



Enterprise Business Solution (EBS) Cost Allocation Proposal

Bureau of Technology Services

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Cost Allocation Policy

- The City will establish and maintain a consistent methodology for allocating the costs of the City's central service functions and activities that benefit or are used by several City organizations. The goal is to provide stable, predictable and equitable costs and rates to organizations that pay for these services.
- The two primary methods used to allocate central services costs to City organizations are the General Fund Overhead (GFOH) model and interagency agreements. Business service activities that recover costs through rates and interagency agreements will periodically compare the cost of their fees and rates with other comparable agencies and/or businesses, and report these findings to their customers.

Purpose

- BTS-EBS proposes to update its cost allocation methodology in a way that
 - Is stable and predictable
 - Uses updated information
 - Promotes SAP usage
- Update to occur during development of FY 2015-16 Inter-Agency (IA) charges

Background

- Allocation Model. EBS cost allocation metrics have not been updated post go-live
 - Old metrics and weighting were:
 - Budget size weighted 50%
 - FTE Count weighted 25%
 - # of cost centers weighted 10%
 - # of internal orders weighted 10%
 - # of work breakdown structure (WBS) elements weighted 5%
 - Data from FY 2008-09

EBS Proposal

- Use the General Fund Overhead metrics to allocate operational costs to customer bureaus
 - Metrics based on prior year actual expenditure weighted 75%
 - Position count weighted 25%, and
 - Utilizes a 3-year average to increase stability
 - Annual updates of allocations
- Use BTS framework for billable costs that are not in the operational portfolio of services provided citywide

Why is the modified GFOH model appropriate?

- Uses current data for the allocation of centralized services
- Emphasizes on a modified GFOH model based on stability and predictability
- Examined and accepted by customer bureaus
- Encourages use and expansion of the SAP system to maximize utility and efficiency

Proposed Approach

- BTS will submit a request in the FY 2014-15 Fall Budget Monitoring Process for target adjustments for impacted General Fund bureaus.
- BTS base FY 2015-16 interagencies will be developed and loaded to BRASS using General Fund Overhead metrics.



Questions?