

Understanding Your Internal Service Fund Billings  
Frequently Asked Questions  
August 2, 2006

- 1. How were my rates calculated and what were the bases for the allocations? How can departments receive specifics on what the billings cover? Can you provide a complete example of the actual calculation of each internal service fee from each ISF program?**

Each program or activity provided by an Internal Service Fund may have a different allocation or per unit cost basis. The customer should contact the service provider to determine first what service is in question and second the allocation basis or unit cost per service. Yes, ISF departments can provide you a complete example of detailed calculations by service provided and examples will be provided in today's presentation and will be available on the web for future reference.

- 2. In FY-07 certain service rates (e.g. radio shop) decreased from FY-06 charges although services didn't decrease. What caused the decrease in service rates?**

Fluctuations in service rates can result for a number of reasons (e.g., budget changes and the number of customers receiving the service) Decreases in the Radio Shop charge, for example, occurred because the depreciation costs of the radios were removed from the rate in FY07.

- 3. If I discontinue a service...will my billings stop?**

Only on rare occasions will billings be stopped because service is discontinued during the budgeted year. Agencies wanting to opt out of a service should negotiate this option through a service level agreement with the respective service provider during the budget process.

- 4. I would like to see a 5-year history showing the actual revenues and expenses of each internal service fee department – Is this available?**

It is not possible to provide a 5 year comparison for many of the internal service funds since most are only in their second year of operation. If a department is interested in viewing budget vs. actual reports for periods covered by general fund appropriations and internal service fees, please contact the appropriate department for this information. There are some funds (e.g. Information Technology Services and Fleet Management) that have been operated as internal service operations for at least 5 years. You may contact the appropriate department for this information if you are interested in viewing historical data.

- 5. Why aren't the specific billing amounts distributed to each department prior to budget preparation and approval?**

Like other Metro departments and agencies, internal service fee departments are required to submit their budget proposals to the Finance Director, the Mayor and the Metro Council for consideration during the budget process. Internal service fee departmental budgets are determined and approved along the same schedule as other departments which means that these departments must wait for final Council action on the budget before billing details may be finalized and distributed.

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- 6. The last Cost Accounting Manual from OMB discusses five different methodologies of determining an indirect cost rate (direct single rate allocation; direct multiple rate allocation, single step-down allocation, cross allocation, and double step-down allocation). If different methodologies are being used for internal service fees, what determines which ones are used?**

There is not one particular guiding principle for selecting an allocation basis other than the basis must meet Federal Circular A-87 guidelines stating that the allocation basis must be reasonable and should reflect the relative benefit received by all customers of that service. This guiding principle is important to ensure that cost shifting does not occur between departments based on ability to pay.

- 7. Our computer systems have changed very little from FY 2005-2006 to FY 2006-2007, and yet our annual charge shows significant variances between the years. What causes such large variances?**

There are two things that have had a significant impact on the ITS operating budget over the past two years....1) the IT budget now includes the debt service payoff for various capital projects that were undertaken during the past few years. The debt service for FY07 is 6.3 million....2) the IT budget also includes the ongoing costs associated with enterprise wide projects including EBS, E-Procurement, KIVA (Land Information), and Manatron (Tax Accounting). The FY07 costs associated with these enterprise wide projects are 6.8 million. These expenses get passed on to ITS customers.

- 8. Can we “opt out” of Fleet Management charges and coverage if the fee for maintaining an existing item exceeds the acquisition cost of a new purchase?**

Agencies cannot “opt out” of Fleet Management charges and coverage.

- 9. Is there a difference between charges assessed to General Fund and Non General Fund departments?**

No, the same billing rate and/or allocation methodology is used to charge the General Fund and Non General Fund departments.

- 10. Will Fleet Management pay the cost when we have to rent replacement vehicles and equipment until the repair is done?**

OFM does not provide loaner/rental vehicles or reimbursement for vehicles or equipment when out of service. However, if you have an urgent need for a specific vehicle or piece of equipment, please contact the LVS garage manager, HVS garage manager, or the Grounds shop supervisor for assistance.

- 11. How were the vehicle categories determined? How was the price determined for each of the categories?**

The vehicle categories currently in use by General Services are based upon the recommendations of a fleet performance audit that was conducted by TCI consultants in 2002 and represents general industry practice for fleet categorization. The audit report is available on the web at: <http://www.nashville.gov/finance/InternalAudit/fleetaudit.htm>. In order to determine the price for each category (class), Fleet first identified the vehicle or piece of equipment that represented the majority of each class. OFM then used the purchase price of each representative to determine the percentage of costs to be allocated to each class. The percentage was used to allocate the expenses related to preventive and major maintenance then divided by the Fleet inventory number for each class.

