

Other Department Indirect Costs

What are indirect costs?

The goal of the City is to provide services that improve the lives of Mesa residents and businesses. The City provides a number of essential services like public safety, streets, parks, and utilities. To provide these services, the City has departments that provide indirect support of these essential services, like human resources, accounting, and information technology. The City also has legacy costs related to retirement health benefits for former employees. The allocation of indirect costs is the method the City uses to ensure these support services are included in the cost of providing essential services to the public.

Why does the City allocate costs?

For Citywide consistency and efficiency, it makes sense to centralize certain internal services that all departments require. It would be inefficient for each City department to have a human resources division, a purchasing division, an information technology division, etc. Furthermore, to accurately reflect the true City cost of providing a service, all support costs should be included in the total cost of the service. For example, the City allocates indirect costs from support departments like human resources and information technology to the Water Enterprise fund. This ensures that the cost of providing water to Mesa residents and businesses not only includes the direct cost from the Water Resources Department needed to supply water, but also includes all the support services like information technology, purchasing, and accounting that ensures the City can operate a water utility. If all these support costs remained in the General Fund, it would inflate the costs in the General Fund and the cost of providing water utility services would not be accurate.

How does the City allocate costs?

To simplify the accounting for these support departments, most of them operate out of the General Fund. To allocate to the various operating funds in the City, a cost allocation, or split, occurs in a Centralized Appropriations department that credits (reduces) the expenses in the General Fund and debits (increases) expenses in each of the funds that the centralized department supports. If you look at a MesaStat fund report, you will see these expenses in the line "Indirect Department Costs". The City does not allocate these indirect costs to department budgets but rather to a Centralized Appropriations department to simplify the accounting for operating departments. The source accounting string and the accounting string for the credits and debits in centralized appropriations is shown in the table starting on page 3.

What are the departments that provide indirect support?

Business Services
City Attorney – Civil division
City Auditor
City Manager
ERP Management
Facilities Maintenance
Financial Services
Human Resources – Personnel and Safety Services divisions
Information Technology
Mayor and Council
Office of Management and Budget
Public Information and Communication

What are the other Indirect costs in a fund?

Post-employment retirement health insurance – The City of Mesa offers healthcare benefits to individuals who retire with the City of Mesa and have at least 20 years of services with the City. The benefits are paid by the fund from department in which the employee retired from

Contributions to Property and Public Liability Fund- The City of Mesa operates a property and public liability funds to cover claims, premiums, and other administrative cost for litigation. The trust is funded by an allocation of funds which include but are

not limited to the General Fund, Enterprise Fund, Special Revenue Fund, and investment earnings. The allocation of funding is determined by a 3-year average of the usage of the services.

Postage/Shipping – Costs related to mail, postage and shipping.

How is the split to funds determined?

Annually, the City approximates the work support departments provide to other areas of the City using several different bases. Certain support department costs are allocated based on the operating budget of the City. Employee specific services are split based on the funding source for FTEs in direct service areas. Other support departments have a reasonable methodology for determining the funds they support. The full basis is outlined on the next page:

Allocating Area	Department	Basis	Source Accounting String (Dept-Unit-Activity)	Results Accounting String (Dept-Unit-Activity)
Accounting	F140 - Financial Services	Operating expenses in the previous fiscal year per fund	F140-1250-1150/1151	F915-1250-1451
Business Services – Administration	F145 – Business Services	The percentages for this allocation are based on the split for other services provided by Business Services	F145-1450-1023	F915-1425-1451
Business Services – Business Office	F145 - Business Services	Percent of payments for each fund. CIS service order used to split Enterprise Fund.	F145-1450-1037	F915-1425-1451
Business Services – Mail Services	F145 – Business Services	FTE count of operating departments, not including support departments	F145-1450-1034	F915-1425-1451
Business Services – Payment Processing	F145 - Business Services	Payments processed for each fund	F145-1450-1039	F915-1425-1451
Business Services - Purchasing	F145 – Business Services	Purchase awards per fund over \$25,000	F145-1450-1025/1422	F915-1425-1451
Business Services – Space Planner	F145 - Business Services	Square footage of City buildings	F145-1450-1024	F915-1425-1451
Business Services – Tax Audit and Collections	F145 – Business Services	Based on sales tax split (83% GF, 17% LSST). Will change if sales tax rate changes	F145-1450-1035/1043/1044	F915-1425-1451
Business Services – Utility Account, CIS, and Billing	F145 - Business Services	CIS orders for each utility service	F145-1450-1038/1040/1041/1042	F915-1425-1451
Business Services – Warehouse Administration	F145 – Business Services	Number of items stored and checked-out of warehouse	F145-1450-1030/1031/10320 Fund 4005, not including cost of goods sold	F915-(various units)-1451 only appr 2
City Attorney – Civil Division	F120 – City Attorney	Customers of the department determined by City Attorney	F120-1100-1140/1141/1142/1143	F915-1100-1451
City Auditor	F115 - City Auditor	Operating budget, not including support departments	F115-1075-1002	F915-1075-1451

