



# Indirect Cost Allocation



May 5, 2021 at 7 PM

Town Council Budget Work Session



# OVERVIEW



# Presentation Purpose

- Understand the accounting principle of indirect cost allocation.
- Understand the Town's current indirect cost allocation flow and methodology.
- Reach consensus regarding indirect cost allocation in the FY22 Budget.
- Reach consensus regarding indirect cost allocation methodology moving forward.



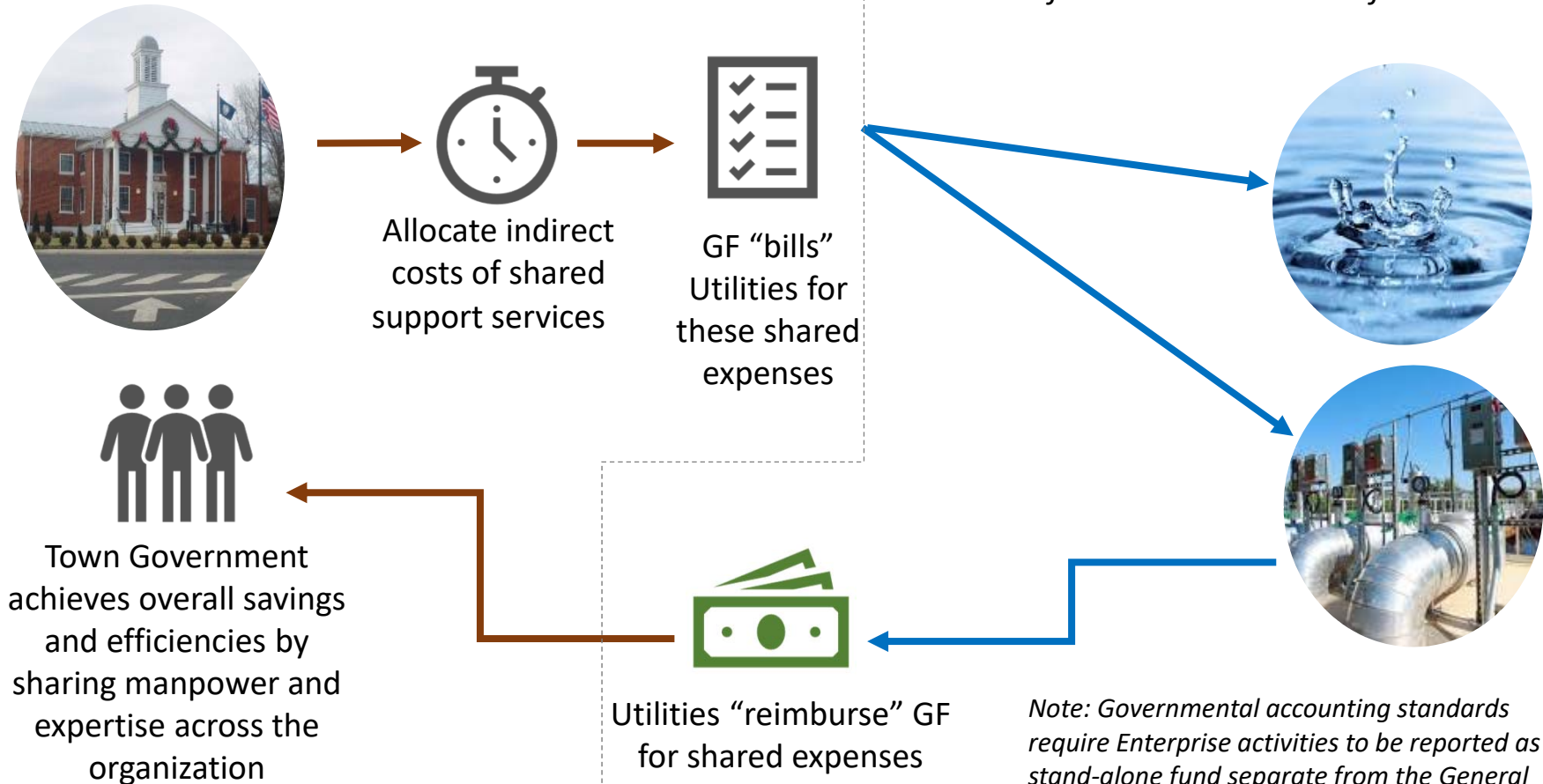
# Indirect Cost Allocation Flow

## General Government Fund (GF)

*Funded by taxes and charges.  
Tax rates set to support programs & services.*

## Utility Enterprise

*Stand-alone business-type enterprise funded by  
user charges for service.  
User fees set to cover cost of service.*

