RESOLUTION NO. 2023-19

A RESOLUTION OF THE TOWN OF NACHES, WASHINGTON, AUTHORIZING THE MAYOR TO SIGN THE 2023 TOWN OF NACHES COST ALLOCATION PLAN ENACTED OCTOBER 2019 AND REVIEWED ANNUALLY

Town of Naches Cost Allocation Plan For Fiscal Year 2023

Under Washington State law and the State Auditor's Office Budgeting, Accounting, and Reporting System (BARS) manual, government officials may charge a portion of the costs for central overhead services to restricted funds, such as utility funds or special revenue funds, only to the extent that each fund benefits from those services. Governments may not allocate general government costs such as public safety, parks, law enforcement, and community and economic development.

BARS manual section 3.9.5 discusses Overhead Cost Allocations. Exhibit 1 of that section lists "Sound practices and requirements for allocating overhead costs", including developing and maintaining a written plan, describing the allocation factors used, and explaining the rationale behind those decisions. Exhibit 2 of that section lists appropriate allocation factors for common types of overhead costs. The Town of Naches must maintain appropriate documentation to support the overhead costs that were charged to each fund.

The Town Administration has recommended cost allocation methods under the guidance provided by State Law and BARS manual, and in accordance therewith has prepared the attached plan for allocating Town Administration salary and benefits between the various funding sources, as reflected therein. Based upon Town Administration's recommended adoption of this allocation plan for 2023 salary and benefits, the Town Council has considered and resolved to approve the plan appended hereto for calendar year 2023. The plan shall be re-analyzed at the end of each calendar year and a new plan shall be adopted for cost allocations based upon time spent, actual, annual expenditures.

PASSED BY THE TOWN COUNCIL OF THE TOWN OF NACHES, WASHINGTON, this 13th day of NOVEMBER, 2023.

Paul Williams, Mayor

Attest:

Elvira Birrueta, Clerk/Treasurer

Approved as to Form:

Michael Shinn, Attorney

TOWN ADMINISTRATION SALARY AND BENEFITS:
BARS Manual Section 3.9.5 Exhibit 2 lists several cost allocation factors that are relevant to the allocation of the Town's Administrator salary & benefits including:

- For Accounting: Actual time spent expenses
- For Budget: Actual expenses, budgeted expenses.
- Human Resources: Number of staff, (Full Time Equivalent).

Exhibit 2 note (a): Using actual expenses, budgeted expenses, the number of staff or a combination of the three can all result in fair and equitable allocations. Governments must document why the approach they selected results in fair and equitable allocations that best reflect the cost of services actually received by the benefiting funds.

From review of the normal job duties of the Town Administrator- Day to day tasks include many functions that benefit the public at large including working with the Towns' Planner, the Towns', Engineers. Public safety costs for fire and police department services are contracted by the Town with Yakima County Fire District No. 3 and the Yakima County Sheriff Department.

Day to day tasks that benefit all funds include budget, audit, financial oversight, Human Resources, liability insurance, Town's Council assistance, grant management and compliance, economic development, and the supervision of Accounts Payable, supervision of Public Works, Purchasing, Payroll and Bookkeeping.

To allocate Towns' Administrator costs to the benefiting funds, while ensuring that all functions benefiting the public at large are charged solely to the General Fund, Towns' Administrator Salary and Benefits will be prorated to funds based on total time spent on projects on a monthly basis, expenditures of each fund, with the following modifications.

1. General fund salary & benefit expenditures will be reduced by 69% for cost allocation costs purposes. This markdown results in the General Fund being charged for all salary and benefits for the Administrator and Clerk/Treasurer, but allows us to be sure that all functions benefiting the public at large are charged solely to the General Fund.
2. The Street Fund salary & benefits expenditure will be increased by 12% for cost allocation costs purposes. The rationale for this increase is the amount of time required from the Towns' Administrator and Clerk/Treasurer to oversee and manage this fund. The Administrator prepares and manages grant applications, managing contracts and agreements, responding to questions and complaints of the Town's citizens. Streets Capital Improvements projects will be included with "Street Fund" expenditures for cost allocation purposes because they benefit the Towns' streets.
3. Enterprise fund 401 Water/Sewer funds salary & benefit expenditures will increase by 53% for cost allocation purposes to more closely match the amount of time spent by the Towns' Administrator and Clerk/Treasurer on these functions. Enterprise Fund 430 will increase by 10% for cost allocation purposes administration costs for the Clerk/Treasurer time spend managing this fund.

4. Capital Improvements funds and project grant funds (including street improvements) will not be allocated to Town administration salary and benefits.
5. Town administration salary and benefits will not be allocated to equipment services, as all equipment expenses are charge to corresponding funds.
6. Annual expenditures will be analyzed at the end of the year and used for the following year's cost allocations.

OFFICE STAFF SALARY & BENEFITS:

BARS Manual Section 3.9.5 Exhibit 2 lists some of the cost allocation factors that may be considered for different circumstances. The factor most applicable to allocation of administration staff time (salary & benefits expense) is Full Time Equivalent, or actual time spent working in each department (fund). From observations of day to day staff activities, and from actual expenses the actual time spent in each fund is as follows:

Administrator Based on time spent on Projects 2023

001 Current Expense Fund Salary and Benefits	**33%**
101 Streets Fund Cost Allocation	**15%**
401 Enterprise Fund Water-Cost Allocation	**8%**
401 Enterprise Fund Sewer Cost Allocation	**44%**

CLERK/TREASURER BASED ON TIME SPENT 2023

001 Current Expense Fund Salary and Benefits	**26 %**
101 Street Fund Cost Allocation	**6 %**
401 Enterprise Fund Water Cost Allocation	**29 %**
401 Enterprise Fund Sewer Cost Allocation	**29 %**
430 Enterprise Fund Sanitation Services (garbage)	**10 %**

Total Full Time Equivalent by Fund:

001 Current Expense	**31%**
101 Street Fund	**12%**
401 Water Fund	**17%**
401 Sewer Fund	**36%**
430 Sanitation Fund	**4%**