COON CREEK WATERSHED DISTRICT
Request for Board Action

MEETING DATE: June 27, 2016
AGENDA NUMBER: 22
ITEM: Review of Options for Calculating Staff Billing Rates for Cost Recovery

AGENDA: Discussion

ACTION REQUESTED
Direct staff to revise review and inspection fee forecast using new/revised overhead factor

BACKGROUND
At the May 9 meeting the Board held a brief discussion of the rates calculated and used for charge back of staff time. At present the District has been calculating the charge back amount on a direct time and materials basis. This means the employees hourly (based 2080 hours per year + a common factor that is the percent of the employees duties covered by the District operating costs. The current factor is 1.9 and has been since 2013.

Several factors should be considered:
1. Bill Salary/Benefits
2. Hours worked
3. Overhead Allocation

ISSUES/CONCERNS
Salary & Benefits: Rate charged should include the full cost of employee salary, which includes their benefits

Hours Worked versus Available Hours Billable: Basically there are 2080 work hours in a year (40 hrs per wk X 52 weeks in a year). There are basically 2000 billable hours once vacations and holidays are deducted making each work hours more valuable.

Overhead Allocation: There are three ways to allocate the operating costs that support staff conducting potentially billable work

1. Identify fixed costs associated with staff or task + identify variable costs associated with specific staff or tasks. Usually converted to a standard factor that is applied as a multiplier to the staffs hourly. The current factor is closer to 2.0 or 2.1
2. Divide the operating costs by FTEs and calculate the appropriate hourly rate.
   a. Divide by 2080
   b. Divide by 2000

PRIOR DECISIONS
This is the current approach and the current factor is 1.9

**OPTIONS**
There are six options. All options should include salaries and overhead unique to the employee. The five options are

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<tr>
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<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
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<tbody>
<tr>
<td>Overhead Factor Approach</td>
<td>Accounts for variable costs associated with employees actually doing work</td>
<td>More complicated to track if used by more than 2 or 3 employees</td>
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<tr>
<td>FTE Overhead allocation</td>
<td>Simple easy to understand</td>
<td>Does not capture costs unique to employees or tasks</td>
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<td>2080 hours</td>
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<td>Recovers least amount</td>
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<td>FTE Overhead allocation</td>
<td>Still simple. May involve additional explanation/justification</td>
<td>Averages overhead cost so does not provide for full recovery of costs</td>
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<td>2000 hours</td>
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**RECOMMENDATION**
Stay with Overhead Factor Approach and increase overhead factor to 2 or 2.1