

Support Material Agenda Item No. 5

General Policy Committee

October 11, 2017

9:00 a.m.

Location:

San Bernardino County Transportation Authority
First Floor Lobby Board Room
Santa Fe Depot, 1170 W. 3rd Street
San Bernardino, CA 92410

DISCUSSION CALENDAR

Discussion - Administrative Matters

5. Indirect Cost Allocation Methodology

That the General Policy Committee recommend the Board:

A. Approve a budget amendment in the amount of \$477,700 to the Fiscal Year 2017/2018 Budget to decrease Indirect expenses currently budgeted under the Indirect Cost Allocation Fund in Task Numbers 0400 – Financial Management, 0450 – Management Services, and 0805 – Building Operation by \$330,000, \$62,700, and \$85,000, respectively; and

B. Direct staff to bring forward a policy that will change the accounting for indirect costs starting in Fiscal Year 2018/19 to be based on funding these expenses by allocating funds from SBCTA's discretionary revenues, such as Measure I sales tax, Local Transportation Funds, Vehicle Registration Fees related to the Service Authority for Freeway Emergencies program, and General Assessments Dues, from the top prior to any funding allocation to projects or programs and excluding the Measure I Pass-through funds and the Senior and Disabled Transit funds. The allocation will be based on budgeted full time equivalents by function.

The PowerPoint presentation is attached.

Indirect Cost Allocation Methodology



What are indirect costs?

- Benefit the entire organization
- Costs are not specific to a project or program
- Examples
 - Human Resources
 - Building maintenance and operations
 - Information technology
 - Accounting
 - Insurance



Current Methodology

- Indirect costs are budgeted and allocated
- Indirect cost are allocated to limited number of funds
- Costs are allocated based on salaries and fringe (74.75%) and value of on-site hours by consultant (25.25%)



Issue with current allocation of Indirect costs

- Salaries plus fringe not a good basis to allocate costs
- Limited funds are impacted by the allocation
- Staff not able to assess impact until end of fiscal year
- Expenses are not controlled
 - Spikes due to increase in capital related costs
- Fund balance not maintained

Recommendation A – Budget Reduction

- Reduction of \$477,700 of indirect budget
 - Savings
 - Expenses not needed
 - Projects deferred to future years



Recommendation B – Indirect Cost Policy

Examined three scenarios

- Scenario 1 allocates costs based on FTE to all current Measure I programs except for Administration and Cajon Pass
- Scenario 2 allocates costs based on budgeted FTE except for local street and S&D programs
- Scenario 3 allocates based on current methodology

Recommendation B – Indirect Cost Policy, Cont.

Staff Recommendation

- New Fund to track expenditures, revenues, and establish fund balance
- Based on FTE
- The estimated revenue and fund balance reserve controls budget
- Indirect costs funded over more funds
- Five-year capital improvement plan
 - Smooth out spikes
 - Plan for future costs
- Indirect costs will not be allocated, no ICRP
 - Apply for de minimus rate with Caltrans

