

KSGFOA Newsletter

Kansas Government Finance Officers Association



Quarterly Newsletter of the Kansas Government Finance Officers Association • 2007, Nov. 4

2008 Board of Directors

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Ron Ahsmuhs, Director of Finance • City of Newton
316-284-6019 • rahsmuhs@newtonkansas.com

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• Johnson County
913-715-0525 • Linda.Wood@jocogov.org

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913-971-6442 • bhart@olatheks.org

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316-660-7591 • tbruun@sedgwick.gov

Other Board Members

Term expiration in parentheses

Robin Cook (2009), Assistant Budget Director • Johnson
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913-715-0555 • robin.cook@jocogov.org

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Jean Epperson (2008), City Clerk/Director of Finance • City
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316-788-1519 • jeanepperson@derbyweb.com

Karen Kindle (2010), Finance Director • City of Prairie
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Larry Lindgren (2008), Finance Director • City of
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Mark Loughry (2009), Assistant City Manager • City of
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785-628-7300 • mloughry@haysusa.com

GFOA Representative

Troy Bruun (2008), Deputy Chief Financial Officer •
Sedgwick County
316-660-7591 • tbruun@sedgwick.gov

WSU Affiliates

Bart Hildreth, Kansas Regents Distinguished Professor of
Public Finance • Wichita State University

President's Message

Ron Ahsmuhs, Director of Finance, City of Newton

Congratulations and thank you to Maureen Rogers for a very successful year in 2007.

Thanks to all who made our KSGFOA 8th Annual Fall Professional Conference a successful event. From the professionalism and expertise of our presenters to the accommodations at the Sheraton in Overland Park, it was a great experience for all who attended. Of special interest was a visit and inspiring message from Charles Cox, the 2007 GFOA President. We also wish to again thank our Sponsors and Vendors for their continued support of our organization. Without their help our conference could not maintain the high level of professionalism that we enjoy.

KSGFOA experienced exceptional growth in membership in 2007 thanks to Ben Hart, the membership committee and all of you who promoted our organization. I would like to challenge each of you to sign up one new member in 2008. Surely each of us can think of one individual that would benefit from the many offerings of our organization. In addition to all of the educational and networking opportunities associated with the KSGFOA, we're a lot of fun to be around. Get out there and sign one (or more) up.

As with the beginning of any new year, 2008 will bring new challenges and opportunities to each and all of us. Ben Hart and colleagues are looking into the possibility of expanding the summer conference into a two day event that would appeal not only to finance types, but also to other government management and elected officials from Kansas as well as other states. Additional information will be released as the planning process continues.

I look forward to 2008 and the opportunity to work with all of you. KSGFOA is a great organization because of its members and the effort you put forth to grow the organization.

Ron Ahsmuhs is the 2008 President for KSGFOA and is the Director of Finance for the City of Newton. Ron may be contacted by phone at (316) 284-6019 or e-mail to rahsmuhs@newtonkansas.com.

Getting The Most Out Of Cost Allocation

by Brett Schyler, Director of MAXIMUS, Inc.

Cost allocation is a topic that most governments know as a way to enhance recoveries from grant programs, or as support for enterprise fund transfers back to the general fund. But cost allocation has a variety of other uses for governments including evaluation of service organizations and providing financial information for decision makers beyond what is available thru traditional accounting methods.

Cost allocation can be defined as a distribution of costs incurred for a common purpose to the cost objectives that benefit from the expenditure. These common costs are aggregated into cost pools of like services; relevant statistical measures are chosen for each cost pool; and those statistics are then applied to the cost pools to determine what portion of the common costs are attributable to each cost objective. The cost objectives are usually funds or departments, but can also be more specific – often down to the service level within a department.

For example, payroll services are often centralized within a single governmental department, yet the costs incurred by this department benefit many other departments within the organization. A reasonable statistical measure to allocate an annual payroll cost pool would be the number of paychecks issued over the course of a year, let's use 20,000 for our example. So a cost objective that had 1,200 total paychecks issued to its employees would be responsible for 6% of the payroll cost pool. This same calculation can be repeated for each cost pool to be allocated.

