

TO: Mayor McFarland, Finance Committee
FR: Mark Stevens
DATE: September 12, 2022
RE: Sharing Costs of Administrative Services

It makes sense that a portion of the compensation costs of various administrative staff is shared among other funds, our utilities, in order to apportion a cost of oversight to those funds. But I would suggest a different approach be taken to streamline the processes of monthly invoice processing and budgeting.

Current Practice

The budgeting process has split the wage and benefits expenses of a dozen administrative staff members (mayor, finance department, human resources, city attorney, info technology) on an individual basis to spread a shared cost to the utility funds (water, storm water, wastewater, solid waste). I discovered I needed to piecemeal the parts back together to determine the entire compensation costs of any of these employees. Each month staff time is spent splitting and reconciling the various invoices for health, life, and dental insurances to make sure we're posting costs appropriately to the other funds.

Suggested Change

Background

Borrowing a practice from a couple of WI agencies, the accounting for administrative costs is streamlined through an assignment of AMSO- Agency Management, Support, and Overhead. An allocation is determined on an annual basis to represent a share of the executive's costs, finance/payroll staff costs, clerical staff costs, and all other overhead costs (HR, IT). I've also experienced similar allocations for IT Support and Facilities Management (utilities, repair, maintenance, custodial, supplies) on either an FTE or square footage basis.

Changes in Process:

- Assign 100% of the compensation expenses of a position to each appropriate primary department.
- Add AMSO (**Administrative** Management, Support, and Overhead) allocation expense accounts in the administrative departments, utility funds, and **library special fund**.
- Determine an annual assessment percentage. I have determined 2023 amounts based upon a comparison to the 2022 expense totals that are currently assigned to the utility funds. As a percentage, the AMSO costs will automatically be altered annually with personnel expense changes.
- Conduct an annual assessment of the time allocation of each administrative department to the other funds.
- Provide an AMSO assessment to each department during budget creation.
- Create quarterly journal entries to subtract AMSO allocations from admin departments and post to the other funds.
- Follow a similar approach in Dept Public Works by allocating a percentage of the Street Admin, Engineering, and Inspection/Zoning departments to the utility funds.

My goal is to build in efficiencies into processes where they make sense. I consider this approach to be a time savings monthly as well as during the annual budget creation. The AMSO allocation will incorporate an aggregated cost for services to be provided, not on an individual employee basis.