

**Proposed IT Cost Allocation System for the City of Menasha
July 5, 2010**

At the request of the IT Steering Committee, the Information Services Department, in conjunction with Common Sense Solutions, has developed a method for allocating IT costs within the City of Menasha government back to the user departments. The method described below would reallocate all of the expenses from the Information Services Department back to the individual user departments based on one of the following criteria:

- 1. Per user (these are the costs that can be associated with the number of users in a particular department and the level of support they require)**
- 2. Per personal computer (these are the costs that can be associated with the physical number of personal computers in a department)**
- 3. Direct costs (these are the items that are used exclusively by one department).**

The analysis shown in Attachment A will indicate which line items from the Information Services Department budget would fall into which of the above categories. It also shows the percent participation by each department in the various cost pools and identifies those items that would have been charged directly to a particular department had this system been used in conjunction with the 2010 budget.

Attchment B shows the actual dollar amounts by account number that would have been used if the 2010 budget had been allocated under this system.

Attachment C shows the hypothetical recap of IT Services expenses by department that would have resulted by using this system in 2010.

By re-allocating the IT expenses, it will allow a more equitable reimbursement to the City of costs that can be recovered by the City from various sources including the State government, Federal government and grants that the City may receive from time to time. While obtaining a better rate of cost reimbursement to the City is the overall goal of this project, we also wanted to develop a system that would not create an undo administrative burden for the Information Services Department or the Finance Department. A third, and equally important objective, was to still be able to present the IT Steering Committee, the Mayor, and the City Council with a complete picture of the total cost of information technology to the City of Menasha. We believe the system described below accomplishes all of those objectives.

The proposed system would function in the following manner:

- 1. The Information Services (IS) Department would continue to have the sole responsibility for acquiring all computer related hardware, software and services for the entire City of Menasha operation. It should be noted that this does include departmental uses of systems available on the Internet and from other sources-- whether there is a charge for such services or not. This is necessary to maintain the integrity and security of the City's rather extensive information technology infrastructure. The IS Department would continue to have the responsibility for managing these resources throughout the City's operations and departments.**
- 2. The IS Department would annually develop the budget for all computer related costs for the City of Menasha as it does now by consulting with all user departments at to their IT needs for the following year. This budget request would be supplemented with a breakdown by department of what each departments share, on a percentage basis, would be of the user related costs, the PC related costs and any direct costs to that department. All of the existing approval processes for the IT budget for the City would remain the same (submitted to the IT Steering Committee for recommendations and approval, sent to the Mayor for approval, and finally to the City Council for approval).**
- 3. Once the budget receives final approval from the City Council, the Finance Department would use the percentages, and direct costs, described above to make monthly journal entries to redistribute the costs accumulated for that month in the accounts of the IS Department back to the respective user departments. The budgets of the user departments would be adjusted to reflect the reallocation of these costs.**
- 4. "Special projects" undertaken by the IS Department for specific departments that are significant in size would be "charged out" based on the estimated cost of the project using a billing rate developed by taking all the wage related and personnel overhead costs of the IT Department and dividing by 3900 (two full time equivalent personnel). Such projects would then be approved and the dollar amount removed from the other departments "user based" costs in their budgets and placed in the designated user departments "user based "cost budget. These charges would be charged to the user department involved on a monthly basis on a "percentage of completion" basis until the project is complete.**

Since these charges would be going to a specific department, they would be removed from the "pool" of charges that is allocated on a per user basis before the percentage allocation of the remaining "per user" charges is applied.

We believe that the system described above will accomplish all three stated objectives and with a minimal amount of additional administrative work.

Proposed City of Menasha IT Cost Allocation Model
July 5, 2010

Percent allocation/department of PC based and User based costs

<u>Department</u>	<u>PC Percentage</u>	<u>User Percentage</u>
Human Resources	2%	2%
City Clerk	4%	3%
Mayor	1%	1%
City Attorney	1%	1%
Health Department	12%	10%
Senior Center	9%	3%
Community Development	5%	5%
Park and Rec Dept.	8%	8%
Public Works	16%	14%
Police Department	31%	41%
Finance Department	7%	6%
City Assessor	1%	3%
Library	3%	3%

Information Systems expense line items included in User based cost pool

Salaries-10-02	Dues/Memberships/Licenses-32-01
Health Insurance-15-01	Mileage-43-01
Life Insurance-15-02	Registrations-34-02
Dental Insurance-15-03	Lodging/Meals-34-03
Retirement-15-04	Other Expenses-34-04
FICA-15-05	Liability Insurance-51-04
Vision Insurance-15-07	
Workers Comp-15-08	
Telephone-22-01	
Other Municipal Entities-25-01	
Printing-29-01	
Vehicle/Equipment Rental-29-05	
Office-30-10	
Postage-30-11	

