

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 061047

Formally establishing a financial policy for the City of Kansas City Missouri to address the direct and indirect allocation of costs incurred for City capital improvement projects.

WHEREAS, in FY 1987-88 the City of Kansas City began to recover the costs associated with administering and managing the City's capital improvement programs by charging those costs against the capital projects where the expense was incurred; and

WHEREAS, from 1988 through the first part of this century, the City's annual budget for capital improvement projects more than quadrupled without a corresponding increase in the City staffing necessary to properly administer and deliver on a timely basis those new projects; and

WHEREAS, beginning in FY 2003-04, the City undertook several efforts to accelerate and improve the delivery of capital projects by reorganizing and adjusting the staffing necessary to better plan, develop, procure, manage, and inspect the construction of City assets; and

WHEREAS, the charging of capital projects for costs incurred in support of the City's capital improvement program and which otherwise would not be an expense incurred by the City are the most efficient use of scarce City resources; and

WHEREAS, the direct and indirect costs associated with the administration and oversight of these capital projects total approximately \$16.0 million in FY 2006-07; and

WHEREAS, the allocation of applicable direct costs and indirect costs to capital projects is commonly done throughout the public and private sectors, is an allowable practice under generally accepted accounting principles (GAAP), and is allowable under the provisions of Federal Circular A-87 as promulgated by the U.S. Office of Management and Budget (OMB); NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the City Council does hereby reaffirm and formally approve the City's budgetary practice since FY 1987-88 of charging to capital projects all reasonable and appropriate direct and indirect costs associated with management and delivery of the City's capital improvement program.

Section 2. That all direct and indirect costs charged to capital projects will only be for expenses that would not otherwise be incurred if not for the construction of the capital project by the City.

Section 3. That the City shall allocate all direct costs based on the actual staff time spent working on the capital project and all indirect costs charged to a capital project shall be allocated to projects only in proportion to the direct costs incurred. These

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allocations shall follow the allowable cost principles outlined in U.S. O.M.B. Circular A-87 where applicable as well as all other appropriate generally accepted accounting principles.

Section 4. That the City Manager shall annually report to the City Council as part of the City Manager's annual budget recommendation, an estimate of the costs associated with management and effective delivery of the City's capital improvement projects, as well as the indirect rate or multiplier to be charged to all projects. These estimated costs shall be subject to annual review by the City Council.

Section 5. That the City Manager shall direct all City departments involved in the construction of capital projects to include an estimate of the total direct and indirect costs to be incurred as part of their annual capital project budget submittal.
