

**REGIONAL DISTRICT OF OKANAGAN-SIMILKAMEEN
BOARD POLICY**

POLICY: Administrative Overhead Policy

AUTHORITY: Board Resolution dated January 6, 2022

POLICY STATEMENT

The Regional District will allocate general administrative and corporate costs among the Regional District services, excluding salary and wages, in a fair and transparent manner using the following methodology.

PURPOSE

Under Sections 379(1) and 380(2) of the *Local Government Act*, all costs incurred by a regional district in relation to a service, including costs of administration attributable to the service, are part of the costs of that service and that those costs must be apportioned among all electoral areas, including both member municipalities and electoral areas.

DEFINITIONS

“Administrative Overhead Pool” means all costs (excluding salaries) relating to the following support functions: Legislative Services; Corporate Facilities, Financial Services, Human Resources and Information Technology.

“Net Expenses for Operational Services” means the gross current year’s operational costs less current revenue, debt servicing and transfer to reserves.

RESPONSIBILITIES

ALLOCATION PRINCIPLES

The Administrative Overhead Policy is based on the following guiding principles:

- **Fairness** – overhead cost allocation should reflect actual consumption patterns of the service;
- **Reasonableness** – the allocated charge should not exceed the gross operational cost of the service, and be fair;
- **Transparency and Simplicity** – The method of allocation should be easy to apply and understand, and require a single iteration of calculation;
- **Stability** – Cost allocation flows should be relatively stable year over year;
- **Ease of Administration** – consumption based cost allocation flows are maintained as paramount, ease of administration and a simple formula are key to transparency and consistency;
- **Objectivity** – the method of allocation should rely on primarily independent data to calculate the allocated charge for each service, rather than an individual’s judgement, where possible. Where professional judgement must be applied, the decision should be supported by reasoning and logic.

STANDARD ADMINISTRATIVE OVERHEAD CHARGE

Capital projects will be charged twenty percent based on a tier basis with no administration charge on previous years carry forwards.

The remaining amount, unless otherwise stated, will be charged on a tier-based assessment on the basis of the net expenses for the current budget year.

The standard administration overhead charge shall be set at a rate which recovers the administrative overhead pool.

SERVICE LEVEL VARIANTS – Operational Services

- Major Operation– sets the base percentage and is charged the standard administrative charge. This percentage will vary depending on the operational budget for the year.
 - This would be for the functions that involve most, if not all, of the functions carried out by the departments included in the overhead pool or have a high volume of transactions.
- Partial Service – will be charged 80% of the base set in major services and is charged the administrative charge
 - This would be for all functions that involve many but not all of the functions carried out by the departments included in the overhead pool. This can also include services with a moderate amount of transactions.
- Minimal Services – will be charged 60% of the major operational charge and is charged the standard administrative charge.
 - This would be for functions that involve a limited amount of functions included in the overhead pool and/or have a limited amount of transactions.
- Special Contracts – will be charged 45% of the major operational charge, these are services which are not directly provided by the Regional District, but does involve administrative overhead.
- Negotiated Contracts – contracts which have a specific negotiated administrative amount must be authorized by the CAO.

ALLOCATION OF SALARY COSTS

Excluded staff salary costs are budgeted to those services where it is anticipated staff time will be spent during the year. Unionized staff costs are allocated to those services where they actually spend their time.

This Policy shall be reviewed every four years to ensure awareness and understanding of the process by the Board, administration and member municipal administrative staff.

PROCEDURES

The net expenses for operational services are added together, twenty percent of the amount is reallocated to the capital projects on a tier bases, and the remainder distributed back to the various services, also based on a tier bases.

- Salaries and wages will be included when calculating the net expenses for operational services.
- No administration is charged on transfer to reserves, debt servicing and carry forward capital projects.
- 20% of the calculated net expenses for operational services would be charged against capital projects using a tier based system.

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- The remaining overhead costs (80%) would be distributed amongst the various services based on 6 tiers, with each tier charged at a different percentage.

Tier one service will establish the base line charge with the remaining tiers charges as follows:

Tier 1 services are classified as major operational support and charged at the highest rate and sets the base charge (base will change from year to year).

Tier 2 services are classified as partial support required and charged at 80% of the base.

Tier 3 services are classified as minimal service support and charged at 60% of the base.

Tier 4 special contracts are services where the RDOS does not provide the service, but does have some administrative responsibility. This tier has a charge of 45% of the base.

Tier 5 capital projects are charged 20% of the calculated overhead charge. This tier has sub tiers and are charged a percentage based on the value of the project.

5.1 projects over \$1 million are charged at a set base.

5.2 projects costing \$500k to \$1m are charged at 75% of base

5.3 projects costing \$250K to \$500K are charged at 56% of base

5.4 projects costing \$100K to \$250K are charged at 42% of base

5.5 projects costing \$50K to \$100K are charged at 32% of base

5.6 projects costing \$10K to \$50K are charged at 24% of base

5.7 projects costing less than \$10k are charged at 18% of base

Tier 6 is used when an agreement is reached with a third party that defines a specific amount that may be charged as administration. The CAO must approve the amount.