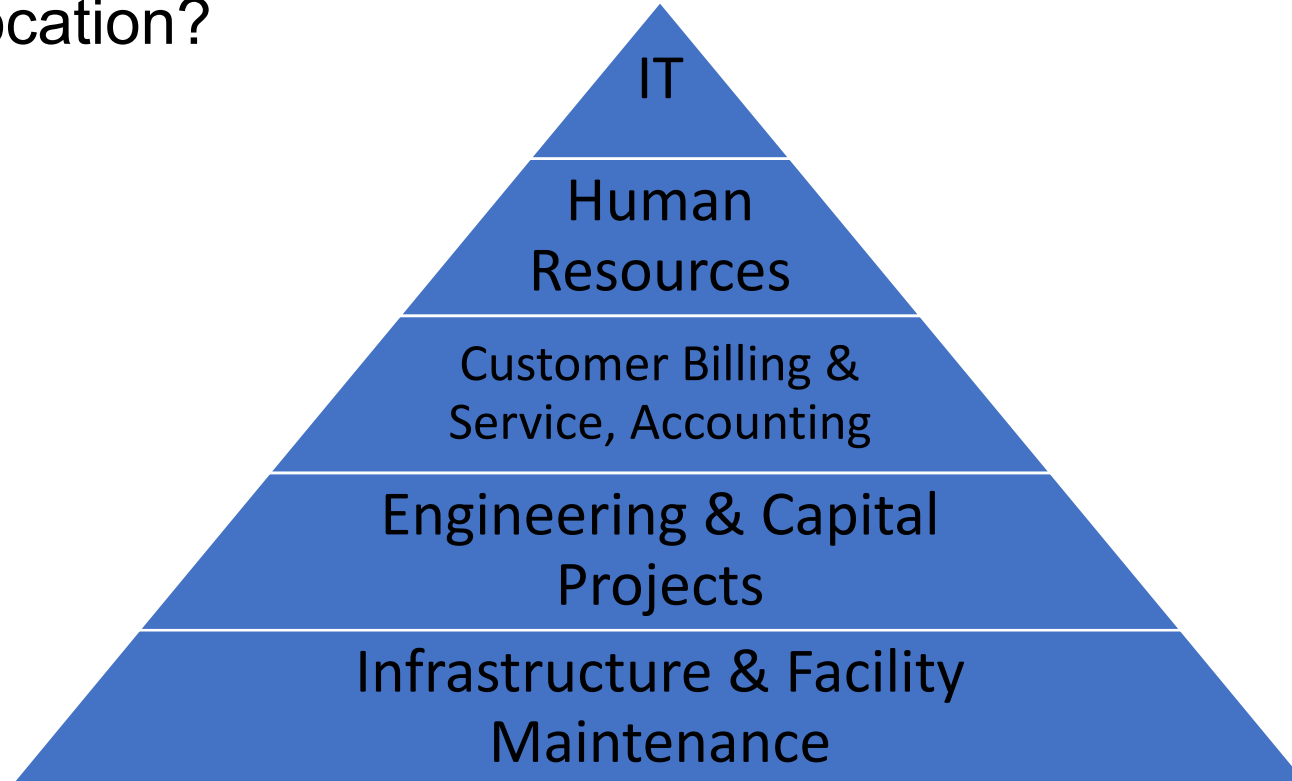


*Note: Governmental accounting standards require Enterprise activities to be reported as a stand-alone fund separate from the General Government fund. Best practice encourages allocation of indirect costs.*



# Indirect Costs- Shared Services

What General Fund services are shared with Utility Enterprise Funds and included in the indirect cost allocation?





# Indirect Allocation Options

Option #	1	2	3
	Limited	Full	CM Stinnette
Entitled	Allocation	Allocation	Limited Allocation less (10%)
	(a)	(b)	(c)
<b>Cost</b>			
HR	\$62,947	\$218,978	\$56,653
Finance	\$123,549	\$478,419	\$111,195
IT	\$46,887	\$75,995	\$42,199
PW Adm/Maint	\$614,692	\$578,392	\$553,223
Eng, Cap Proj	\$160,400	\$419,766	\$144,360
<b>Total (d)</b>	<b>\$1,008,475</b>	<b>\$1,771,550</b>	<b>\$907,629</b>
<b>FTE</b>			
HR	0.60	1.27	0.54
Finance	2.20	5.27	1.98
IT	0.60	0.64	0.54
PW Adm/Maint	6.60	6.89	5.94
Eng, Cap Proj	1.60	3.39	1.44
<b>Total (d)</b>	<b>11.60</b>	<b>17.45</b>	<b>10.44</b>

The Limited Allocation is reflected in the Proposed Budget. Please note that CM Stinnette's option #3 to reduce it by (10%) results in (\$101K) gap.

Notes:

- (a) Included in the FY22 Proposed Budget  
Assumes minimum support for a stand-alone business.  
Comprised of the following functions: Support for HR, IT, Accounting, Customer Billing & Service; Engineering, Capital Project Management, and Maintenance activities.  
Staff has provided our professional recommendation regarding the methodology and calculation of indirect costs required to support the utility enterprise.  
The current allocation amount of \$1m is consistent with Stantec's independent analysis prepared in 2019.  
The auditors recommend consistency over time and an allocation that fairly represent costs to support the stand-alone business enterprise.
- (b) Full Allocation utilizes metrics to estimate cost by employee
- (c) CM Stinnette suggestion to use Option #1 Limited Allocation less (10%) as shown as Option #3.
- (d) Includes Salary and Benefits. Excludes Overtime, Frozen positions, and Salary Lapse. Please note that this is based upon the best information available in Jan/Feb.



# ACCOUNTING PRINCIPLES



# Understanding the Town's Funds

## General Fund

The primary fund used by a government entity to record all resource inflows and outflows that are not associated with special-purpose funds. The activities of this fund are supported by taxes, fees and other revenues. The governing body has sole authority to set rates and fees in a manner to support the activities of the general government.

- **Fireman's Field Special Revenue Fund-** GF sub-fund used to account for the special tax district revenues and expenditures permitted by the ordinance.

## Utility Enterprise Funds

A self-supporting fund for business-type activities that sell goods and services to the public for a fee. User fees and other revenues support the direct and indirect costs incurred to provide the service. The governing body has sole authority to set rates and fees in a manner to support the cost of service.





# What is Indirect Cost Allocation?

**A recognized accounting/budgeting process used to apportion costs incurred by the General Fund on behalf of the Enterprise Funds.**

- The allocation of General Fund support services shared with the Utility Enterprise Funds is also known as “chargeback” in the budget document.

**An accounting estimate is used to allocate indirect costs of general administrative services to other funds.**

- Accounting estimates are commonplace and accepted measurement tools to apportion costs. Other accounting estimates include depreciation and lease capitalization.



