

# Capital Improvement Program Overhead Charges

## Background

Various departments, which are accounted for in the General Fund, provide administrative support to the City's capital program. Administrative support includes such activities as bid process oversight, contract review, communications, and project accounting and reporting. Capital projects are accounted for in the Street Fund, Capital Improvement Fund, Technology and Equipment Fund, and the Utility Funds (Water, Sewer, and Storm Water). Capital projects are budgeted based on all costs associated with a project including design, construction, and project management.

While not built directly into the cost of a project, administrative support to capital projects is a proper cost of the projects, and is charged to the capital project funds through overhead charges. For the Utility Funds, this cost is included in the Administrative Overhead Charges (see the Utility Overhead Charges Budget Policy). In order for the capital project fund budgets to reflect the full costs of project administration, an interfund charge is assessed to both the City's Street Fund and Capital Improvement Fund. The Technology and Equipment Fund is excluded, because the funding source for this fund is the General Fund. In effect, the General Fund charges both the Street and Capital Improvement Funds for costs that support capital projects.

## Administrative Charges

There are five cost centers in the General Fund that benefit the City's capital projects: City Attorney's Office, City Council, City Manager's Office, Finance Department, and Administrative Services Department.

The portion of the City Attorney's Office, City Council, and City Manager's Office budgets which can be attributed to capital projects is based on the proportion of agenda bills and contracts which are related to each capital fund 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 capital projects varies according to staff position. Three Finance staff positions are largely Utility focused and are excluded from the Capital Improvement Program Overhead Charges. The remaining Finance Department costs, including staff costs, accounting services, budgeting and reporting support, are allocated based on the individual Funds' percentage of the prior biennial budget as compared to the City's total biennial budget for the same period. (For example, the Street Fund 2019-2020 total budget of \$6.8 million is 4.8% of the total City budget of \$142.1 million for the 2019-2020 biennium. Thus 4.8% of eligible Finance Department costs are charged to the Street 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.

In addition to these five cost centers, a portion of the Chief of Operations and Public Works Deputy Director positions are attributed to the Street and CIP Funds based on the number of project manager and CIP support employees relative to the total number of employees in each department. This count is assessed as part of the Preliminary Budget process, based on approved FTE's for the biennium.

# Budget Policies

## Budget Policies for 2021-2022

- Ensure that the General Fund does not subsidize the City's Street or Capital Improvement Fund.
- Assess interfund charges for administration to the Street and Capital Improvement Funds in 2021 and 2022 per the allocation factors and the Preliminary Budget amounts noted above.

## 2021-2022 Budget Impact

Charges	2019 Budget	2020 Budget	2021 Budget	2022 Budget
Street Fund Admin Charges	\$115,363	\$118,940	\$87,206	\$88,654
CIP Fund Admin Charges	\$160,402	\$165,503	\$130,731	\$132,384
UTILITY Fund Admin Charges	<i>Included in UTILITY Admin Charge</i>			
<b>Total</b>	<b>\$275,765</b>	<b>\$284,443</b>	<b>\$217,936</b>	<b>\$221,038</b>