

Simpler Idea – Direct Charge Most Costs

Allocate only a few

- Directly budget and charge Enterprises for costs directly supporting services
 - Public works already does this – allocates FTEs and direct costs
 - Admin/Finance can directly budget and charge for Accountant and Technician with primary duties to provide billing and customer service to utility customers
 - Contract services to Enterprises should be direct budgeted and charged as well (legal, Engineer)
- Cost categories such as job postings can be budgeted and charged to fill vacant positions dedicated to water and wastewater
- Certain expenses such as use of accounting software need to be allocated based on best estimate of share of use with other city accounting functions

Directly Budget/Charge for “Mostly Dedicated Worker’s and Supervisors

- Identify FTE fully dedicated to water and wastewater – budget directly to enterprises – reconcile actuals at year end
 - Finance – based on billing task spreadsheet
 - 1.5FTE – .75 each to water and wastewater
 - Public Works – (preliminary estimate K. Haug)
 - 3.0 FTE – 1.5 each to water and wastewater
 - .5FTE Supervisor - .25 each to water and wastewater
 - City Attorney/Engineer bill the city by projects on contract – direct charge water and wastewater based on billings

Allocations

- Departments that impact Water and Wastewater Services
 - Finance/Admin
 - Allocation of accounting costs such as financial software and audit - proportionate to the use by General Fund and Enterprises
 - HR contract services proportionate to 5.0 FTE/Total City FTEs (include dedicated PW employees)
 - Office supplies proportionate to 1.5 of 4.0 FTE in Admin/Finance
 - Public Works
 - Corporate Yard expenses are city oriented – appropriate expenses appear to be currently directly budgeted in the Water and Wastewater Enterprises
 - City Council/City Clerk
 - Prep agenda items - allocation % based on the number of agenda items(not on consent) as a % of total
 - Salary and Benefits only – other charges unrelated to services delivery
 - City Manager
 - CM should track time on water and wastewater – budget can be estimate/actual charge based on actual at year end

Example of Simplified Allocation Plan

Cost Allocation Policy	Direct Bill	Allocate	Water %	Sewer %	Rationale
Finance					
Salary and Benefitis	1.5 FTE				From Admin Estimates - .75 to Water and .75 to Sewer
4210 Springbrook Annual Maintenance		Yes	15%	15%	% of use Water/Wastewater and General city Financials (assume 30%)
4210 Springbrook Budget Module Maintenance		Yes	6%	6%	12% (2 of 17 departments in the budget
4210 Cost Allocation Plan		Yes	25%	25%	50% Split with General Fund (benefits both)
4210 IT Contract		Yes	5%	5%	10% Based on W/S share of total FTE
4210 Human Resource Contract		Yes	5%	5%	10% Based on W/S share of total FTE
4210 Labor Negotiation Contract		Yes	5%	5%	10% Based on W/S share of total FTE; Only in years where W/S labor is negotia
4210 Government Job Posting	Yes				Direct Bill recruitment of vacancies for Direct Charged Labor PW or Admin
4211 Banking Fees		Yes	15%	15%	% of use Water/Wastewater and General City Financials (Assume 30%)
4220 Audit		Yes	15%	15%	% of use Water/Wastewater and General city Financials
4220 Annual Pension Calculations		YEs	5%	5%	10% Based on W/S Share of total FTE
4310 Office Supplies		Yes	19%	19%	38% based on 1.5 of 4 FTE doing W/S
4340 Late Notice Mailing	Yes				
City Council					
4010 Salaries		Yes	2%	2%	% of non-consent Agenda Items dedicated to W/S
4101-4184 Benefits		Yes	2%	2%	% of non-consent Agenda Items dedicated to W/S
City Manager					
4010-4184 Salaries and Benefits		Yes	4%	4%	Budget (CM track time 2 months); Actuals based on tracking time (Estimate 2x
City Attorney					
Contracted Fees	Yes				Direct Charge, budget based on estimated time and actual at the end of the
Assitant City Manager/City Clerk					
	No	No*			Position Description does not include Water and Wastewater Servcies * Possible allocate actuals if the position is assigned a special project
Engineering					
	Yes	No			Engineering projects are billed by contract; directly budget for project costs
Public Works					
Salary and Benefit - Worker	Yes				Directly Budget 1.5 FTE to Water & 1.5 FTE to sewer for Worker Positions
Corporate Yard					
Salary and Benefits	Yes				Direct Bill .26% of Supervisor to Watern and Wastewater
Other Charges		No			All appear to be charges to the city for geneators etc.

- Identifies cost centers reasonably related to water and sewer.
- Costs that can be directly charged listed as “Direct Bill”
- Allocation % based on department estimates reported at Oversight meetings
- This is not new – PW has been doing this for years
- This is conceptual – actual allocations and rationale should be refined by departments

Annual Budget Process

- April-June
 - Enterprise department budgets prepared with direct charges identified and included in the Water and Wastewater budget
 - Allocated % applied to specific General Department Cost centers once department budgets are complete
- Mid-year Review
 - Update direct expenses along with all other departments
 - Could update allocations based on significant changes to rationale (ie City Manager Vacancy)
- Year End
 - Update direct budgeted expense with actuals
 - Allocated expenses updated based on departmental actuals (As done before Clear Source)
 - Enterprise reserves calculated and assigned to Capital Funds as appropriate