# Direct and Indirect Costs

**“In addition to the direct cost of providing services, governments also incur indirect costs. Such costs include shared administrative expenses where a department or agency incurs costs for support that it provides to other departments/agencies (e.g., legal, finance, human resources, facilities, maintenance, technology).”<sup>1</sup>**

- Direct costs are operating expenditures explicitly identified in a fund’s budget (Utility Fund examples: plant operator salaries and benefits, materials, supplies, contractors)
- Indirect costs include central services shared with other funds.



# Recognized Accounting Practice



## BEST PRACTICES:

***“The Government Finance Officers Association (GFOA) encourages governments to allocate their indirect costs.”***<sup>1</sup>

***“These shared costs should be apportioned by some systematic and rational allocation methodology ...”***<sup>2</sup>

***GFOA - Pricing Internal Services***<sup>3</sup>



# ALLOCATION STRATEGIES



# Allocation Goals

- Governments achieve operational efficiencies and cost savings by sharing manpower and expertise across the organization. This typically enhances economies of scale and provides specialized support not readily available within the service delivery framework of the enterprise operations (water delivery & treatment);
- Capture full cost of service;
- Accuracy in Rate Setting- Utility user fees are set based on cost of service (Code of Virginia 15.2-2119);
- Enhances Transparency and Equity to taxpayers and service users;
- Improves information available for budgeting and planning;
- Capture full reimbursement eligible under grants (if applicable);
- Aids decision making such as evaluation of privatization, external competition or alternate service delivery options.



# Allocation Strategy

- “Full allocation” is based on workload assessments provided by department managers and estimated at 17.45 FTE’s or \$1.8m.
- Current “limited allocation” of \$1m (\$504k per utility fund) is based on staff’s estimate of minimal staffing required to support a stand-alone enterprise (separate from the government):

Function	FTE
IT Technician	0.6
HR Analyst	0.6
Accounting Technicians	2.2
Eng/CIP Staff	1.6
PW Director, Coor, Team Leader & Technicians	6.6
<b>Total FTE's</b>	<b>11.6</b>
<b>Total Dollars</b>	<b>\$ 1,008,475</b>



# Level of Detail

- “There is a cost to develop and maintain internal pricing systems. Governments must weigh the benefits of an internal services pricing system against the cost and complexity of system design.”<sup>3</sup>
- Governments achieve efficiencies and cost savings by utilizing metrics to estimate costs. Common allocation metrics include:

Internal Services	Allocation Basis
IT	Number of Employees
HR	Number of Employees
Billing & Customer Service	Number of Bills
Payroll	Number of Employees
Accounts Payable	% Budget by fund
Maintenance	Teams/Work orders
Capital Projects	% CIP Budget by fund

- **Option:** Use new HR/Payroll system to track each employee’s time. Recognize administrative costs associated with detailed measurement.



# Other Considerations

- **Staff Recommendations** - The current allocation is based on the knowledge and experience of professional staff and has been reviewed and found to be reliable by external auditors, consultants and credit rating agencies.
- **Consistency** - The current allocation is consistent with historical costs and changes in methodology should be disclosed and explained. The Town's Auditor recommends consistency in methodology over time.
- **Council Direction** - The method of cost allocation should be seen as fair and legitimate by Council and stakeholders. As this is a component of the budget process, Council will have final authority regarding the allocation methodology.
  - Council suggestions?
- **Budget Impact** - Any changes in cost allocation methodology will likely impact the GF budget and may require additional revenue or expenditure/program reductions to balance.
  - How will resulting budget shortfalls be managed?
- **Time Tracking** - The new HR/Payroll system may be used to track time spent by each employee on utility related tasks. Council should weigh the costs of detailed measurement against current use of accounting estimate. Note: Recent review of PW work orders showed current allocation methodology is reliable.





# NEXT STEPS



## Next Steps

- Council direction regarding FY 2022 Budget Changes
- Set meeting date to Adopt the FY 2022 Budget and Master Tax & Fee Schedule
  - 5/25 or 6/8 during a Regular Meeting of Town Council or at the 6/16 Special Meeting
  - Target date is needed in order for Staff to prepare all necessary documents
    - e.g., Staff Reports, Summary of Changes, Resolutions



