



**Background:**

The Sonoma County Water Agency (Agency) records all labor costs in the Agency General Fund. Entities, such as Sanitation Zones and Districts and Flood Control Zones, which use labor, are charged for each hour of labor recorded to projects that benefit the entity. Each of these hours includes a base rate plus benefits plus an estimated overhead charge. The overhead charge includes costs for activities and purchases that do not benefit any one of the labor using entities directly, such as administrative office space and supplies. The overhead charge is set at the beginning of each year to reimburse the General Fund for labor and overhead costs. At the end of the year, an analysis is performed to determine the actual difference between overhead costs and overhead charged. This analysis is used to adjust the overhead rate for the current year and to set the rate for the next year, as well as to track cumulative differences. The rate for Fiscal Year 2008-2009 resulted in overcharges.

There is currently a cumulative overcharge, including interest, of \$1,787,897 resulting primarily from the last two fiscal years. Recognizing that the financial status of some of these entities may have been negatively affected, the Agency wishes to repay the labor consuming entities this overcharge by using available fund balance in the Agency General Fund. An allocation was performed using the percentage of labor charged to the various entities for Fiscal Year 2007-2008 and Fiscal Year 2008-2009. Exhibit A attached is a list of the amounts to be transferred to the various entities from the Agency General Fund. These amounts range from \$3.00 to \$591,702.

By making these transfers the Agency will reset the accounts between the General Fund and the various other funds, which have been tracked for the last fifteen years, through the end of FY 08/09. Once reset to zero balance, the Agency will track the balances moving forward in a similar manner to assure that neither the General Fund nor any of the enterprise funds is significantly affected by the overhead allocation process.

**Attachments:**

Resolution with attached Exhibit (R1)

**On File With Clerk:**

None.

**CLERK OF THE BOARD USE ONLY**

**Board Action (If other than "Requested")**

**Vote:**