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**12. Why is the fuel charge the same for each vehicle, when some vehicles (such as golf carts and lawn mowers) use much less fuel than others, and some run 24/7, while others are operated 8 hours or less each normal working day?**

The fuel charge is not the same for each vehicle. The fuel charge is determined based upon the percentage of fuel used (by department) for the period of July 2005 – November 2005 as recorded within the Fuel Master system.

**13. We were originally told by Metro Payment Services employees the cost to process an invoice for us would be about \$7.00 per invoice. Now we hear the actual cost for FY 2006-2007 is more like \$14.00 to process an invoice. How can it cost approximately 100% more than planned?**

The FY07 charge of \$12.53 per invoice includes the startup costs associated with Metro Payment Services. The cost per invoice for the operational budget less debt service is \$6.34. When these startup costs are recovered, the cost per invoice will be approximately \$7.

**14. What are the new charges for Metro Surplus Property for? Shouldn't the money made off of Ebid support the expenses of Metro Surplus Property?**

The Surplus Property billing has been set to recover of the cost associated with redistributing items within Metro. These are the items that never get sold on eBid; therefore there are no proceeds from which to recover these costs.

**15. What are the Safety & Risk Management billings?**

These billings are better characterized as “premiums” and not internal service fees. These premiums represent a consolidation of charges for safety, IOD medical costs, self insurance, property insurance, purchased insurance and bonds that were scattered throughout past Metro budgets. All questions regarding the Safety and Risk Management premiums should be directed to Abbie Hudgens in the Law Department.

**16. What is the purpose of charging services to a general fund department?**

Charging services to agencies through internal service fund rates and the Local Cost Allocation Plan (LOCAP) provide additional revenue to Metro which equates to approximately a \$.10 savings in property tax to Metro taxpayers. In order to achieve this revenue, Federal Circular A-87 requires that all customers of services be charged their fair share relative to the benefits received and this includes general fund departments. Further, the allocation of these costs provides a clearer picture of the costs that it takes to support programs throughout Metro and this provides useful management data to guide operational and policy decisions.

**17. Most of the internal service fees are within budget for the year. However our Telecommunication Charge is always over budget. Why?**

Your telecommunication charges are based on actual usage plus an overhead charge for the cost for the ITS Voice Line of Business. New technology has been recently purchased and these start-up costs have increased the cost of these services. Over time, the cost of these services is expected to reduce to or near existing budget levels.

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**18. We are charged annually for Facilities Maintenance & Security. I am not sure which buildings it covers. Would it be possible to see what space makes up your fee?**

Yes, General Services has this information readily available for departmental review and will provide it to all departments. This report will include total square feet by building.

**19. What type of calls is a department charged for by the Customer Call Center? What is the phone number of the call center? Is it when an employee calls and asks a benefit question? Or is it when a citizen calls and asks to be referred to a department. I never see a list of calls, but there must be a list somewhere.**

All calls received by the Call Center are tracked by agency. Calls to the general information number for Metro government, 862-5000, are handled by the Customer Call Center. Types of calls received range from directory assistance and address information to very specific questions about Metro's recycling and benefits programs.

**20. Will Metro Payment Services be charged as a separate internal service fee? We did not receive any budget for this service but we have been using it.**

Yes, it will be charged as a separate internal service fee in the Shared Services object account.

**21. I thought the Central Print Charge Internal Service Fee went away but I have money in my 2007 budget for it. How can I get it moved to another object account?**

The Central Print Internal Service Fee has been discontinued. You can move this budgeted amount to another object account during True-Up. Please see your budget analyst if you need assistance with this.

**22. What is the difference between Shared Services and Shared Business Office?**

Shared Services (Metro Payment Services) is responsible for processing payments for Metro. The Shared Business Office (SBO) provides financial, human resources, and administrative services to the following agencies: Finance, General Services, Information Technology Services, Human Resources, DES and ECC. In addition, the SBO provides the following services Metro-wide: cell phone administration, procurement card administration, print services management and photographic services.

**23. How do I get the name and phone number of the person I need to call when I have a question about an Internal Service Fee?**

A contact listing is provided today and will be available on the web.