

MOUNTAINS RECREATION AND CONSERVATION AUTHORITY (MRCA)

COST ALLOCATION PLAN

Effective July 1, 2004

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COST ALLOCATION PLAN (CAP)

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Mountains Recreation and Conservation Authority Cost Allocation Plan

Overview

This cost allocation plan (CAP) is adopted by the MRCA in order to ensure that all contracts, grants and activities of the MRCA bear their fair share of indirect costs. This plan is in accordance with OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

The purpose of the CAP is to allocate and record costs in the general ledger on an equitable basis to all contracts, grants and activities. This is accomplished by:

- A chart of accounts and general ledger system that allow for direct costs and indirect costs to be recorded at the time of payment.
- A monthly time system that identifies and captures actual hours worked by all personnel on specific contracts, grants and activities.
- A monthly allocation of indirect expense based on an equitable methodology.

Background

Purpose

The Mountain Recreation and Conservation Authority (MRCA) is a joint powers agency created by the Santa Monica Mountain Conservancy (the Conservancy), Conejo Recreation and Park District (Conejo District) and Rancho Simi Recreation and Park District (Simi District). The purpose of the MRCA is to acquire, develop and conserve park and open space lands with special emphasis on recreation and conservation projects and the protection and conservation of watersheds and development of river parkways. The MRCA employs natural resources and planning staff and administrative personnel, educational interpretation staff and rangers who are dedicated both to the safety of visitors, natural preservation of parks and lands and park staff.

Scope

The cost allocation plan is applicable to all activities for which the MRCA is accountable through grants, subgrants, contract awards and donations, and governs the methods by which allowable direct and indirect costs are charged to those activities.

Organization

Legal Status

The MRCA was established on June 27, 1985, under a joint powers agreement entered into by the Santa Monica Mountain Conservancy and the Conejo Recreation and Park District for the purpose of acquiring, developing and conserving additional park and green space lands. This agreement was entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Section 6500) of the Government Code relating to the joint exercise of powers. A “joint powers” entity is a government entity created under state law that allows two or more government agencies to combine forces to “jointly” exercise their powers with respect to a specific purpose or set of objectives. These government agencies function as legally separate entities with their own governing boards. The Rancho Simi Recreation and Park District became party to the joint powers agreement on August 3, 1987.

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Mission

Through direct action and alliances, partnerships, and joint powers authorities, the MRCA's mission is to strategically buy back, preserve, protect, restore, and enhance treasured pieces of Southern California to form an interlinking system of urban, rural, and river parks; open space; trails; and wildlife habitats that are easily accessible to the general public. As the stewards of lands acquired by the MRCA directly and for the Conservancy, the other major objective is to manage the resources through a maintenance and ranger services program enhanced with interpretive education programs.

Structure & Function

Governing Board

The MRCA is governed by its Governing Board, which consists of four members, appointed as follows:

- One member shall be the member of the Advisory Committee to the Conservancy serving as the designee of the Conejo District.
- One member shall be the General Manager of the Simi District or an employee designated by him.
- One member shall be a member of the Conservancy as designated by the Conservancy.
- One member who is not a member of the Conservancy shall be at-large and appointed by the Governing Board for a term of four years.

Executive Function

- The MRCA is administered by the Executive Officer who performs the functions stated in Government Code Section 6505; provided that, any agreement or memorandum between the MRCA and the Conservancy or the Districts, or any of them, shall be executed on behalf of the MRCA by the Chairperson or in the absence or inability of the Chairperson to act, by the Vice Chairperson.

Fiscal Function

The General Manager of the Conejo District is the acting treasurer and controller of the MRCA and is designated as the Financial Officer of the MRCA and performs the functions stated in Government Code Section 6505.5, including quarterly reports on funds held, receipts and disbursements. An Assistant Financial Officer is appointed by the General Manager. This official is responsible for the fiscal administration of any grants or contracts between the MRCA and other entities. In addition, the Assistant Financial Officer supervises the accounts receivable and accounts payable staff and is responsible for the authorization of all expenditures, approval of billings, and approval of invoices. The Assistant Financial Officer will report quarterly to the MRCA governing board on the status of grant projects and expenditures.

Program Functions (Divisions)

Capital/Construction (729)

- Acquires land and capital assets.
- Oversees capital improvement projects.

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Maintenance and Operations (760 and 780)

- Assures that all MRCA owned and managed parkland, open space and facilities are well maintained and safe for public use.
- Provide law enforcement, fire protection, emergency medical aid, park maintenance, and natural resource management.

Education and Interpretation (770)

- Develop and provide educational and interpretive programs.
- Responsible for community outreach, interpretive materials and publication development.

Acquisition and Legal Services/Natural Resources and Planning (720)

- Provides all legal and real estate services related to appraisals and sale contracts, leases, easements, donations, escrow and title matters.
- Responsible for open meeting laws, CEQA compliance, bidding, contracts and litigation matters.
- Prioritizes and negotiates land acquisitions and provides resource management guidance and mapping services.
- Plans and designs park development projects.

Finance and Administration (710)

- Responsible for overseeing the fiscal activities of the MRCA including accounts payable, accounts receivable, budget development and monitoring as well as financial analysis.
- Handles all administration, contract services and human resource related matters.

Types of Costs

In the administration, management and operation of its various contracts and programs, the MRCA incurs a variety of costs that include items such as acquisition of land, improvements to parkland, operation of interpretative education programs, maintenance of parks, administration, rent, equipment purchases, leases and related items. For purposes of this cost allocation plan, such costs are categorized as either direct or indirect according to their relationship to one or more cost objectives.