Once the allocations have been completed, there is much more to be learned from the results than it would initially appear. Assuming the total costs of our payroll cost pool in the example above were \$66,000, we can calculate that the cost per paycheck issued was \$3.30. This per unit cost figure provides the decision-makers within an organization a starting point to determine how effectively it is performing its payroll function. Are the costs in line with expectations? Would the organization pay more or less for the service if it were to be outsourced?

Additionally, we also now know that our cost objective in the example above is responsible for \$3,960 of the payroll costs (\$66,000 * 6%). Assuming our cost objective in this case is a Water Department, the allocated payroll costs, and all other allocated costs, can be included with the direct operating costs of the department when customer rates are being developed. Even though the allocated costs aren't expended from the Water Department, they are an important part of their operations and it is only thru cost allocation that the benefit received by the Water Department can be quantified and ultimately passed onto their customers.

Similarly, if the cost allocations are done at a detailed level, the amount of payroll costs attributable to an individual service type – such as building inspections – can be captured and included in the cost calculations when setting user fees. In some cases, costs will be allocated to services, such as those within a Recreation Department that typically will not recover all of its costs thru fees. Though the allocated costs may not be recovered thru fees, their

inclusion in cost calculations provides the decision-makers with a more complete picture of what the true General Fund subsidy amounts are as they determine fee levels.

Cost allocation certainly isn't the magic bullet that can answer all of an organization's questions, but it does provide valuable financial data that isn't typically available thru the normal accounting process.

Brett Schyler is the Director of MAXIMUS, Inc. He may be contacted by phone at (800) MAXIMUS.

KSGFOA Membership Committee Update

by Ben Hart, Director of Strategic Financial Management, City of Olathe

Not a lot going on from this corner as the holidays have snuck up on us yet again. Dues notices have gone out early this year so you have the opportunity to pay them with this year or next year's budgets!

If you missed the fall conference it was an enormous success at a brand new venue. Good work Ron for putting that together.

Ron Ahsmuhs, Newton – President

Linda Wood, Johnson County – Vice President

Ben Hart, Olathe – Secretary

Troy Bruun, Sedgwick County – Treasurer

The remaining board members for 2008 are:

Larry Lindgren, Lindsborg

Jean Epperson, Derby

Robin Cook, Johnson County

Mark Loughry, Hays

Karen Kindle, Prairie Village

Jill Grube, Lenexa

If you want to get involved in any way with the board please do not hesitate to contact me or any of the board members!

Ben Hart is the Director of Strategic Financial Management for the City of Olathe. Ben can be contacted by phone at (913) 971-6442 or e-mail to bhart@olatheks.org.

Upcoming Events

13th Annual Midwest Regional Public Finance Conference

February 20-22, 2008

Wichita Marriott Hotel

58th Annual City Clerks and Municipal Finance Officers

Spring Conference

March 11-14, 2008

Wichita, Kansas

Government Finance Officers Association

102nd Annual Conference

June 15-18, 2008

Fort Lauderdale, Florida

Classified Advertising

City Manager

The City of Fort Scott (pop. 8,400) is seeking candidates for the position of City Manager. Fort Scott is a full-service, county seat community in Southeast Kansas located 85 miles south of Overland Park. The City is a historic community operating police, fire, streets, parks, and utility departments. The City operates under a five-member commission/manager form of government with a \$10.8 million budget and 85 full-time employees. The candidate should have knowledge and experience in finance and budgeting, project development, and growth management. Essential qualities should include strong communication, leadership, and consensus building. A bachelor's degree is required; a master's degree in public administration is preferred. Five to ten years of increasingly responsible municipal management experience is required. Salary is negotiable. Submit cover letter, resume, salary history, and three work related references to Diane Clay, City Clerk, P. O. Box 151, Fort Scott, Kansas 66701 by January 31, 2008.