

F. Overhead Allocation

Overhead allocation is a tool to match the costs of administrative functions to the operating activities of the CSD. Administrative functions will be charged to a department or departments that are accounted for in the General Fund. Allocation to the Enterprise Funds, (Water, including the WRF, Wastewater) are necessary to assure that rates will be set to properly reimburse the General Fund for expenses necessary to the delivery of services.

Overhead allocation will ~~take into account~~ consider four ~~three~~ criteria:

- ~~Recovery based on equal distribution to all departments. This is the “E” costs in the Allocation of Administration Overhead Calculation~~
- ~~Recovery based on an~~ Recovery based on relative size of department. The term “relative size” is a subjective determination based on estimates of each department’s use of administrative resources and impact on the District’s overall mission. This is the “L” cost in the Allocation of Administration Overhead Calculation.
- ~~Recovery based on full-time equivalent employees.~~
- Recovery based on relative size of department per the expenditures forecast for the coming year and based on full-time equivalent employees. This is the “R” cost in the Allocation of Administration Overhead Calculation.
- ~~Recovery based on percent of administrative labor applied to departments as determined by interviewing administrative personnel.~~

~~On a yearly basis~~ Each year, each type of administrative spending will be reviewed to determine the best method, of the four above, to allocate that expense to the operating departments.

As part of the budget process, the charges to each operating department will be the percentage of total overhead budget derived from aggregating the recoveries applied to each spending line item. ~~The amount of the administrative cost to be recovered will be the forecasted expenses for the year. The administrative department will not have a surplus in the final budget.~~ The percentage of overhead spending allocated to each operating department will be set at the beginning of the year and will not be changed unless there is a material change in actual or anticipated overhead spending, or a change in the nature of one or more operating departments that would cause a material change in the recovery methodologies.

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"L" Cost Allocation formula based administrative resources used.

Administrative Function	Factor	Fire	F&R	PROS	Water	Wastewater	WRF	Total
General Manager	<u>2</u>	<u>15</u>	<u>5</u>	<u>5</u>	<u>25</u>	<u>25</u>	<u>25</u>	
Billing/ Acct.Recv.	<u>1</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>50</u>	<u>20</u>	<u>20</u>	
Acct. Payable	<u>1</u>	<u>20</u>	<u>10</u>	<u>0</u>	<u>30</u>	<u>30</u>	<u>10</u>	
Payroll	<u>1</u>	<u>50</u>	<u>10</u>	<u>0</u>	<u>15</u>	<u>20</u>	<u>5</u>	
Finance Manager	<u>2</u>	<u>30</u>	<u>10</u>	<u>0</u>	<u>20</u>	<u>30</u>	<u>10</u>	
Legal	<u>3</u>	<u>5</u>	<u>5</u>	<u>20</u>	<u>40</u>	<u>10</u>	<u>20</u>	
Total Factored %		<u>18.5%</u>	<u>6.5%</u>	<u>7%</u>	<u>31%</u>	<u>21%</u>	<u>17%</u>	<u>100%</u>

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Factored percentages: Each percentage impact is factored by the amount of the personnel expenses associated with each function. For the Fire Department factored percentage equals $(.2 \times 15\%) + (.1 \times 10\%) + (.1 \times 20\%) + (.1 \times 50\%) + (.2 \times 30\%) + (.3 \times 5\%) = 18.5\%$

"R" Cost Allocation formula based on expenses and FTE headcount.

Administrative Function	Fire	F&R	PROS	Water	Wastewater	WRF	Total
FTE Headcount	<u>15</u>	<u>3</u>	<u>0</u>	<u>6</u>	<u>8.5</u>	<u>1.5</u>	<u>34</u>
% of total FTE	<u>44%</u>	<u>9%</u>	<u>0%</u>	<u>18%</u>	<u>25%</u>	<u>4%</u>	<u>100%</u>
Expenses	<u>2,323</u>	<u>724</u>	<u>19</u>	<u>2,032</u>	<u>2,468</u>	<u>1,257</u>	<u>8,823</u>
% of Expenses	<u>26%</u>	<u>8%</u>	<u>1%</u>	<u>23%</u>	<u>28%</u>	<u>14%</u>	<u>100%</u>
Total Factored %	<u>35%</u>	<u>8.5%</u>	<u>.5%</u>	<u>20.5%</u>	<u>26.5%</u>	<u>9%</u>	<u>100%</u>

Note: Expenses are total before allocation of administrative expense and do not include capital expenses as those are usually financed and skew the data.