

EXHIBIT A

**CLERK-RECORDER-ASSESSOR DEPARTMENT
COST RECOVERY METHOD**



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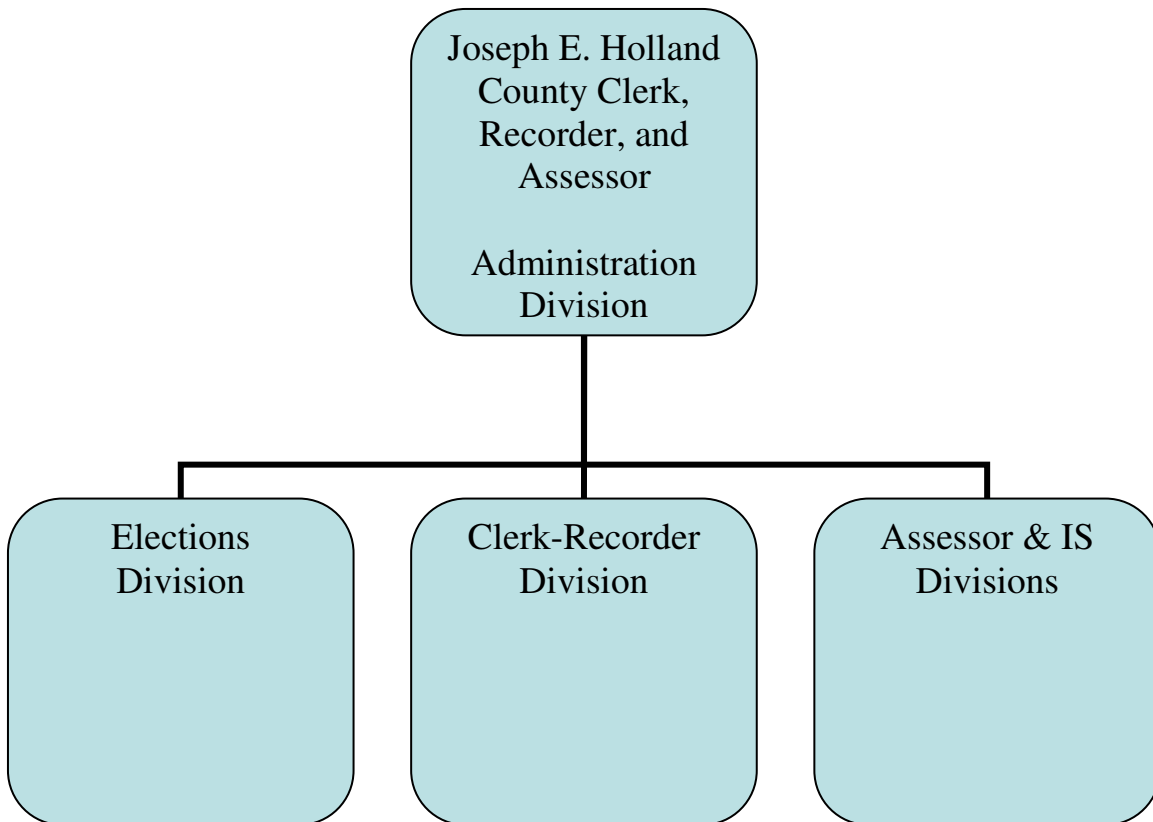
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EXECUTIVE SUMMARY

In complying with the County’s policy of full cost recovery, where permissible by law, the Clerk-Recorder-Assessor Department initiated a cost-recovery study to update existing fees for services, and identify new fee opportunities where feasible and available. Unlike private business sector, there is no profit motive for services offered by the County, thus the objective of this cost study was limited to only identifying the resources spent in providing specific services in an effort to recover costs reasonably incurred in providing the service. While full costs should be considered as the primary basis for setting fees, this cost recovery study incorporates a combination of costing and pricing policies where fees set may not necessarily equal the full cost of the service. After due consideration, the study omitted certain costs inherent in business environments, such as cost of training, error handling, general customer support, and work exceptions in an effort to encourage, promote, and make reasonably affordable the cost of public service to customers. Full cost as used in this report does not include these incidental business costs.

The department strives for annual review of its business processes and fees to ensure implemented fees are consistent with the current business environment and costs. Additionally, conducting an annual review minimizes the impact of large increases that can occur when fees are not consistently updated.