# APPENDIX



# Indirect Cost Allocation - GF

FY22 INTER-FUND COST ALLOCATION <b>Option #1 (FY22 Proposed)</b>				Option #2 - Full Allocation (Metrics Based)							#3 CM Stinnette	
Department	FTE	Ltd Alloc FTE	Limited Allocation	Alloc Basis	Full Alloc FTE	Government al Fund	Water Fund	Sewer Fund	Utility	Total	Alloc FTE	Ltd Alloc less (10%)
<b>Administration</b>												
Town Manager	1.00	0.00		Budget	0.37	62.8%	16.4%	20.8%	37.2%	100.0%	0.00	
Director of Administration	1.00	0.00		None	0.00	100%	0%	0%	0%	100.0%	0.00	
Town Clerk/Executive Assistant	1.00	0.00		Budget	0.37	62.8%	16.4%	20.8%	37.2%	100.0%	0.00	
Deputy Town Clerk	1.00	0.00		None	0.00	100%	0%	0%	0%	100.0%	0.00	
Town Attorney	1.00	0.00		Other	0.10	90%	5%	5%	10%	100.0%	0.00	
Director of Human Resources	1.00	0.00		FTE	0.21	79%	11%	11%	21%	100.0%	0.00	
<b>Human Resources Analyst</b>	<b>1.00</b>	<b>0.60</b>		FTE	0.21	79%	11%	11%	21%	100.0%	0.54	
Grants Coordinator	0.20	0.00		None	0.00	100%	0%	0%	0%	100.0%	0.00	
Office Assistant	0.50	0.00		None	0.00	100%	0%	0%	0%	100.0%	0.00	
Office Assistant	0.50	0.00		None	0.00	100%	0%	0%	0%	100.0%	0.00	
<b>Total</b>	<b>8.20</b>	<b>0.60</b>	<b>\$62,947</b>	<b>Various</b>	<b>1.27</b>	<b>\$ 1,008,724</b>	<b>\$ 101,284</b>	<b>\$ 117,694</b>	<b>\$ 218,978</b>	<b>\$ 1,227,702</b>	<b>0.54</b>	<b>\$56,653</b>
<b>% of Pay and Benefits</b>						<b>82.2%</b>	<b>8.2%</b>	<b>9.6%</b>	<b>17.8%</b>	<b>100.0%</b>		<b>4.6%</b>
<b>Finance</b>												
Treasurer/Director of Finance	1.00	0.00		Budget	0.37	62.8%	16.4%	20.8%	37.2%	100%	0.00	
Assistant Director of Finance	1.00	0.00		Actuals-Revenue	0.37	63%	18%	19%	37%	100%	0.00	
Accounting Manager	1.00	0.00		Budget	0.39	61%	17%	22%	39%	100%	0.00	
Accounting Specialist-Payroll	1.00	0.00		FTE	0.21	79%	11%	11%	21%	100%	0.00	
<b>Accounting Technician (PT)</b>	<b>0.60</b>	<b>0.60</b>		Budget	0.39	61.5%	16.9%	21.6%	38.5%	100%	0.54	
<b>Senior Accounting Technician</b>	<b>1.00</b>	<b>1.00</b>		Utility Bills	1.00	0%	50%	50%	100%	100%	0.90	
Accounting Specialist	1.00	0.00		Utility Bills	1.00	0%	50%	50%	100%	100%	0.00	
Accounting Technician (PT)	0.50	0.00		Actuals-Bills	0.27	47%	26.5%	26.5%	26.5%	100%	0.00	
<b>Accounting Technician (PT)</b>	<b>0.50</b>	<b>0.60</b>		Actuals-Bills	0.27	47%	26.5%	26.5%	26.5%	100%	0.54	
Accounting Technician (PT)	0.60	0.00		Actuals-Bills	0.27	47%	26.5%	26.5%	26.5%	100%	0.00	
Procurement Specialist	0.50	0.00		Budget	0.37	62.8%	16.4%	20.8%	37.2%	100%	0.00	
Financial Analyst	1.00	0.00		Budget	0.37	62.8%	16.4%	20.8%	37.2%	100%	0.00	
<b>Total</b>	<b>9.70</b>	<b>2.20</b>	<b>\$123,549</b>	<b>Various</b>	<b>5.27</b>	<b>\$ 511,201</b>	<b>\$ 227,227</b>	<b>\$ 251,192</b>	<b>\$ 478,419</b>	<b>\$ 989,620</b>	<b>1.98</b>	<b>\$111,195</b>
<b>% of Pay and Benefits</b>						<b>51.7%</b>	<b>23.0%</b>	<b>25.4%</b>	<b>48.3%</b>	<b>100.0%</b>		<b>11.2%</b>
<b>Information Technology</b>												
Director of Information Technology	1.00	0.00		FTE	0.21	79%	11%	11%	21%	100%	0.00	
Network Administrator	1.00	0.00		FTE	0.21	79%	11%	11%	21%	100%	0.00	
<b>Information Technology Specialist</b>	<b>1.00</b>	<b>0.60</b>		FTE	0.21	79%	11%	11%	21%	100%	0.54	
<b>Total</b>	<b>3.00</b>	<b>0.60</b>	<b>\$46,887</b>	<b>FTE</b>	<b>0.64</b>	<b>\$ 282,870</b>	<b>\$ 37,997</b>	<b>\$ 37,997</b>	<b>\$ 75,995</b>	<b>\$ 358,865</b>	<b>0.54</b>	<b>\$42,199</b>
<b>% of Pay and Benefits</b>						<b>78.8%</b>	<b>10.6%</b>	<b>10.6%</b>	<b>21.2%</b>	<b>100.0%</b>		<b>11.8%</b>
<b>Police Department</b>												
Chief	1.00	0.00		None	0.00	100%	0%	0%	0%	100%	0.00	
Deputy Chief	1.00	0.00		None	0.00	100%	0%	0%	0%	100%	0.00	
Lieutenant	2.00	0.00		None	0.00	100%	0%	0%	0%	100%	0.00	
Sergeant	4.00	0.00		None	0.00	100%	0%	0%	0%	100%	0.00	
Corporal / MPO	4.00	0.00		None	0.00	100%	0%	0%	0%	100%	0.00	
Records Coordinator	1.00	0.00		None	0.00	100%	0%	0%	0%	100%	0.00	
Business Manager	0.00	0.00		None	0.00	100%	0%	0%	0%	100%	0.00	
Accreditation Coordinator	1.00	0.00		None	0.00	100%	0%	0%	0%	100%	0.00	
Officer	9.00	0.00		None	0.00	100%	0%	0%	0%	100%	0.00	
<b>Total</b>	<b>23.00</b>	<b>0.00</b>	<b>\$0</b>	<b>None</b>	<b>0.00</b>	<b>\$ 2,341,548</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,341,548</b>	<b>0.00</b>	<b>\$0</b>
<b>% of Pay and Benefits</b>						<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>		<b>0.0%</b>



