

CITY OF REDONDO BEACH		ADMINISTRATIVE POLICY/PROCEDURES (APP)
Number: 3.18		Subject: Internal Service Fund/Overhead Allocations
Original Issue: 2/17/10	Effective: 2/17/10	
Previous Issue: 5/28/13	Effective: 2/20/18	Category: Finance, Accounting and Payroll
Supersedes: Not Applicable		

I. PURPOSE AND SCOPE

To establish policy and procedures for allocating internal service fund and overhead charges.

II. GENERAL

- A. Internal service fund/overhead allocations are charges to user departments for services provided by other departments of the City.
- B. The City of Redondo Beach uses internal service fund allocations (including overhead) to determine the true cost of departmental operations.
- C. The City of Redondo Beach follows Section 8 of its Statements of Financial Principles in allocating internal service funds and overhead.
 1. Transfers to the General Fund from other funds for overhead costs shall be reviewed annually and shall conform to OMB (Office of Management & Budget) A-87 guidelines.
 2. All City funds, including eligible grant funds, shall share the administrative costs borne by the General Fund.
 3. Internal service funds and central service departments shall retain the costs of using services provided by other City departments.
 4. Allocations among funds and departments shall be based on prior fiscal year-end actual expenses and distributed using fair and justifiable statistics.
- D. The City of Redondo Beach currently has the following internal service funds:
 1. Self-Insurance Program Fund
 - a. Liability and Property Insurance
 - b. Workers' Compensation

2. Vehicle Replacement Fund
 - a. Vehicle Maintenance
 - b. Vehicle Replacement
 3. Building Occupancy Fund
 4. Information Technology Fund
 - a. Information Technology
 - b. Information Technology Replacement
 5. Emergency Communications Fund
 - a. Emergency Communications
 - b. Emergency Communications Equipment Replacement
 6. Major Facilities Repair Fund
 7. City Facility Sewer Fee
- E. Overhead is charged to departments receiving services from the following support departments/divisions.
1. Mayor and City Council
 2. City Clerk
 3. City Treasurer
 4. City Attorney
 5. City Manager
 6. Human Resources
 7. Financial Services
 8. Police Administration
 9. Fire Administration
 10. Community Services Administration
 11. Public Works Administration

III. PROCEDURES

A. Self-Insurance Program Fund

The Risk Management Division of the Human Resources Department shall be responsible for the Self-Insurance Program Fund, which accounts for the cost of providing liability and property, workers' compensation and unemployment insurances. While unemployment insurance is accounted for as a personnel cost, rather than an internal service fund allocation, allocations for liability and property insurance and workers' compensation insurance are in two separate categories. Each category is charged to departments at a rate that fully recuperates the annual cost of the insurance reflected in the Self-Insurance Program Fund. The specific categories of expense and the statistics used to allocate these expenses are detailed below. Allocated costs also include Risk Management's personnel costs, contracts and professional services, and internal service fund/overhead allocations, which directly support the insurance function.

1. Liability and Property Insurance

a. Expenses included in this category are:

- 1) Liability and property insurance annual premium expenses
- 2) Liability and property insurance claims based on a five-year average (avoids spikes in allocations)

b. Statistics used to determine the allocation amount to user departments/divisions are:

- 1) Current value of the structure occupied
- 2) Claims paid for the structure occupied or activity performed
- 3) Square footage of the structure occupied

2. Workers' Compensation

a. Expenses included in this category are:

- 1) Workers' compensation insurance annual premium expenses
- 2) Workers' compensation claims based on a five-year average (avoids spikes in allocations)

b. Statistics used to determine the allocation amount to user departments/divisions are:

- 1) Full-time and part-time salaries
- 2) Claims paid for each department's specific employees

B. Vehicle Replacement Fund

The Fleet Services Division of the Public Works Department shall be responsible for the Vehicle Replacement Fund, which accounts for the cost of maintaining and replacing vehicles. Allocations are in two separate categories, vehicle maintenance and vehicle replacement. Each category is charged to departments at a rate that fully recuperates the annual cost of operating and replacing City vehicles reflected in the Vehicle Replacement Fund. The specific categories of expense and the statistics used to allocate these expenses are detailed below.