Allocating Area	Department	Basis	Source Accounting String (Dept-Unit-Activity)	Results Accounting String (Dept-Unit-Activity)
City Manager	F105 – City Manager	Operating budget, not including support departments	F105-1025-1003/1004/1005	F915-1025-1451
Enterprise Resource Planning (ERP)	F601 – Office of ERP Management	Operating budget, not including support departments	F601-6001-1507	F915-6001-1451
Facilities Maintenance - Building Maintenance	F170 – Facilities Maintenance	Square footage of City buildings	F170-1700-1097/1498	F915-1700-1451
Facilities Maintenance - Custodial	F170 – Facilities Maintenance	Square footage of City buildings requiring custodial services	F170-1700-1098	F915-1700-1451
Facilities Maintenance - Landscaping	F170 – Facilities Maintenance	Square footage of facilities requiring landscaping maintenance	F170-1700-1099	F915-1700-1451
Human Resources – Personnel Division	F150 – Human Resources	FTE count of operating departments, not including support departments	F150-1500-all activities	F915-1500-1451
Human Resources – Safety Services Division	F150 – Human Resources	FTE count of operating departments, not including support departments	F150-1525-all activities	F915-1500-1451
Information Technology - Administration, ERP services, Infrastructure Services, and Business Applications – General City Services	F155 – Information Technology Department	FTE count of operating departments, not including support departments	F155-1575-1276/1277/1278/1280	F915-1575-1451
Information Technology – Business Applications Utility Specific	F155 – Information Technology Department	Amount of service orders in CIS system from each utility. Analysis completed by Business Services.	F155-1575-1281	F915-1575-1451
Information Technology – Business Applications CMMS	F155 – Information Technology Department	CMMS users per department	F155-1575-1282	F915-1575-1451
Information Technology – Business Applications Falcon Field	F155 – Information Technology Department	100% of this allocation goes to the Falcon Field Fund (3004)	F155-1575-1283	F915-1575-1451 100% to Fund 3004
Information Technology - Business Applications - Specific City Services	F155 – Information Technology Department	FTE count of operating, non-utility departments, not including support departments	F155-1575-1284	F915-1575-1451
Mayor & Council	F100 – Mayor & Council	Operating budget, not including support departments	F100-1000-all dept activities	F915-1000-1451
Office of Management & Budget	F135 – Office of Management & Budget	Operating budget, not including support departments	F135-1225-1418/1419/1420 1153/1442	F915-1225-1451
Postage/Shipping	F145 – Business Services	Postage used by program/activity		F910-9025-1486

Allocating Area	Department	Basis	Source Accounting String (Dept-Unit-Activity)	Results Accounting String (Dept-Unit-Activity)
Post-Employment Benefits		Home department and fund of employees when they retired		F915-9030-1011
Property and Public Liability Fund	F120 – City Attorney	Amount of settled claims per operating area over past three years	F120-1100-1141 Fund 4008	F915-9030-1012
Public Information and Communication	F125 – Public Information and Communication	Customers of the department determined by Public Information and Communication	F125-1150-1508/1509	F915-1150-1451

For more information on the actuals, please visit our [open data portal's site](#).