Department Business Structure:



The department has three service areas, the Elections Division, Clerk-Recorder Division, and the Assessor and Information Systems Divisions. Each functional area carries out its official duties in accordance with different sections of law. The function of election services are generally carried out in accordance with the Elections Code, Assessor functions in accordance with the Revenue and Taxation Code, and Clerk-Recorder functions in accordance with various sections of law including the Government Code, Health & Safety Code, and the Business & Professions Code. The Administration Division of the department serves as the support function to all other department divisions, and the Information Systems Division serves primarily as support function to the Assessor Division.

The Election Division's primary responsibilities include conducting federal, state, and local elections, conducting voter registration activities, conducting voter outreach programs, managing candidate and campaign filings, processing petition verification requests, and providing election information to interested parties.

The Clerk-Recorder's primary responsibilities include recording and archiving official records, and Clerk functions of recording and issuing vital records, issuing and recording marriage licenses, processing domestic partnership filings, fictitious business name filings, notary bond filings, and other miscellaneous clerk services.

The Assessor's primary function is to identify, assess, value, and maintain assessments of all real, business, and mineral properties taxable under the authority of the State of California, and to create, maintain, and disseminate cadastral (land ownership) maps that accurately describe all assessment roll parcels. In addition to assessment and mapping functions, the Assessor provides available and allowable information in its possession as "over-the-counter" services to interested parties.

In some cases the fees for services offered by the three service areas are prescribed and limited by law and may not be adjusted for full cost recovery. However, other services are not limited by law, or are non-statutory services, and full cost recovery is allowed. An objective of this cost recovery project is to establish a cost methodology that accumulates full costs and assign costs to those services for which costs can be recovered. The same cost recovery method is used in developing fees for services in all three service areas.

Fee Methodology Described:

The cost recovery method used in determining the service fees involved the following steps:

1. Identification of Accumulated Costs
2. Development of Indirect Cost Rates
3. Development of Labor Rates by Job Class
4. Computation of Productive Hours
5. Development of Full Cost Rate
6. Calculation of Service Times
7. Assignment of Costs & Fee Computation

Identification of Accumulated Costs

The Department of the Clerk-Recorder-Assessor consists of three functional areas, each with distinct service objectives. As such, a reliable cost accounting system is crucial in assigning, accumulating and reporting on costs of services or products that each segment produces or delivers. Cost information for this cost recovery study is accumulated and obtained through the use of the County's Financial Information Network (FIN) System. FIN is the county's financial and cost accounting system that allows for segment accounting or accounting of costs by cost objective. The county's FIN System accommodates this type of accounting through the use of budget units that can be further broken into more detail through the use of program accounting. Cost accounting for each functional area of the department is accomplished through the use of program accounting which assigns, compiles and provides cost information for a group of related activities within a functional area. Through the use of FIN information, full costs of resources that contribute to the services provided by each functional area (or division) can be identified and accumulated.

Development of Indirect Cost Rates

Full cost recovery encompasses recovery of direct costs as well as indirect costs. For each functional area, full costs are identified as either a direct or indirect cost. Direct costs are those that can be identified specifically with a particular final cost objective. For example, labor cost of employees for the time devoted and identified specifically to the performance of services and products, and materials expended specifically for the purpose of those services. Indirect costs are costs incurred for a common or joint purpose benefiting more than one cost objective, and costs that are not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

Annually, the department develops an indirect cost rate proposal (ICRP) for each of its divisions in accordance with the principles and standards of OMB Circular A-87. The rate represents the ratio of division's indirect costs to some level of its direct wages. Following the principles and guidelines in OMB Circular A-87 to determine full cost recovery of services provided, the ICRP developed for each division are applied to the labor costs directly attributed to providing services or products within those service areas. Application of indirect costs to direct labor costs yields the total cost for determining full cost recovery. Government Code section 54985 specifically states that the indirect and overhead costs include the county's ICRP prepared in accordance with OMB Circular A-87 and may be reflected and recoverable in the cost of providing services.

Generally, division's indirect costs include departmental administrative costs, division management and supervisory labor costs, services and supplies of the division, and an allocation of the county's central service costs generally referred to as cost allocation plan costs.

