



KENAI PENINSULA BOROUGH

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**MIKE NAVARRE
BOROUGH MAYOR**

MEMORANDUM

TO: Linda Murphy, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *MN*

FROM: Craig Chapman, Director of Finance *C Chapman*

DATE: March 7, 2013

SUBJECT: Resolution 2013-022, making changes to the borough's cost allocation plan for capital projects

In 2006, the borough adopted a cost allocation plan. The purpose for the plan was to allocate to service areas, grants and projects a fee, using an indirect rate, as a mechanism for recovering costs the borough's General Fund was incurring providing services for these projects. Services provided include, but are not limited to: processing of payroll, purchasing, accounts payable, cash receipts, cash disbursements, cash management, grant management, real and personal property valuation, tax billing and collection, miscellaneous billing and collection, legal services, and computer support services. The current rate being charged for grants and capital projects is 3.04 percent.

For large capital projects and capital equipment purchases, the rate being charged can generate cost recovery in excess of the costs that were incurred.

This resolution would reduce the indirect rate on capital projects and capital equipment to rates that better reflect the recovery of costs the borough is incurring for providing services to these projects.