# Indirect Cost Allocation - GF

## FY22 INTER-FUND COST ALLOCATION **Option #1 (FY22 Proposed)**

## Option #2 - Full Allocation (Metrics Based)

## #3 CM Stinnette

Department	FTE	Ltd Alloc	Limited Allocation	Alloc Basis	Option #2 - Full Allocation (Metrics Based)						#3 CM Stinnette		
					Full Alloc FTE	Government al Fund	Water Fund	Sewer Fund	Utility	Total	Alloc FTE	Ltd Alloc less (10%)	
<b>Public Works (PW) Admin &amp; Maintenance</b>													
Director of Public Works	1.00	1.00		Equal	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.90		
PW Operations Coordinator	1.00	0.60		Equal	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.54		
Superintendent	1.00	0.00		Equal	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.00		
Team Leader	1.00	1.00		Equal/Work Order	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.90		
Team Leader	1.00	0.00		Other/Work Order	0.10	90.0%	5.0%	5.0%	10.0%	100.0%	0.00		
Maintenance Technician	1.00	1.00		Equal/Work Order	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.90		
Maintenance Technician	1.00	1.00		Equal/Work Order	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.90		
Maintenance Technician	1.00	0.00		Equal/Work Order	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.00		
Maintenance Technician	1.00	0.00		Other/Work Order	0.10	90.0%	5.0%	5.0%	10.0%	100.0%	0.00		
Maintenance Technician	1.00	1.00		Other/Work Order	0.10	90.0%	5.0%	5.0%	10.0%	100.0%	0.90		
Meter Technician	1.00	1.00		Utility Split	1.00	0.0%	50.0%	50.0%	100.0%	100.0%	0.90		
Utilities Maintenance Technician	0.00	0.00		Other	0.87	12.5%	12.0%	75.0%	87.0%	99.5%	0.00		
Maintenance Technician	1.00	0.00		Other/Work Order	0.10	90.0%	5.0%	5.0%	10.0%	100.0%	0.00		
<b>Total</b>	<b>12.00</b>	<b>6.60</b>	<b>\$614,692</b>	<b>Various</b>	<b>6.89</b>	<b>\$ 568,648</b>	<b>\$ 289,196</b>	<b>\$ 289,196</b>	<b>\$ 578,392</b>	<b>\$ 1,147,040</b>	<b>5.94</b>	<b>\$553,223</b>	
<b>% of Pay and Benefits</b>			<b>53.6%</b>			<b>49.6%</b>	<b>25.2%</b>	<b>25.2%</b>	<b>50.4%</b>	<b>100.0%</b>		<b>48.2%</b>	
<b>Engineering, Planning, and Development</b>													
Director	1.00	0.00		Equal	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.00		
Asset Management Coordinator	1.00	0.00		Equal	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.00		
GIS and Special Projects Coordinator	1.00	0.00		Equal	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.00		
Site Inspector	1.00	1.00		Equal	0.66	34.0%	33.0%	33.0%	66.0%	100.0%	0.90		
Capital Projects Coordinator	1.00	0.60		CIP Budget	0.65	34.6%	61.4%	4.0%	65.4%	100.0%	0.54		
Facilities Coordinator	1.00	0.00		Other	0.10	90.0%	5.0%	5.0%	10.0%	100.0%	0.00		
Director of Planning & Economic Develop	1.00	0.00		None	0.00	100.0%	0.0%	0.0%	0.0%	100.0%	0.00		
Senior Planner	1.00	0.00		None	0.00	100.0%	0.0%	0.0%	0.0%	100.0%	0.00		
Permits & Code Enforcement Coordinator	1.00	0.00		None	0.00	100.0%	0.0%	0.0%	0.0%	100.0%	0.00		
<b>Total</b>	<b>9.00</b>	<b>1.60</b>	<b>\$160,400</b>	<b>Various</b>	<b>3.39</b>	<b>\$ 672,810</b>	<b>\$ 235,400</b>	<b>\$ 184,365</b>	<b>\$ 419,766</b>	<b>\$ 1,092,575</b>	<b>1.44</b>	<b>\$144,360</b>	
<b>% of Pay and Benefits</b>			<b>14.7%</b>			<b>61.6%</b>	<b>21.5%</b>	<b>16.9%</b>	<b>38.4%</b>	<b>100.0%</b>		<b>13.2%</b>	
<b>Council, Commission &amp; Boards</b>													
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>\$0</b>	<b>None</b>	<b>0.00</b>	<b>\$ 62,557</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 62,557</b>	<b>0.00</b>	<b>\$0</b>	
<b>% of Pay and Benefits</b>			<b>0.0%</b>			<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>			
<b>General Fund Total</b>	<b>64.90</b>	<b>11.60</b>	<b>\$1,008,475</b>	<b>Total</b>	<b>17.45</b>	<b>\$ 5,448,358</b>	<b>\$ 891,105</b>	<b>\$ 880,446</b>	<b>\$ 1,771,550</b>	<b>\$ 7,219,909</b>	<b>10.44</b>	<b>\$907,629</b>	
<b>% of Pay and Benefits</b>			<b>14.0%</b>			<b>75.5%</b>	<b>12.3%</b>	<b>12.2%</b>	<b>24.5%</b>	<b>100.0%</b>		<b>12.6%</b>	



# No Allocation - Parks & Rec

## FY22 INTER-FUND COST ALLOCATION **Option #1 (FY22 Proposed)**

Department	FTE	Ltd Alloc	Limited Allocation
<b>Administration</b>			
<b>Parks &amp; Rec</b>			
Division Manager P&R	1.00	0.00	
Events Specialist	1.00	0.00	
<b>Total</b>	<b>2.00</b>	<b>0.00</b>	<b>\$0</b>
<b>% of Pay and Benefits</b>			<b>0.0%</b>

## Option #2 - Full Allocation (Metrics Based)

Alloc Basis	Full Alloc FTE	Government al Fund	Water Fund	Sewer Fund	Utility	Total
None	0.00	100%	0%	0%	0%	100%
None	0.00	100%	0%	0%	0%	100%
<b>None</b>	<b>0.00</b>	<b>\$ 175,863</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 175,863</b>
		<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>

