



# City of Biggs

## Agenda Item Staff Report For the Regular City Council Meeting: March 12, 2013

TO: Honorable Mayor and Members of the City Council  
FROM: City Administrator  
SUBJECT: Budget Cost Allocation Error Correction

Council is asked to approve a budget modification to correct an error in the application of the 2012-2013 Budget Cost Allocations.

### Background

Prior to the current fiscal year the City utilized a two-step process of allocating payroll costs and various overhead costs to the various funds. As part of that old process a share was charged to the General Fund. Then in a second step of cost allocation, credits to the General Fund were made with corresponding charges to Sewer, Water, Electric and Solid Waste funds, creating a two-step allocation process.

Beginning with the current fiscal year a more streamlined approach was enacted by assigning a smaller cost share to the General Fund (40% of the old allocation), and then making a corresponding increase of the cost shares to the Sewer, Water, Electric and Solid Waste Funds. Thus accomplishing the cost allocations in one step.

The problem is that while the reduction in the cost allocation to the General Fund budget line items did occur, and that the new method was properly applied to payroll costs, the corresponding increases in various overhead expense budget line items of the Sewer, Water, Electric and Solid Waste Funds failed to occur. \$170,146 in budgeted expenses were not carried over to Sewer, Water, Electric and Solid Waste fund budgets.

### Proposed Solution:

Increase account 1199 (allocated costs) to the amounts allocated to each fund. This would be consistent with how the actual payments are currently being recorded.

Account	Current Budget 2012-2013	New Proposed Cost Allocation 2012-2013	Increase
Sewer Fund 030-4460-1199	1,770	36,300	34,530
Water Fund 040-4710-1199	1,770	16,764	14,994
Electric Fund 050-4720-1199	13,275	126,404	113,129
Solid Waste 060-4470-1199	885	8,378	7,493

**Recommendation:**

Approve the proposed budget modification to correct an error in the application of the 2012-2013 Budget Cost Allocations.

**Fiscal Impact of Recommendation:**

There is no change to the approved level of expenses, and no change to the General Fund.

  
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Mark Sorensen, City Administrator