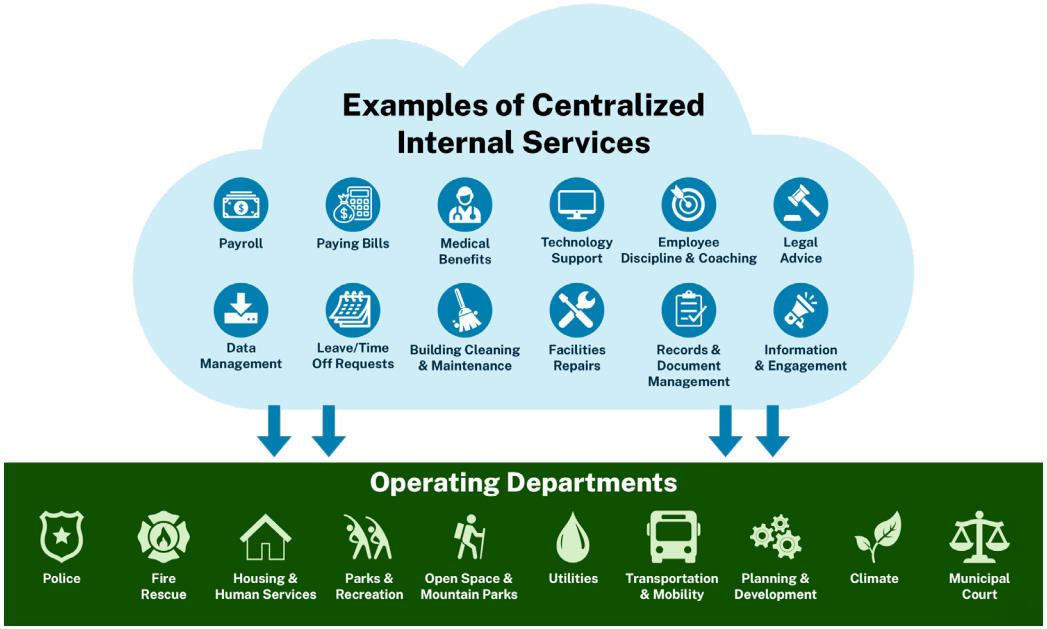
City of Boulder Cost Allocation

How Support Services Costs are Fairly Shared Across the City

Our Goal

Ensure every department pays its fair share for the support services they use, so more resources can go toward serving the community.



What is Cost Allocation?

- The city uses a cost allocation model to distribute the costs of central support services (like legal, finance, HR, IT, and management) across departments. The city's practices comply with federal standards.
- These services help operating departments focus on direct services for the community.

How Does it Work?

1. **Identify Costs:** Determine the total cost of central support functions annually, which can fluctuate from year-to-year based on factors such as wages and benefits, inflation, changes in regulations and increases in insurance premiums.
2. **Choose a Fair Method:** Use a "distribution factor" to measure how much each department uses the service.
3. **Allocate Costs:** Share the costs across operating departments and funds based on that measurement.

Examples of Distribution Factors

- **Number of Employees (FTEs):** Based on the number of full-time equivalent staff.
- **Department Budget:** Based on modified total direct costs (excluding capital, debt, and transfers).
- **Activity Measures:** Examples include: number of purchase orders, paychecks issued, agenda items, facility square footage, etc.

Key Numbers (2026-2027)

Total allocable costs across all central services:

$50.3 million

Cost Example	Total Allocable Cost	% of Total Allocable Cost Distributed
Payroll	$418,632	0.83%
Property Insurance	$6,474,567	12.88%
Human Resources	$4,445,790	8.84%

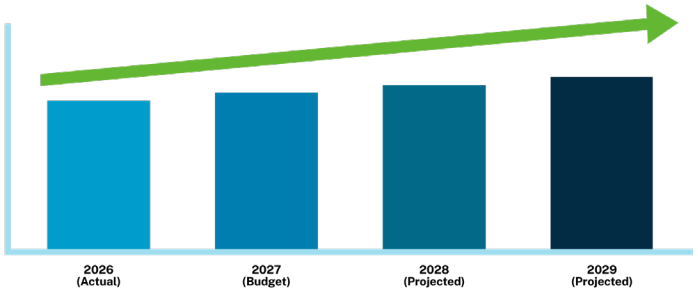
Recent Changes

- The model is now updated every year to keep costs accurate and based on the most up-to-date information.
- The 2024 update (used for the 2025 Budget) increased costs due to overall budget growth and higher costs in areas like insurance.
- To help manage the increase, the General Fund provided temporary subsidies to several funds:

Funds Receiving Subsidy	Subsidy Period
Open Space Fund	3 years (2025-2027)
Climate Tax Fund	1 year (2025)
0.25 Sales Tax Fund (Parks)	1 year (2025)
Transportation Fund	1 year (2025)

Outyear Projections

- Outyear projections across all operating funds are estimated at 5% annual growth.
- These projections are for planning purposes only and are updated every year.
- Actual costs may change based on city needs, services and other factors.



Which Funds Pay?

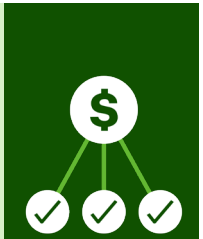
Most city funds pay their share of central service costs.

Included: General Fund (pays about 50% of total costs each year), Special Revenue Funds, Enterprise Funds, Internal Service Funds (except Internal Insurance), and other operating funds.

Excluded: Recreation Activity Fund (receives 100% subsidy from the General Fund), Capital Project Funds, Debt Service Funds, and Internal Insurance Funds.

Why This Matters

Cost allocation ensures fairness, transparency and accurate budgeting — so more resources support the services our community values.



Questions? Contact the Budget Office
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More information:
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