## #3 CM Stinnette

Alloc FTE	Ltd Alloc less (10%)
0.00	
0.00	
<b>0.00</b>	<b>\$0</b>
	<b>0.0%</b>

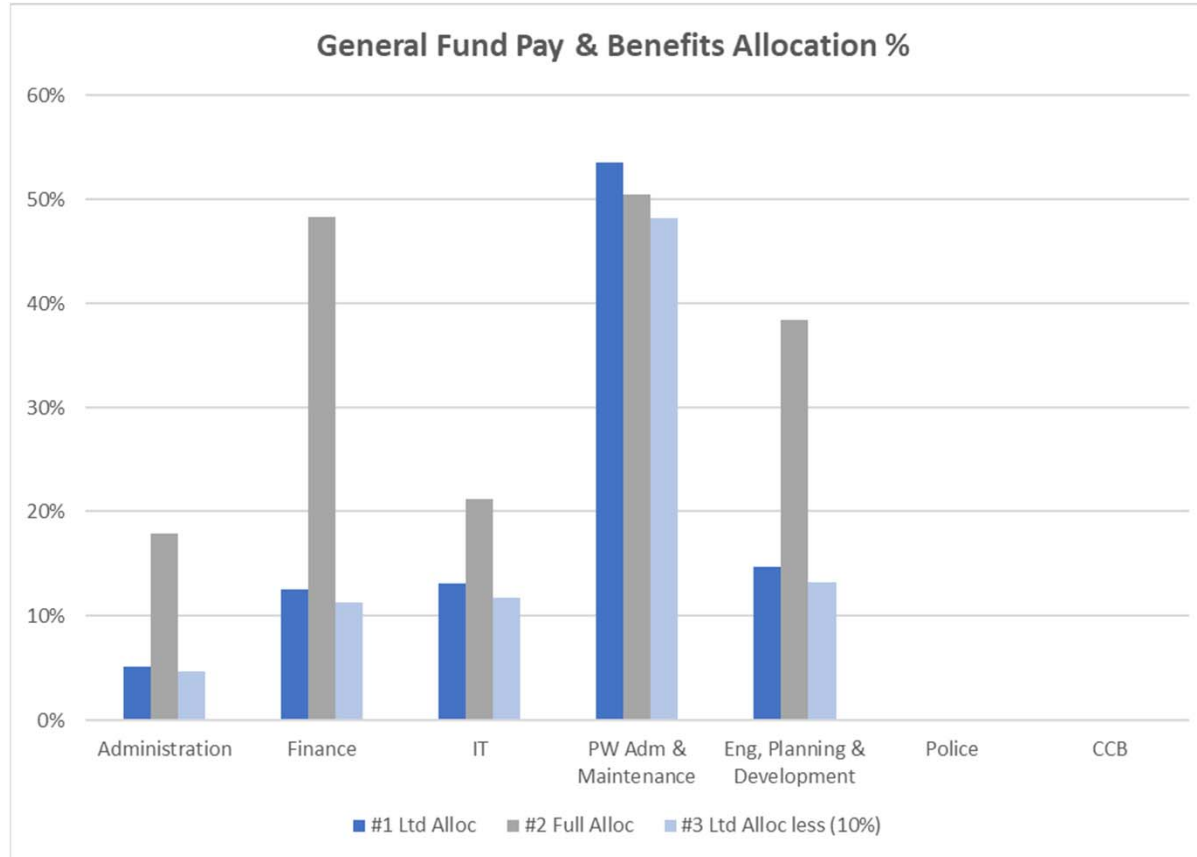


# Direct Cost - Utilities

FY22 INTER-FUND COST ALLOCATION <b>Option #1 (FY22 Proposed)</b>				Option #2 - Full Allocation (Metrics Based)						#3 CM Stinnette		
Department	FTE	Ltd Alloc	Limited Allocation	Alloc Basis	Full Alloc FTE	Government al Fund	Water Fund	Sewer Fund	Utility	Total	Alloc FTE	Ltd Alloc less (10%)
<b>Utilities before Governmental Inter-Fund Cost Allocation</b>												
<b>Water Fund</b>												
Superintendent	1.00	1.00		Direct to Water	1.00	0%	100%	0%	100%	100%	1.00	
Asst Superintendent	1.00	1.00		Direct to Water	1.00	0%	100%	0%	100%	100%	1.00	
Water Operator I	1.00	1.00		Direct to Water	1.00	0%	100%	0%	100%	100%	1.00	
Water Operator I	1.00	1.00		Direct to Water	1.00	0%	100%	0%	100%	100%	1.00	
Water Operator I	1.00	1.00		Direct to Water	1.00	0%	100%	0%	100%	100%	1.00	
Water Operator II	1.00	1.00		Direct to Water	1.00	0%	100%	0%	100%	100%	1.00	
Water Operator III	1.00	1.00		Direct to Water	1.00	0%	100%	0%	100%	100%	1.00	
Water Operator II	1.00	1.00		Direct to Water	1.00	0%	100%	0%	100%	100%	1.00	
Water Compliance Officer	0.00	0.00		Direct to Water	0.00	0%	0%	0%	0%	0%	0.00	
W CLASS Trainee OPERATOR	1.00	1.00		Direct to Water	1.00	0%	100%	0%	100%	100%	1.00	
<b>Total</b>	<b>9.00</b>	<b>9.00</b>	<b>\$0</b>	100%	<b>9.00</b>	<b>\$ -</b>	<b>\$ 880,743</b>	<b>\$ -</b>	<b>\$ 880,743</b>	<b>\$ 880,743</b>	<b>9.00</b>	<b>\$0</b>
<b>% of Pay and Benefits</b>						<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>		
<b>Sewer Fund</b>												
Superintendent	1.00	1.00		Direct to Wastwater	1.00	0%	0%	100%	100%	100%	1.00	
Asst Superintendent	1.00	1.00		Direct to Wastwater	1.00	0%	0%	100%	100%	100%	1.00	
Wastewater Operator II	1.00	1.00		Direct to Wastwater	1.00	0%	0%	100%	100%	100%	1.00	
Wastewater Operator II	1.00	1.00		Direct to Wastwater	1.00	0%	0%	100%	100%	100%	1.00	
Wastewater Operator Trainee	1.00	1.00		Direct to Wastwater	1.00	0%	0%	100%	100%	100%	1.00	
Wastewater Operator Trainee	1.00	1.00		Direct to Wastwater	1.00	0%	0%	100%	100%	100%	1.00	
Sr. Lab Technician	1.00	1.00		Direct to Wastwater	1.00	0%	0%	100%	100%	100%	1.00	
Lab Technician	1.00	1.00		Direct to Wastwater	1.00	0%	0%	100%	100%	100%	1.00	
Utilities Maintenance Technician	1.00	1.00		Direct to Wastwater	1.00	0%	0%	100%	100%	100%	1.00	
<b>Total</b>	<b>9.00</b>	<b>9.00</b>	<b>\$0</b>	100%	<b>9.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 775,306</b>	<b>\$ 775,306</b>	<b>\$ 775,306</b>	<b>9.00</b>	<b>\$0</b>
<b>% of Pay and Benefits</b>						<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		
<b>Total Water and Sewer Direct</b>	<b>18.00</b>	<b>18.00</b>	<b>\$0</b>		<b>18.00</b>	<b>\$ -</b>	<b>\$ 880,743</b>	<b>\$ 775,306</b>	<b>\$ 1,656,049</b>	<b>\$ 1,656,049</b>	<b>18.00</b>	<b>\$0</b>
<b>% of Pay and Benefits</b>						<b>0.0%</b>	<b>53.2%</b>	<b>46.8%</b>	<b>100.0%</b>	<b>100.0%</b>		
<b>Total</b>	<b>84.90</b>	<b>29.60</b>	<b>\$0</b>		<b>35.45</b>	<b>\$ 5,624,222</b>	<b>\$ 1,771,848</b>	<b>\$ 1,655,751</b>	<b>\$ 3,427,599</b>	<b>\$ 9,051,821</b>	<b>28.44</b>	<b>\$0</b>