1. Vehicle Maintenance

a. Fleet Services' expenses included in this category are:

- 1) Personnel
- 2) Maintenance and operations (including fuel and parts)
- 3) Internal service fund/overhead allocations which directly support the vehicle maintenance function

b. Statistics used to determine the allocation amount to user departments/divisions are:

- 1) Historical vehicle maintenance hours
- 2) Actual fuel consumption

2. Vehicle Replacement

a. Each year, the Fleet Services Division sets aside specific amounts to fund the replacement of vehicles. The methodology used to determine the appropriate amount to be set aside is the original vehicle cost (with a future replacement inflation factor of 3% compounded annually) amortized over the vehicle's useful life.

b. The specific vehicle(s) utilized by each user department is/are used to determine the allocation amount.

C. Building Occupancy Fund

The Building Maintenance Division of the Public Works Department shall be responsible for the Building Occupancy Fund, which accounts for the cost of maintaining and improving City buildings. Allocations are charged to departments at a rate that fully recuperates the annual building maintenance and improvement costs. The specific categories of expense and the statistics used to allocate these expenses are detailed below.

1. Building Maintenance's expenses included in the fund are:
 - a. Personnel
 - 1) Custodial personnel (excluded from allocations to facilities which do not utilize custodial services provided by the Building Maintenance Division)
 - 2) Maintenance personnel
 - b. Maintenance and operations (including utilities)
 - c. Internal service fund/overhead allocations
 - d. Capital outlay
2. Statistics used to determine the allocation amount to user departments/divisions are:
 - a. Square footage occupied
 - b. Usage of utilities
 - c. Usage of contracts
 - d. Usage of materials and supplies

D. Information Technology Fund

The Information Technology Department shall be responsible for the Information Technology Fund, which accounts for the cost of maintaining and replacing City computer, telecommunications, and duplicating equipment and providing duplicating services. Allocations are in two separate categories. Each category is charged to departments at a rate that fully recuperates the annual maintenance and replacement costs reflected in the Information Technology Fund. The specific categories of expense and the statistics used to allocate these expenses are detailed below.

1. Information Technology
 - a. Information Technology expenses included in this category are:
 - 1) Personnel

- 2) Maintenance and operations (including PC and laptop leases and telephone utility costs)
 - 3) Internal service fund/overhead allocations which directly support the information technology function
 - b. Statistics used to determine the allocation amount to each user department/division are:
 - 1) Number of computers and computer-related equipment
 - 2) Number of telephones and telecom-related items
2. Information Technology Replacement
 - a. Each year, the Information Technology Department sets aside specific amounts to fund the replacement of equipment. The methodology used to determine the appropriate amount to be set aside is the original equipment cost (with a future replacement inflation factor of 3% compounded annually) amortized over the equipment's useful life.
 - b. Statistics used to determine the allocation amount to user departments/divisions are:
 - 1) Replacement cost for equipment that can be specifically identified to a department (e.g., plotters and large scanners)
 - 2) Number of computers, computer-related equipment, telephones, and telecom-related items is used to allocate equipment that cannot be identified directly to a department (e.g., servers and the telephone switch)

E. Emergency Communications Fund

The Support Services Bureau Captain of the Police Department shall be responsible for the Emergency Communications Fund, which accounts for the cost of providing emergency dispatch services for the Police and Fire Departments and replacement of communications equipment for the Police, Fire and Public Works Departments. Allocations are in two separate categories, emergency communications and emergency communications equipment replacement. Each category is charged at a rate that fully recuperates the annual cost of providing emergency dispatch services and replacing the communications equipment reflected in the Emergency Communications Fund. The specific categories of expense and the statistics used to allocate these expenses are detailed below.

1. Emergency Communications
 - a. Emergency Communications Unit expenses included in the fund are:

- 1) Personnel
 - 2) Maintenance and operations
 - 3) Internal service fund/overhead allocations which directly support the emergency communications function
 - b. Statistics used to determine the allocation amounts to both Police and Fire Departments are:
 - 1) Number of Police and Fire emergency calls from the public
 - 2) Time length of Police and Fire emergency calls from the public
 - 3) Required dispatch staffing
2. Emergency Communications Equipment Replacement
 - a. Each year the Communications Unit sets aside specific amounts to fund the replacement of equipment. The methodology used to determine the appropriate amount to be set aside is the original equipment cost (with a future replacement inflation factor of 3% compounded annually) amortized over the equipment's useful life.
 - b. Equipment assigned to the Police, Fire and Public Works departments (with the dispatch equipment assigned to the Police Department) is used to determine the allocation amount

F. Major Facilities Repair Fund

The Building Maintenance Division of the Public Works Department shall be responsible for the Major Facilities Repair Fund, which accounts for the cost of making major repairs to City facilities. This fund is charged to departments at a rate that fully recuperates the annual cost of facility repairs charged to the Major Facilities Repair Fund. The calculated annual dollar amount of the fund and the statistics used to allocate these expenses are detailed below.