Direct Costs

Definition

A direct cost is defined as an allowable cost which is incurred for a specific purpose and benefits a single cost objective (for example: Capital/Construction, Maintenance and Operations, and Education and Interpretation). Direct costs are charged to the appropriate cost objective (project and/or sub-project codes) and type of cost (account code) as they are incurred; they are not subject to pooling or subsequent allocation among multiple objectives.

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Examples of direct costs include:

- Land acquisition costs
- Salaries paid for the maintenance of parks
- Contract services
- Direct travel

Pooled Costs

Definition

Pooled costs are those indirect costs, which benefit two or more cost objectives. Such costs must be distributed or allocated to the benefiting cost objectives on a fair and equitable basis. Typical acceptable bases for allocating indirect cost include direct salaries and/or total direct costs.

Examples of pooled costs include:

General Overhead Pool

- Administrative salaries
- Consumable supplies
- Contract services
- Insurance
- Utilities
- Multi-purpose equipment

Fringe Benefit Pool

- Fringe Benefits (including vacation and sick leave)

Transportation Pool

- Vehicle and transportation cost

Unallowable Costs

Definition

Unallowable costs, as defined in law, regulations, contracts, etc. are not included in the indirect cost pool.

Reallocation of Costs

Definition

Allocated costs that exceed the amount of a specific contract or grant are not reallocated to other programs. These costs must be absorbed by unrestricted funds.

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Cost Allocation

Methodology

Direct Costs:

MRCA's final cost objectives are: Acquisition and Legal Services/Natural Resources and Planning, Capital/Construction, Maintenance and Operations, and Education and Interpretation:

- The acquisition and legal services/natural resources and planning represents the cost objective of planning for construction and acquisition.
- The capital/construction cost objective represents costs incurred for the acquisition and improvement of land and property.
- The maintenance and operations projects represent all direct costs incurred for the maintenance and operations of land or property.
- The education and interpretation represents educational, public access and resource stewardship components that best serves the public, protects habitat and provides recreational opportunities.

A report of direct project and sub-project costs is generated from the general ledger on a monthly basis. This report is categorized by the following accounts for the divisions stated above:

- Personnel (2001-2007)
- Contract Services (2020-2080)
- Operating expenses (3001-3330)
- Grants (4000)
- Land & Improvements (5110-5111)
- Equipment (6510-6590)

Indirect Costs:

All costs not recorded as directly benefiting a specific final cost objective are recorded in one of the following cost pools for allocation to final cost objectives:

Cost Pools

The MRCA employs the following indirect cost pools:

- General overhead pool
- Fringe benefits pool:
 - 2004 – 000 Benefit
 - 2004 – 002 Health
 - 2005 – 000 Payroll Taxes
 - 2006 – 000 Workers Compensation
 - 2007 – 000 Retirement Benefits
 - 2008 – 000 Holiday
 - 2009 – 000 Vacation/Sick
- Transportation pool.

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Allocation Bases

- The general overhead pool is allocated to all projects based on the amount of total direct salaries incurred for a specific project
- The fringe benefits pool is allocated to all projects and divisions based on the amount of total direct salaries incurred for a specific project. A rate based on average cost for benefits, including the annual cost of holiday, vacation and sick leave is charged as a percentage of direct salaries on a monthly basis.
- The transportation cost pool is allocated to all divisions and projects based on the actual reported monthly hours of each individual assigned a vehicle.

General Overhead Billing Rate and Adjustment to Actual

The MRCA utilizes an overhead billing rate based on prior years actual after adjustment for known changes in the current fiscal year. The billing rate will be adjusted to actual at the end of each fiscal year. (See Exhibit A for fiscal year 2005 Rate)

Fringe Benefit Billing Rate and Adjustment to Actual

The MRCA utilizes a fringe benefit billing rate based on prior year actual after adjustment for known changes in the current fiscal year. The billing rate will be adjusted to actual at the end of each fiscal year. (See Exhibit B for fiscal year 2005 Rate)

**Mountains Recreation and Conservation Authority
Cost Allocation Plan**

Exhibit A

Administrative Overhead Rate Calculation -- FY 2004-2005

OH Rate = OH Expenses / Total Direct Salaries

Total Direct Salaries (excluding Division 710)	\$ 3,182,312	(A)
Total Administrative Overhead	\$ 1,736,777	(B)

OH Rate = (B) / (A) = 55%

Schedule of Administrative Overhead

Total Personnel	\$ 418,607
Total Contract Services.	\$ 662,461
Total Operating Expenses	\$ 363,200
Total Equipment	\$ 292,509
Total OH Pool	<u>\$ 1,736,777</u>

**Mountains Recreation and Conservation Authority
Cost Allocation Plan**

Exhibit B

MRCA Fringe Benefit Calculation -- FY 2004-2005

Allocation Rate = Fringe Benefits / Total Direct Salaries

Total Direct Salaries (excluding Division 710)	\$ 3,182,312	(A)
Total Fringe Benefits	\$ 1,551,848	(B)

Fringe Benefit Allocation Rate =	(B)	/	(A)	=	49%
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Schedule of Fringe Benefits

2004 000 - Medical / Dental / Vision	\$ 270,820
2005 000 - Payroll Taxes	\$ 100,264
2006 000 - Workers Compensation	\$ 156,279
2007 000 - Retirement Benefits	\$ 462,901
Holiday / Vacation / Sick (15% of Salaries)	\$ 561,584
Total Fringe Benefits Pool	<u><u>\$ 1,551,848</u></u>