Revenue Category	Fund	Fund	Total FY 17-18 budgeted Revenue	Scenario 1			Scenario 2			Scenario 3		Scenario 3	
				FTE % based on historical data	OH Allocation excluding MSI Admin, Cajon and old MSI	% of funding needed	FTE % based on historical data	OH Allocation excluding MSI Admin, passthrus, Cajon, and old MSI	% of funding needed	FY 16-17 % of funding used	OH based on historical %	FY 17-18 - % based on Salaries Costs budgeted to tasks	OH based on FY 17-18 Allocation Methodology
PPM		2560	1,270,000						0.10	683,361	7.08%	477,247	
SAFE		2810	1,756,129	3.48%	234,420	0.133	3.48%	234,420	0.133	0.03	219,382	1.57%	105,970
Sales Tax LTF Adm		1030	330,000		330,000			330,000		0.14	250,283		42,764
LTF Plan		1035	3,477,828		1,377,581			1,377,581		0.84	1,495,985		1,383,245
LTF Art 3		1038	2,260,131		16,586			16,586		0.01	15,109		42,653
LTF Rail		1040	28,355,548		11,774			11,774		0.02	29,379		415,573
LTF Pass		3010	62,095,552		800,916			800,916		-	-		-
Sales Tax-LTF Total*			96,519,059	37.66%	2,536,857	0.026	37.66%	2,536,857	0.026	0.27	1,790,756	27.97%	1,884,235
Sales Tax MSI Adm		1020	1,614,450		-			-		0.16	562,453		359,145
Valley Prc Freeway		4110	38,256,750		921,333			1,419,971		0.26	896,180		1,289,745
Freeway		4120	14,544,000		350,262			539,828		0.19	673,071		581,249
Grade Se		4130	5,148,784		123,998			191,107		0.08	263,277		248,001
Arterial		4131	10,754,076		258,989			399,158		-	-		-
Arterial Pl		4132	10,367,240		249,673			384,800		-	-		-
Pass Thn		4140	26,119,292		629,028			-		-	-		-
Rail		4150	10,407,300		250,638			386,286		0.06	191,418		147,688
BRT		4160	2,645,800		63,719			98,204		0.02	76,077		150,373
Senior/Di		4170	10,459,300		251,890			-		-	-		-
TMS		4180	2,649,300		63,803			98,334		0.21	726,920		540,883
Victor Val Major Loc		4230	4,146,800		99,867			153,916		-	-		65,179
Pass Thn		4240	10,992,290		264,726			-		-	-		-
Senior/Di		4270	812,258		19,562			-		-	-		-
PD/TMS		4280	328,903		7,921			12,208		0.01	44,806		46,795
North Des Major Loc		4330	1,223,100		29,456			45,398		0.00	582		861
Pass Thn		4340	3,199,720		77,059			-		-	-		-
Senior/Di		4370	237,364		5,716			-		-	-		-
PD/TMS		4380	99,606		2,399			3,697		0.00	1,865		5,252

Revenue Category	Fund	Fund	Total FY 17-18 budgeted Revenue	Scenario 1			Scenario 2			Scenario 3		Scenario 3		
				FTE % based on historical data	OH Allocation excluding MSI Admin, Cajon and old MSI	% of funding needed	FTE % based on historical data	OH Allocation excluding MSI Admin, passthru, Cajon, and old MSI	% of funding needed	FY 16-17 % of funding used	OH based on historical %	FY 17-18 - % based on Salaries Costs budgeted to tasks	OH based on FY 17-18 Allocation Methodology	% of funding needed
Colorado F Major Loc	4430		63,000		1,517			2,338						
Pass Thro	4440		168,980		4,070									
Senior/Dis	4470		12,486		301									
PD/TMS	4480		5,138		124			191				1,230	0.24	
Morongo B Major Loc	4530		541,700		13,046			20,106						
Pass Thro	4540		1,477,580		35,584									
Senior/Dis	4570		109,116		2,628									
PD/TMS	4580		44,126		1,063			1,638	0.00	2,924		6,672	0.15	
Mountain F Major Loc	4630		510,400		12,292			18,944						
Pass Thro	4640		1,392,140		33,527									
Senior/Dis	4670		102,868		2,477									
PD/TMS	4680		41,607		1,002			1,544	0.00	12,986		7,713	0.19	
Cajon Pas Cajon Pas	4710		4,566,500									5,766	0.00	
Measure I Freeway	4901		20,000						0.00	17,281		43,917	2.20	
	4905		-	0									#DIV/0!	
TMEE	4907		10,000						0.00	1,053				
Measure I Bonds			-						0.01	68,539				#DIV/0!
Sales Tax-MSI Total	156,861,034		163,071,984	56.08%	3,777,667	0.024	56.08%	3,777,667	0.037	0.5153	3,539,432.98	51.53%	3,470,860.32	0.038
Special Assessments	1010		200,187											
PACE	1082		2,226,750	2.78%	187,267	0.935	2.78%	187,267	0.935	0.006516	43,890	3.67%	247,018	1.23
COG			2,426,937		187,267			187,267			370,115	3.29%	221,748	0.100
State/local grants and Local agencies												4.89%	329,133	
Total Indirect Costs					6,736,211			6,736,211		6,603,046		6,736,211		
Total Annual MSI			163,071,984											
MSI Revenue Base for Each Scenario				0.023	156,861,034			101,777,630					91,929,740	