1. Each year, the Building Maintenance Division sets aside a specific amount to fund major repairs. The methodology used to determine the appropriate amount to be set aside is two percent of one year's depreciation (over a 45-year life) of the insured value of City facilities.
2. Square footage occupied by each user department

G. City Facility Sewer Fee

The Engineering Division of the Public Works Department shall be responsible for the City Facility Sewer Fee, which accounts for the cost of providing wastewater collection and conveyance services to City facility sewer connections. This fee is charged to departments for use of the City's sewer infrastructure. The calculated annual dollar amount of the fee and the statistics used to determine this expense are detailed below.

1. The institutional sewer rate is used to calculate the amount of sewer charges.
2. Statistics used to determine the allocation amount to departments/divisions residing in City facilities are:
 - a. Annual water usage for departments/divisions that are single occupants of a facility (e.g., Police Department and Fire Department)
 - b. Square footage occupied for departments/divisions sharing a facility
 - c. Number of budgeted full-time employees for departments/divisions sharing a facility

H. Overhead

1. Per the City's Statements of Financial Principles, all support departments' operating expenses which conform to OMB A-87 guidelines are included in the allocation.
2. Charts of the allocated services rendered by each support department and the allocation bases for these activities allocated follow.
 - a. City Clerk

Service	Allocation Methodology
Departmental assistance	Number of budgeted full-time employees
Records management	Number of budgeted full-time employees

- b. City Treasurer

Service	Allocation Methodology
Departmental auditing	Number of budgeted full-time employees
Tax administration	Percentage of total General Fund actual expenditures

c. City Manager

Service	Allocation Methodology
Budgeting	Number of budget account numbers
Economic development	Percentage of total non-housing Redevelopment Agency expenditures
City sponsored events	Number of budgeted full-time employees
Human resources	Hours of support to the Human Resources Department
General City support	1/2: Number of budgeted full-time employees 1/2: Percentage of total actual expenditures
Oversight Board	Percentage of total non-housing Redevelopment Agency expenditures

d. Human Resources

Service	Allocation Methodology
Employee support	Number of budgeted full-time employees

e. Financial Services

Service	Allocation Methodology
Accounts payable	Number of accounts payable transactions
Accounts receivable	Number of accounts receivable transactions
Purchasing	Number of purchase orders
Cashiering	Number of cash receipts
Budgeting	Number of budget account numbers
Fixed assets	Number of budgeted full-time employees
CAFR preparation	Number of budget account numbers
General ledger administration	Number of budget account numbers
Bank reconciliation	Number of bank accounts
Grants administration	Time spent on departmental grants
Payroll	Number of budgeted full-time employees
MUNIS support	Number of budgeted full-time employees

f. Police Administration

Service	Allocation Methodology
Division support	1/2: Number of budgeted full-time employees 1/2: Percentage of total actual expenditures

g. Fire Administration

Service	Allocation Methodology
Division support	1/2: Number of budgeted full-time employees 1/2: Percentage of total actual expenditures

h. Community Services Administration

Service	Allocation Methodology
Division support	Hours of support

i. Public Works Administration

Service	Allocation Methodology
Division support	1/2: Number of budgeted full-time employees 1/2: Percentage of total actual expenditures

3. Although not charged to departments (in accordance with OMB A-87 guidelines), when calculating user fees, the full cost of the items in Number 4 below is allocated to the fees.
4. A chart of the additional services rendered by each support department which are included only in the full cost allocation plan follows.

Department	Service
Mayor and City Council	Departmental assistance
City Clerk	Agenda and minute preparation
City Clerk	Board and commission support
City Clerk	Fair Political Practices Commission coordination

Department	Service
City Clerk	Legal notice coordination
City Attorney	In-house legal support
City Attorney	Outside legal support
City Manager	Agenda preparation
City Treasurer	Investment administration

IV. EXCEPTIONS

There will be no exceptions to this policy unless provided and approved by the City Manager.

V. AUTHORITY

By authority of the City Manager.



 Joe Hoefgen
 City Manager