RESOLUTION NO. 2012/025

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MONROE, WASHINGTON, ADOPTING A COST ALLOCATION PLAN FOR INTERFUND FEES.

WHEREAS, the state auditor's office conducted a performance audit that included the City of Monroe regarding overhead costs charged to other funds; and

WHEREAS, resulting from the performance audit the state auditors now recommend formal adoption of a Cost Allocation Plan for Interfund Fees; and

WHEREAS, the City Council of the City of Monroe wishes to demonstrate good stewardship of public funds and compliance with accepted accounting standards; NOW, THEREFORE;

IT IS HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF MONROE AS FOLLOWS:

Section 1. Adoption of Cost Allocation Plan. The Cost Allocation Plan attached as Exhibit A to this resolution is hereby adopted as the official financial overhead cost allocation plan for interfund fees for the City of Monroe.

Section 2. Effective Date. This resolution shall take effect immediately upon passage.

PASSED BY THE MONROE CITY COUNCIL AT A REGULAR MEETING THEREOF ON THE 4th DAY OF SEPTEMBER, 2012.

CITY OF MONROE, WASHINGTON

EFFECTIVE: See Section 2

Robert G. Zimmerman, Mayor

APPROVED AS TO FORM:

ATTEST/AUTHENTICATED:

J. Zachary Lell, City Attorney

Eadye Martinson, Deputy City Clerk

Cost Allocation Plan for the City of Monroe

The City of Monroe (hereinafter referred to as "the City") desires to comply with all laws and State Auditor recommendations in calculating and receiving full cost recovery for services rendered from one fund to another.

Cost allocation is a method to identify and distribute indirect costs. Direct costs are costs assignable to a specific objective, whereas indirect costs are costs incurred for multiple cost objectives or otherwise not assignable to a specific cost objective without effort disproportionate to the benefit received.

The Washington State Auditor's Office prescribes the accounting and reporting requirements for local governments in the State of Washington under Chapter 43.09 of the Revised Code of Washington (RCW). Washington State law provides, at RCW 43.09.210:

> Separate accounts shall be kept for each department, public improvement, undertaking, institution, and public service industry under the jurisdiction of every taxing body. All service rendered by, or property transferred from, one department, public improvement, undertaking, institution, or public service industry receiving the same, and no department, public improvement, undertaking institution, or public service industry shall benefit in any financial manner whatever by an appropriation of fund made for the support of another.

The RCW does not specifically address how "full value" is to be determined.

With respect to reimbursement from the City's utility budget, RCW 35A.33.122 states:

> **Administration, oversight, or supervision of utility – Reimbursement from utility budget authorized.**
>
> Whenever any code city apportions a percentage of the city manager's, administrator's, or supervisor's time, or the time of other management or general government staff, for administration, oversight, or supervision of a utility operated by the city, or to provide services to the utility, the utility budget may identify such services and budget for reimbursement of the city's current expense fund for the value of such services.

Allocated Costs

General Fund Service Costs – Administrative, Legal, and Financial

The City has identified a variety of ways to identify and determine an appropriate percentage of costs for allocation to various using funds. These ways include:

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- Number of employees (FTE's) in each fund
- Total operating expenses (dollar amounts) in each fund (not including debt service and capital improvements)
- Total number of transactions attributable to each fund
- What percentage of Finance Department time is directly attributable to utility billing
- A blend of one or more of the above cost drivers may be used.

The following is the plan to allocate General Fund Service costs to the various funds that utilize those services:

1. Identify the General Fund costs to be allocated.
2. On an annual basis during the budget process, the Finance Department will compile the numbers from the above mentioned ways to determine the appropriate percentages to use in allocating the General Fund costs to be allocated to various funds. An average percentage rate will then be determined.
3. Allocate the General Fund Administrative, Legal, and Financial Services costs on a monthly basis as services are rendered.
4. In January of each year the Finance Department will calculate the actual amounts of the previous year's cost allocations and adjust the amounts from budgeted estimates to actual costs in the previous year's expenditures and revenues.*
5. Maintain thorough, consistent and clear documentation.
6. The cost drive method assigned at the beginning of the year cannot be changed during the year except through a budget amendment.

*Overhead expenses will be allocated only after the services in question have actually been provided.

Information Services Costs

Information service purchases or expenses incurred that can be directly attributed to a specific department or fund will be directly allocated. For all other costs, a point system will be assigned to each department or fund for the amount of equipment, computers, printers, phones, etc. that each owns. An average percentage rate will then be determined.

Equipment and Fleet Costs

Equipment and Fleet purchases or expenses incurred that can be directly attributed to a specific department or fund will be directly allocated. For all other costs, a percentage of ownership and usage system will be established. The amount of fuel consumed, maintenance and repair of fleet items and the associated costs will be based upon this percentage rate.

Facility Costs

Facility expenses incurred that can be directly attributed to a specific department or fund will be directly allocated. For all other costs, the square footage of occupied facility space for each department or fund will be assigned. An average percentage rate will then be determined.

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