# Department Pay & Benefits % Allocated by Allocation Options



The above illustrates that 5% of Admin, 13% of Finance, 13% of IT, 54% of Public Works, 15% of Engineering Pay & Benefits are allocated to the Utility Enterprise under option #1 Limited Allocation method. Option #2 and #3 are also displayed.





# Dollar Bill Impact of Allocation



- Chart shows the \$1M Indirect Allocation as pennies on a dollar.
  - For every dollar of the shared support allocation, 61 cents is for Public Works, 16 cents for Engineering and Capital Management, 12 cents for Customer Billing & Service and Accounting, 6 cents for Human Resources, and 5 cents for IT.
- Support Services are described on a following table.



# Support for Utility Enterprise – Limited Allocation

Department	FTE	Cost
<p><b>HUMAN RESOURCES</b>            0.6 FTE: Human Resources Analyst            The Utility enterprise is supported by the Human Resources staff as follows:</p> <ul style="list-style-type: none"> <li>▪ Benefits administration for current employees as well as town retirees: the scope of programs include employee health care plan (including COBRA administration), VRS retirement, optional life insurance program, 457b deferred compensation plans, supplemental insurance plans, ID theft and legal protection;</li> <li>▪ Compliance (local, state and federal): Federal I-9 requirements (E-Verify), FMLA administration, ACA reconciliation and reporting, Creditable coverage disclosures, Personnel file administration, records retention requirements, OSHA, coordination of CPR/AED &amp; First Aid training, Ethical Advocate program, Class and compensation administration, DOT and Non-DOT Random drug screening program, annual MVR review as required by VRSA, Premisys badge access system for employees and contractors;</li> <li>▪ Recruiting: to include job posting, applicant tracking and correspondence, interview planning and execution, offer negotiation, background screening, new hire orientation and onboarding;</li> <li>▪ Employee Relations/Performance: oversee the Employee evaluation process, provide employee and management support, conduct personnel investigations, handle complaints/grievances and procedural violations, plan and execute annual Employee Appreciation luncheon and Employee of the Year Recognition awards;</li> <li>▪ Employee Self Service/Munis: administration of ESS to include time entry, leave requests, workflow, submission of all employee payroll changes and reporting via Munis, as well as training and documentation;</li> <li>▪ Employee other: employee wellness programs, annual flu clinic, holiday luncheon, and verification of employment requests.</li> </ul>	0.6	\$63K
<p><b>FINANCE</b>            2.2 FTE: 1 Senior Accounting Technician, 1.2 Accounting Technician (PT)            The Utility enterprise is supported by the Finance staff as follows:</p> <ul style="list-style-type: none"> <li>▪ Utility billing and customer service related activity including producing bi-monthly bills &amp; 2x a month final bills, set up new accounts &amp; close accounts, tenant/landlord management, payment processing, payment plans, delinquent account collection and property liens.</li> <li>▪ Customer support to include coordination high usage and leak adjustment with PW.</li> <li>▪ System management: Asset management of meters &amp; reading equipment and meter audit coordination; Rates structure, classes and easement agreements.</li> <li>▪ Utility Rate analysis and modeling for budget and planning purposes.</li> <li>▪ Accounting activities to include Accounts Payable, Payroll, and Fixed Assets.</li> <li>▪ Other activities include Budget, Procurement, CIP coordination, financial analysis, debt management, treasury management, and independent annual audit.</li> </ul>	2.2	\$124K



