

Utility Overhead Charges

Background

The City-owned utilities are classified as Enterprise Funds. Various departments, which are accounted for in the General Fund, provide administrative support to each of the City's three utilities (water, sewer, and storm water). Administrative overhead charges include support provided to capital improvement activities, as well as support provided to the operations and maintenance of each utility. In addition, building maintenance costs related to City Hall and the Maintenance Center are paid by the General Fund. In order for the utility budgets to reflect the full costs of administration and building maintenance, an interfund charge is assessed to each of the City's three Utility Funds. In effect, the General Fund charges each Utility Fund for costs that support the provision of utility services.

Administrative Charges

There are five cost centers in the General Fund that benefit each of the City's three utilities: City Attorney's Office, City Council, City Manager's Office, Finance Department, and Administrative Services Department. The basis for the interfund administrative charge associated with each cost center is noted below:

The portion of the City Attorney's Office, City Council, and City Manager's Office budgets which can be attributed to the Utilities is based on the proportion of agenda bills and contracts which are related to each Utility for 2019-2020 (the 2 full years preceding the development of the 2021-2022 Budget).

The portion of the Finance Department budget which can be attributed to the Utilities varies according to position. Three positions (Utility Billing Lead, Utility Administrative Assistant, and Meter Reader) are directly allocated to the Utilities and the General Fund. The remaining Finance Department costs, including staff costs, accounting services, budgeting and reporting support, are allocated to the utility funds based on the percentage of the Funds' prior biennial budget as compared to the City's total biennial budget for the same period. (For example, the Water Fund 2019-2020 total budget of \$21.4 million is 15.0% of the total City budget of \$142.1 million for the 2019-2020 biennium. Thus, 15% of Finance Department eligible costs are charged to the Water Fund for 2021-2022.)

The portion of the Administrative Services Department budget attributed to the Utilities includes Human Resources, Payroll and Customer Service. The basis of allocation is calculated based on the number of Utility employees relative to the total number of City employees. This count is assessed as part of the Preliminary Budget process, based on approved FTE's for the biennium.

These administrative costs are allocated to each Utility according to the basis for each functional area. Each functional area is allocated in accordance with its base charge methodology.

Building Maintenance Charges

Maintenance costs for City Buildings are consolidated in one cost center within the General Fund. Building maintenance charges includes routine maintenance and repair projects, utilities (power, gas, water and sewer) used by the buildings, as well as contracted repair and maintenance services. Actual costs of utilities are available for each building. Other costs are allocated to the Maintenance Center and City Hall based on the square footage of the buildings. These costs will be charged back to the Utilities based on FTE's within each building.

Budget Policies

Budget Policies for 2021-2022

- Ensure that the General Fund does not subsidize any of the City's Utilities.
- Assess interfund charges for administration and building maintenance to each Utility in 2021 and 2022 per the allocation factors and the Preliminary Budget amounts noted above.

2021-2022 Budget Impact

Charges	2019 Actual	2020 Forecast	2021 Budget	2022 Budget
Water Utility Admin Charges	\$190,574	\$196,059	\$222,817	\$226,719
Sewer Utility Admin Charges	\$150,012	\$154,254	\$221,148	225,161
Storm Water Utility Admin Charges	\$113,290	\$116,466	\$77,056	\$78,172
Total	\$453,876	\$466,779	\$521,021	\$530,053