



INDIRECT COST RECOVERY FROM SPECIAL REVENUE AND ENTERPRISE FUNDS

March 12, 2013

County of Fairfax, Virginia

Indirect Cost Recovery

- Consistent with the October 2012 Audit Committee direction, the Department of Management and Budget reviewed opportunities to recover indirect cost from special revenue and enterprise funds
 - Identify central service support provided by General Fund agencies that were not currently paid for by the special revenue or enterprise funds
 - Funding to pay for this support could be available as a transfer to the General Fund from the other funds
- The FY 2013 approved Indirect Cost Rate of 11 percent was used by DMB as the basis for the review
 - Rate is approved by the Federal government and applied as allowed for Federal grants
 - Rate is applied as a percent of Personnel Services Costs
 - Rate is based on analysis of central costs such as budget/finance/purchasing/human resources and other administrative services

Indirect Cost Recovery (continued)

- All special revenue and enterprise funds with Personnel Services were reviewed
- Initial review excluded funds due to:
 - Primary support by the General Fund (i.e., Fairfax-Falls Church Community Services Board)
 - Federal funding restrictions (i.e., CDBG and HOME funds)
 - Separate community center tax district status (i.e., McLean, Reston and Burgundy Village Community Centers)
 - Significant funding limitations (i.e., Fairfax County Rental Program, Housing Partnerships, County and Regional Transportation Project Fund)

Indirect Cost Recovery (continued)

- Next step included input provided by County staff to determine impact of the application of the Indirect Cost Rate
 - Payments already made by the fund to the General Fund (i.e., Cable Communications)
 - Impact on rate setting (i.e., Solid Waste and Wastewater)
 - Depletion of necessary reserves (i.e., Wastewater and Parks)
- FY 2014 recommendations were made to ensure:
 - No impact on service delivery requirements of affected funds
 - No need to increase rates specifically to fund the transfer

FY 2014 Budget Recommendation

Final recommendation from the County Executive for inclusion in the FY 2014 Advertised Budget Plan is \$5 million.

The funding is transferred from 8 funds as follows:

• Fund 40080, Integrated Pest management	\$ 138,000
• Fund 40100, Stormwater Services	\$1,000,000
• Fund 40140, Refuse Collection & Recycling	\$ 535,000
• Fund 40150, Refuse Disposal	\$ 535,000
• Fund 40160, ERRF	\$ 42,000
• Fund 40170, I-95 Refuse Disposal	\$ 175,000
• Fund 69010, Sewer Operation & Maintenance	\$1,800,000
• Fund 80000, Park Revenue	\$ 775,000

Next steps

- Annual review of appropriate level of Indirect Cost recovery/possible use of Full Cost Allocation Plan in future
- Evaluation of the impact of the transfer
 - No degradation of service
 - No impact on rate requirements
- Review of possible expansion to other funds in future if circumstances excluding them change