# Support for Utility Enterprise – Limited Allocation

Department	FTE	Cost
<p>IT</p> <p>0.6 FTE: Information Technology Specialist</p> <p>The Utility enterprise receive:</p> <ul style="list-style-type: none"> <li>▪ Infrastructure usage (systems software, servers, network, Wifi),</li> <li>▪ Support and maintenance from the IT Dept.</li> <li>▪ An average annual costs of pc hardware, software licensing and internet service, which is paid for and supported by IT. <ul style="list-style-type: none"> <li>✓ For the 18 utility employees at \$1,215.49 per user, this is a total of \$21,878.82 of direct annual costs to the IT Dept.</li> </ul> </li> </ul>	0.6	\$47K
<p>PUBLIC WORKS ADMINISTRATION AND MAINTENANCE</p> <p>6.6 FTE: 1 Director of Public Works, 0.6 PW Operations Coordinator, 1 Team Leader, 3 Maintenance Technician, 1 Meter Technician</p> <p>The Utility enterprise is supported by the Public Works staff as follows:</p> <ul style="list-style-type: none"> <li>▪ Executive Management</li> <li>▪ Long-term Planning</li> <li>▪ Utility Line and Asset Management</li> <li>▪ Meter Reading System</li> <li>▪ Infrastructure and Facility Maintenance</li> </ul>	6.6	\$615K
<p>ENGINEERING</p> <p>1.6 FTE: 1 Site Inspector, 0.6 Capital Projects Coordinator</p> <p>The Utility enterprise is supported by the Engineering staff as follows:</p> <ul style="list-style-type: none"> <li>▪ Capital projects include both water and wastewater improvements. Capital projects looks at an area globally, to improve all aspects of an area – including water and sewer – along with drainage and roadway projects. Certain capital projects are for only water or wastewater, such as water main replacement projects, and the east end pump station generator project.</li> <li>▪ Our inspector inspects both water and sewer infrastructure for new subdivisions, and for new dwelling unit connections to the Town’s systems, as well as inspecting any water or sanitary sewer capital projects.</li> <li>▪ Our GIS coordinator works to keep the water and sanitary sewer mapping updated, and assists the maintenance department with coordination for mapping associated with the unidirectional flushing program.</li> <li>▪ Our asset management coordinator will be growing the database of the equipment, CARP needed, etc., as the programs continues to develop. The facilities specialist works with water, wastewater and maintenance to repair/replace and assist as needed, particularly with needs associated with the buildings.</li> <li>▪ The Director of the Engineering, Planning &amp; Development department provides oversight and assistance for any/all of the projects noted above.</li> </ul>	1.6	\$160K



# History of Indirect Allocation

History of Indirect Cost Allocation												
	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09-10</u>	<u>FY11-14</u>	<u>FY15-16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>
<b>FTE Count:</b>												
PW & Engineering	4	7	7	15	10	8.5	9.7	8.9	9	9	8.2	8.2
Admin	0	0	0	0	0	0	0	0	0	0	0	0
Finance	1	1	1	2.65	2.65	3	3	0	0	0	2.2	2.2
HR							0.2	0	0	0	0.6	0.6
IT											0.6	0.6
Allocated FTE	<b>5.0</b>	<b>8.0</b>	<b>8.0</b>	<b>17.7</b>	<b>12.7</b>	<b>11.5</b>	<b>12.9</b>	<b>8.9</b>	<b>9.0</b>	<b>9.0</b>	<b>11.6</b>	<b>11.6</b>
<b>Chargeback Allocation:</b>												
Personnel Water	158,810	256,659	284,832	601,468	549,315	504,691	576,655	439,216	493,226	493,226	494,764	504,238
Personnel Wastewater	142,429	242,565	284,832	601,468	549,315	504,691	576,655	439,216	493,226	493,226	494,764	504,238
Other costs	17,308	17,300	17,296	17,296	17,275	22,514	22,514	-	-	-	-	-
<b>Total Chargeback</b>	<b>\$318,547</b>	<b>\$516,524</b>	<b>\$586,960</b>	<b>\$1,220,232</b>	<b>\$1,115,905</b>	<b>\$1,031,896</b>	<b>\$1,175,824</b>	<b>\$878,432</b>	<b>\$986,452</b>	<b>\$986,452</b>	<b>\$989,528</b>	<b>\$1,008,476</b>
<b>Metrics:</b>												
Total FTE's	65.75	71.50	70.50	70.00	70.00	73.00	74.90	79.60	80.90	86.90	84.90	84.90
% of FTE's	8%	11%	11%	25%	18%	16%	17%	11%	11%	10%	14%	14%
Town Population	7,122	7,304	7,497	7,700	8,600	9,600	10,033	10,025	10,025	10,025	10,025	10,025
Chargeback per Capita	\$45	\$71	\$78	\$158	\$130	\$107	\$117	\$88	\$98	\$98	\$99	\$101
<b>Notes:</b>												
Personnel costs allocated based on manager's assessment of employee workload to support utility funds.												
FY06- Final year personnel costs were allocated via payroll												
FY18- Chargeback calculation was modified by TC to only reflect PW personnel												
FY21-22 - Changed Limited Allocation amount to better reflect support of all central service areas (i.e., HR, Finance, IT).												
Other costs include portion of Town Hall debt service and software costs												



# Resources

- <sup>1</sup> GFOA Best Practice <https://www.gfoa.org/materials/indirect-cost-allocation>
- <sup>2</sup> GFOA Best Practice <https://www.gfoa.org/materials/full-cost-accounting-for-government-services>
- <sup>3</sup> GFOA Best Practice <https://www.gfoa.org/materials/pricing-internal-services>
- Augusta, GA Indirect Cost Allocation Presentation <https://www.augustaga.gov/DocumentCenter/View/10194/Indirect-Cost-Allocation-presentation-11-1-17?bidId=>
- VGFOA Cost Allocation Presentation <https://www.vgfoa.org/2017%20Spring%20Conference/Presentations/4;20-5;10%20Taylor%20Powell.pdf>