Example of Indirect Cost Rate Development¹

COUNTY OF SANTA BARBARA INDIRECT COST RATE PROPOSAL				
Department: <u>Clerk-Recorder-Assessor</u>				
Division: <u>Recorder</u>				
ICRP Use: <u>2008-2009 Claims and Billings</u>				
Data File: <u>DATA.XLS</u>				
Data Date: <u>June 30, 2007</u>				
DESCRIPTION OF COSTS	(1) Total Costs	+ (2) Excludable / Unallowable / Adjustments	= (3) Allowable Indirect Costs	+ (4) Allowable Direct Costs
Personnel Services:				
6000 Salaries & Benefits	1,500,406		375,443	1,124,964
ADJ:				-
6700 Unemployment Ins Contribution	2,019		2,019	-
6900 Workers Compensation	52,313		52,313	-
Divns 02,03,04,05 Indirect S&B				-
Sub-total	<u>1,554,738</u>	<u>-</u>	<u>429,774</u>	<u>1,124,964</u>
Line Item Costs (Services, Supplies & Other):				
7050 Communications	2,417		2,417	-
7120 Maintenance - Equipment	21,867		21,867	-
7124 Software Maintenance	1,500		1,500	-
7200 MTC-Struct/Impr & Grounds	1,056		1,056	-
7347 Furniture & Fixtures < \$5000	1,429		1,429	-
7348 Instruments & Equip. < \$5000	10,342		10,342	-
7430 Memberships	-	-	-	-
7441 Cash Shortages	102		102	-
7450 Office Expense	39,352		39,352	-
7451 Postage	70,212		70,212	-
7453 Copier Expense	3,198		3,198	-
7454 Books & Subscriptions	3,219		3,219	-
7455 Computers/Software < \$5000	30,333		30,333	-
7460 Professional & Special Service	84,434		84,434	-
7471 In Service Training	1,880		1,880	-
7580 Rents/Leases-Structure	-		-	-
7650 Special Departmental Expense	418,161		418,161	-
7732 Training and Travel	8,269		8,269	-
7891 Reprographics Services Exp	13,419		13,419	-
7892 Data Processing Service	60,181		60,181	-
7893 Motor Pool Charges	1,825		1,825	-
7894 MTC/Radio,Communication	-		-	-
7895 Liability Insurance	24,507		24,507	-
7897 Telephone Services	16,797		16,797	-
8300 Equipment	-		-	-
7901 Oper Trf (Out)	5,771	(5,770.85)	-	-
7905 Oper Trf (Out)-COP/Debt	388,144	(388,143.91)	-	-
9300 Intrafund Transfers(+)	-		-	-
Sub-total	<u>\$ 1,208,412</u>	<u>\$ (393,915)</u>	<u>\$ 814,498</u>	<u>\$ -</u>
Divisional Total	<u>\$ 2,763,150</u>	<u>\$ (393,915)</u>	<u>\$ 1,244,272</u>	<u>\$ 1,124,964</u>
Divisional Indirect Cost Rate				110.61%
Cost Plan Costs:				
OMB A-87 CAP for use in 2008-09	<u>\$ 474,413</u>	<u>\$ -</u>	<u>\$ 474,413</u>	
TOTAL COSTS	<u>\$ 3,237,563</u>	<u>\$ (393,915)</u>	<u>\$ 1,718,685</u>	<u>\$ 1,124,964</u>
COMBINED INDIRECT COST RATE:	Allowable Indirect Costs ÷ Allowable Direct S&B =			152.78%
COST RATE ROLL-FORWARD:	Divisional - current vs. 2 yr prior of			1.20%
DEPT ADMIN COST RATE:	From Dept Indirect Cost Rate Proposal			16.16%
PROPOSED INDIRECT COST RATE:	To be applied to Direct Salaries & Benefits			170.13%
Prepared by: <u>Div Rate by Rose Rodarte (CRA)/Cap Split by AC</u>	CRA Dept Approval: _____			
	AC Dept Approval: _____			

¹ Cost data presented is not current data. Data presented is for presentation purposes only.

Development of Wage and Benefit Rates by Job Class²

As previously stated, full cost recovery encompasses identifying all direct and indirect costs incurred in providing a product or service. Direct costs are those costs that can be specifically traced to an output of work. In this cost study, labor costs are the only direct costs specifically identifiable in providing delivery of a product or service. The average labor cost of an employee was computed by job class. The computed average labor cost by job class includes salaries and benefits. Average wages were computed based on the current minimum and maximum wage rates for these job classes, plus benefit costs using the assumptions in the Fiscal Year Salary Model. This computed average wage and benefit cost becomes the labor rates that are a component of developing the cost rates for establishing fees.