Information Systems expense items included in PC based cost pool

Professional Services-21-04
(includes Outsourcing, Optic Fiber Rental, Internet Access, and Cabling)

Annual Software Maintenance--24-04
(only includes Barracuda Spam Blocker and HTE--remaining software maintenance agreements are charged direct to the respective user department as outlined later in this document)

Supplies--Tool & Equipment-30-15(software licenses/computer hardware)
(in 2010, it would have included the following: Office Suite 2007, Training video for Office Suite 2007 and Emergency Replacement Equipment--the remaining items in 2010 would have been charged directly to the respective user departments as outlined later in this document)

Computer--30-12

Computer Equipment--80-01 (unless it is specialized equipment for one department--that would be typically not be usable by other departments--then it is charged directly to that department)

Office Equipment-80-04 (unless it is specialized equipment for one department that would not be usable by other departments--then it is charged directly to that department)

Information Systems expenses that would be charged directly to a department

Below, using the 2010 budget items, are examples of items that would be charged directly to a user department:

Annual software maintenance costs-24-04:

Win Wam--Health Dept.

City of Neenah Tax System--Finance Dept.

Arc View--Finance Dept.

Govern--Community Development Dept.

Land Desktop--Public Works Dept

CarteGraph--Public Works Dept.

Safari--Park & Rec Dept.

MarketDrive--Assessor Dept.

T2 parking--Police Dept.

Livescan Fingerprint--Police Dept.

Oce Plotter--Public Works Dept.

Cemetery--Park & Rec Dept.

Supplies--Tools & Equipment-30-15 (software licenses/computer hardware)

Diagnostic software PWF--Public Works Dept.

Panasonic Toughbook--Police Dept.

Pentax Thermal Printer--Police Dept.

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Attachment B

City of Menasha IT Cost Allocation by Pool

For purposes of example, below is the allocation of the 2010 IT Department budget by "pool" (user based, pc based, and charged direct to a user department:

<u>User based costs</u>		<u>PC based costs</u>			
<u>Acct</u>	<u>Dollar Amount</u>	<u>Acct</u>	<u>Dollar Amount</u>		
10-02	\$117,715	21-04	\$ 49,750		
15-01	10,675	24-04	29,274		
15-02	134	30-12	75		
15-03	775	30-15	21,170		
15-04	12,948	80-01	0		
15-05	9,005	80-04	<u>9,900</u>		
15-07	50		\$110,169		
15-08	295		<u>Direct Costs</u>		
22-01	2,200	<u>Department</u>	<u>Acct</u>	<u>Item</u>	<u>Amount</u>
25-01	0	Finance	24-04	Tax System	\$2,500
29-01	100	Health	24-04	Winwam	650
29-05	2,000	Comm. Dev.	24-04	Govern	4,900
30-10	75			Arc View	3,000
30-11	100	Public Works	24-04	Land Desktop	3,976
32-01	50			Carte Graph	1,000
43-01	0			OCE Plotter	2,340
34-02	4,500		30-15	PWF	1,400
34-03	2,500	Park & Rec	24-04	Safari	4,500
34-04	2,400			Cemetery	1,000
51-04	<u>1,300</u>	Police	24-04	T2 Parking	900
	\$166,822			Fingerprint	3,500
<u>Recap</u>			30-15	Tough Book PC	3,800
User Based	\$166,822			Thermal Printer	300
PC Based	110,169	Assessor	24-04	Market Drive	<u>4,500</u>
Direct Chgs	<u>38,266</u>				\$ 38,266
Total	\$315,257				

Attachment C

Hypothetical 2010 IT Services Cost by Department

<u>Department</u>	<u>UserBased Cost</u>	<u>PC Based Cost</u>	<u>Direct Cost</u>	<u>Total Cost</u>
Human Resources	\$ 3,336	\$ 2,203	\$	\$ 5,539
City Clerk	5,005	4,407		9,412
Mayor	1,668	1,102		2,770
City Attorney	1,668	1,102		2,770
Health Department	16,682	13,220	650	30,552
Senior Center	5,005	9,915		14,920
Community Development	8,341	5,508	4,900	18,749
Park & Rec	13,346	8,814	5,500	27,660
Public Works	23,355	17,628	8,716	49,699
Police	68,396	34,150	8,500	111,046
Finance	10,010	7,712	5,500	23,222
Library	5,005	3,306		8,311
City Assessor	<u>5,005</u>	<u>1,102</u>	<u>4,500</u>	<u>10,607</u>
Total IT Costs	\$ 166,822	\$110,169	\$ 38,266	\$ 315,257