



Enterprise Business Solution Cost Allocation Update

Current model and new data / Fall BMP

Bureau of Technology Services

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August PAC meeting recap

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- BTS presented a new EBS cost allocation model
- The new model uses General Fund overhead model metrics and data
- The idea of using the current model updated with new data was rejected by BTS

August PAC meeting recap

- Concerns with using current model and new data
 - We anticipated problems with obtaining the data
 - We were concerned that using cost objects as a metric may influence bureaus use of SAP
 - This could discourage the increased use, efficiency and utility of the SAP enterprise system.
 - This could encourage side systems to avoid EBS IA charges
- The General Fund model and data was available and accepted for cost allocation purposes

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

August PAC meeting recap

- Using the General Fund overhead model's metrics and data would result in large cost shifts to General Fund bureaus
- The PAC supported OMF requesting target adjustments for General Fund bureaus in the Fall BMP.
- The PAC asked OMF to model the impact of using the current model with updated data



Using current model with updated data

Using current model with updated data

Current model's metrics

- Budget Size (weighted 50%)
- FTE (weighted 25%)
- Cost Centers (weighted 10%)
- Internal Orders (weighted 10%)
- Work Breakdown Structure Elements (WBSE) (weighted 5%)

Using current model with updated data

An update to the data presented a variety of concerns and challenges:

1. The model has not been used in 5 years and has not benefited from 5 years to work through issues with data acquisition, model development, and changes to cost accounting structures in City.
2. We could not replicate the FY 2008-09 data for any of the data sets as a starting point for development of an updated model.

Using current model with updated data

3. There are many technical ambiguities:
 - For example, should all cost objects be used, only active cost objects or just cost objects used in the prior year?
 - Some objects are not time delineated
 - The statuses of cost objects are available, but not likely managed strictly.

Using current model with updated data

- We found there were a number of exclusions and exceptions applied to data in the old model.
 - The data was adjusted on multiple levels. For example:
 - exclusions for funds, major cost objects, and certain commitment items in certain funds.
- We followed metrics as closely as possible and had to make assumptions along the way.

Updating current model with updated data

4. We had to make many assumptions. Primarily this was around how to deal with cost objects that can settle to more than one fund.
 - Cost Centers can have activity in multiple funds
 - Internal Orders can settle to many funds/Cost Centers
 - Some project systems objects (WBSE) can include activity from multiple funds and bureaus
 - This is the result of the model at first using IBIS center codes, where this wasn't an issue

Updating current model with updated data

We have prepared a cost allocation comparison report

- The FY 2014-15 Adopted IA vs. Current Model/Updated Data report is a comparison that as closely as possible matches the existing models assumptions, exclusions and exceptions.

Updating current model with updated data

- Notable FY 2014-15 Adopted IA vs. Current Model/Updated Data report assumptions:
 - Uses budget data and FTE counts from the prior year to develop the allocation, i.e. FY 2012-13 for the FY 2014-15 IA.
 - Uses only object data active and used in FY 2012-13.
 - Attempted to exclude the same types of funds, and/or apply treatment to the same types of activity, i.e. debt reduced 50%, transfers excluded, capital outlay reduced 50%, etc.

Updating current model with updated data

- Any use of current model would require processing of the assumptions with stakeholders.

Updating current model with updated data

- Results of report
 - Large cost increases would be seen by:
 - General Fund \$490,692 (primarily the result of a \$989,091 increase to Parks)
 - PBOT \$284,879
 - Spectator Facilities \$111,128
 - Large cost decreases would be seen by:
 - BES \$437,903
 - Water \$378,810
 - Police \$247,213
 - BDS \$120,001
 - Fire \$111,377



Fall BMP

Fall BMP

BTS intends to move forward with new cost allocation metrics (Modified General Fund metrics) for FY 2015-16.

- Request a FY 2015-16 CAL target adjustment during the Fall BuMP to hold General Fund bureaus harmless to the change in cost allocation metrics.
- The adjustment is estimated to be \$1.1M, although updated General Fund overhead model data will determine the final figure.



Questions?