Example of Computation for Developing Average Labor Rates by Job Class

Administrative Office Professional I:		
	Minimum Annual Labor Cost	Maximum Annual Labor Cost
Base Pay	\$ 34,558	\$ 41,343
Benefits	<u>\$ 15,190</u>	<u>\$ 17,319</u>
Total Salaries and Benefits:	\$ 49,748	\$ 58,662
Administrative Office Professional III:		
	Minimum Annual Labor Cost	Maximum Annual Labor Cost
Base Pay	\$ 54,674	\$ 66,263
Benefits	<u>\$ 21,502</u>	<u>\$ 25,139</u>
Total Salaries and Benefits:	\$ 76,176	\$ 91,402
Average Min/Max:	\$ 62,962	\$ 75,032
Average Annual Cost of an Administrative Office Professional:		\$ 68,997

² Cost data presented is not current cost data. Data presented is for presentation purposes only.

Computation of Productive Hours³

Productive hours are those hours that an employee is considered to be on the job actively performing job related tasks or providing a service, and thus is used as a component of computing cost per productive hour. An employee may be paid for a total of 2,080 hours in a year (maximum available hours) however in reality, less than 2,080 will be spent on the job. This results from paid time off such as for break times, vacation, sick leave, and holidays. Since such non-productive time off is a paid benefit, it is a cost of business and thus should be taken into account for full cost recovery.

The estimated productive hours was derived by developing a department ratio of productive hours paid to gross hours paid. This ratio was then applied to the total maximum annual hours available to an employee. Available hours for employee breaks were also deducted to determine the final net productive hours per year per individual employee.

The number of productive hours per individual employee is the base in computing cost rates (cost per productive hour, minute, second) applied to service times.

Example of Productive Hours Computation

Productive Hours Computation:	
Department Rate Calculation:	
Gross Hours Paid	125,369
Productive Hours Paid	102,048
Department Productive Hour Ratio	81%
Individual Rate Calculation:	
Maximum Hours Available Per Year	2,080
Multiplied by: Dept Ratio	81%
Individual Productive Hours per Year	1,693
Less: Max Break Hours Available	<u>(124)</u>
Net Individual Productive Hours per Year	1,569

³ Cost data presented is not current data. Data presented is for presentation purposes only.

Development of Cost per Productive Hour⁴

Full cost rates are developed for each service area in order to apply these cost rates to time directly involved in providing a service or product within those areas. The indirect cost rate developed for each division is applied to the computed average labor and benefit cost by job class to determine total cost. The total cost is divided by the total productive hours to determine the total cost per productive hour. This rate is further broken down to develop half-hour rate, rate per minute and rate per second. These cost rates are allocated to service times to develop service fees.

Administrative Office Professional Job Class Example:

Average Labor Cost	\$68,997
Indirect Cost Rate	170.13%
Indirect Costs Applied	<u>\$117,385</u>
Total Cost	\$186,382
Productive Hours	1,569

Cost Rates:

Cost per Productive Hour	\$118.79
Cost per Productive Half-Hour	\$ 59.40
Cost per Productive Minute	\$ 1.98
Cost per Productive Second	\$.03
Development of Cost Rates	

⁴ Cost data presented is not current data. Data presented is for presentation purposes only.

Service Times

The division tracked the amount of labor time involved in directly providing services and products offered in each service area. In most cases, staff used a time study template to document the tasks and time involved in providing a product or service. The time studies were completed by staff generally responsible for directly processing the service requests. The completed time studies were then reviewed by the division managers and supervisors responsible for overseeing the operations. Further analysis involved review for accuracy, consistency, and/or reasonableness by the division manager and the fiscal manager. As discussed in the executive summary section of this report, these service times do not include time involved for training, error handling, general customer support, and exceptions. Service fees were developed by applying the cost rate(s) to the service processing time for each service.

**SANTA BARBARA COUNTY CLERK RECORDER ASSESSOR
DIVISION: CLERK-RECORDER**

TIME SURVEY

SERVICE: - _____

**Fee Authority:
Resolution or Ordinance**

Task #	Tasks/Actions (list every task in providing this service)	Estimated Task Time (in minutes)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
	TOTAL TIME:	-

Assignment of Costs and Fee Computations

Cost assignment refers to the process of assigning costs to services or products. In this fee study, costs are assigned by applying the developed productive cost rate to the service time. The cost assignment to each service type computes the proposed fee required for cost recovery of those products and services.

Example Service Fee Computation:

FEE FORMULA: Service Time x Cost Rate

Example of fee development for service with 5 minute delivery time:

AOP Cost per Productive minute	\$1.98
Minutes to Process the Service or Product	5

Fee = (\$1.98 x 5) = \$9.90

