT & Finance and not the overhead from departments to non GF funds. The city also uses internal services funds (e.g. vehicle replacement fund, computer replacement fund).
- Options: direct cost only, direct costs and cost allocation, cost accounting, hybrid (some use cost allocation, some do not) for example cost allocation plus internal services funds.
- The city uses a hybrid system which includes direct costs, cost allocation and internal service funds.
- The city has been using the current cost allocation system for over 20 years.
- Is there something built in to encourage efficiency? Depends on basis for cost allocation. When basis is usage, yes.
- Is there any effort/incentive to reduce costs for departments that don't get charged cost allocation? There are other ways that the city works on efficiencies, for example noting where there is high usage, such as in HR, and finding ways to automate or provide information electronically.

- There may be some discussion in the future on charging cost allocation to the Recreation Activity Fund.
- Full cost accounting systems are very labor intensive. The city is required by charter and state to do financial accounting, so the city has compromised by doing cost allocation – has found this to be more cost effective. There are some weaknesses in this.
- It is extremely helpful to know what programs/services actually cost, including all indirect costs, when making decisions such as when to cut a program. BRC II may want to recommend this – this could be done by a consultant and be relatively simple. It will not be perfect but with agreement can be implemented across the entire organization.
- There may be models, such as in Utilities or in P&DS, that could be used across the city.

Follow Up: Subsidized Services/Programs

- Jim Reasor presented a broad overview of the cities subsidies, through three categories of subsidized services/programs: tax supported, fee waivers/discounts, targeted subsidies to specific populations (e.g. at risk).
- Suggestion for presentation: category one didn't make sense - legal, for example, is not a subsidized service. This document should show where these services are being used for example, the program receiving legal services that is being subsidized (if not being charged cost allocation for the legal services).
- What is the document trying to present: revenue sources, subsidies, allocation? Important to show full cost. Allocate infrastructure costs to all departments, programs/services.
- System of costing does not have to be perfect, but it should be done and a citywide, standard system should be agreed upon. It is important to be able to make inter-departmental comparisons, comparisons across the city, for more informed decision making – not so important to compare to other cities.
- Costing services is a piece of priority-based budgeting.

Review of Current Draft of BRCII Final Report

- Principles from BRC I: what is relevant to BRC II and should be included in BRC II report. This was decided by consensus of the group.
- There is a need to have further discussion on earmarking and revenues.
- The group looked at a list of action steps to include in the BRC II report. There was discussion of item #3, regarding provision of services already provided by the private sector or another agency. There are some basic programs that government should provide and should not be contracted out. Subsidized programs provided by the city that are also provided (possibly at higher cost) by others may still be valuable.
- Discussion to be continued at 12/17 meeting, those who cannot make it to call or e-mail with feedback on action steps by Wednesday 12/16.

Adjournment. Next meeting 12/17 at the County Courthouse, 3rd floor, 5:30pm.