



MEMORANDUM

Date: May 23, 2016

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **County Administrative Overhead Questions Raised by the Board of Supervisors During the Budget Hearings**

During the five Public Hearings on the proposed budget, the Board of Supervisors asked questions about County Administrative Overhead charged to various departments. Specifically, the Board requested information regarding the various components of County Administrative Overhead and which components were driving the changes in the amount of overhead charged to the departments.

As indicated when the Budget Hearings began, we are responding in writing to the questions raised to ensure clarity of budget review and understanding. This memorandum is a response related to the County Administrative Overhead Questions raised during the Budget Hearings.

County Administrative Overhead

Some costs, such as purchase and outfitting of a specialty police vehicle for the Sheriff's Department, can be readily charged directly to the purchasing department. Other costs, such as personnel costs of operating a help line for information technology (IT)-related assistance to County departments, are not directly charged to the departments. They are accumulated and then allocated to departments based on an allocation method. That allocation method typically uses a cost driver, such as the number of calls a department makes to the IT help line. County Administrative Overhead, generally consisting of central service administrative costs, is charged to departments using this indirect cost allocation method.

For Fiscal Year 2016/17, the Finance and Risk Management Department has identified \$78 million of central service administrative costs that could be allocated to other County departments. These central service administrative costs are initially paid by the County's general revenues, such as property taxes. Although the allocation of these costs was calculated for all departments, only those departments that are not primarily funded by the County's general revenues were charged for these costs. Because of this, only \$22.3 million of central service administrative cost was actually charged to other departments as County Administrative Overhead.

The Honorable Chair and Members, Pima County Board of Supervisors
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Attached is a list of departments that are budgeted for County Administrative Overhead charges in FY 2016/17 and the various components of their County Administrative Overhead charges. Comparative amounts from the prior year are also included.

Below is a list of the various components of County Administrative Overhead and a summary of the cost drivers used to allocate their costs.

County Administrative Overhead Component	Summary of the Cost Drivers Used to Allocate their Costs
Building Use	Certain County building costs are allocated based on square footage.
Board of Supervisors and County Administration	These costs are allocated based on a department's personnel costs.
County Attorney	Certain legal services costs are allocated based on a department's personnel costs.
Communications	Centralized County communication costs are allocated based on a department's fulltime equivalent employees.
Facilities Management	Operating costs for certain County buildings are allocated based on square footage.
Finance	Multiple cost drivers are used to allocate finance costs, including a department's total budget, its total expenditures, the number of payments processed and its grant-related spending.
Information Technology (IT)	Multiple cost drivers are used to allocate IT costs, including the number of hours worked on specific IT projects, the number of IT problems resolved and the number of IT users in the department.
Human Resources	These costs are allocated based on a department's fulltime equivalent employees.
Procurement	These costs are allocated based on the number of purchase requisitions and payments.
Tax Collection	Tax assessment, billing and collection costs are allocated based on the number of parcels within the applicable taxing jurisdiction.
Treasurer	These costs are allocated based on the number of payments processed.

CHH/mjk

Attachment

- c: Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management
Ellen Moulton, Deputy Director, Finance and Risk Management
Michelle Campagne, Deputy Director, Finance and Risk Management
Robert Johnson, Budget Manager, Finance and Risk Management

Pima County Administrative Overhead Charged by Department/Fund
 Fiscal Year 2016-17 Compared to the Prior Year
 March 18, 2016

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	BUILDING USE	BOS and COUNTY ADMIN	COUNTY ATTORNEY	COMMUNI- CATIONS	FACILITIES MANAGEMENT	FINANCE	INFORMATION TECHNOLOGY	HUMAN RESOURCES	PROCUREMENT	TAX COLLECTION	TREASURER	TOTAL
COUNTY FREE LIBRARY - page 141												
FY 17	618,566	371,674	5,276	66,830	927,523	435,827	1,441,373	158,810	50,792		36,864	4,113,535
FY 16	574,270	338,724	3,019	46,136	954,322	335,366	1,018,478	159,267	89,847		35,092	3,554,521
CHANGE	44,296	32,950	2,257	20,694	(26,799)	100,461	422,895	(457)	(39,055)	-	1,772	559,014
	7.7%	9.7%	74.8%	44.9%	-2.8%	30.0%	41.5%	-0.3%	-43.5%		5.0%	15.7%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **5.3%**
 FY1617 Dept Total Costs as a % of County Total Costs **3.4%**

The County Free Library's county administrative overhead allocation increased by more than 15% primarily because the Library used proportionally more Information Technology services than other departments.

	BUILDING USE	BOS and COUNTY ADMIN	COUNTY ATTORNEY	COMMUNI- CATIONS	FACILITIES MANAGEMENT	FINANCE	INFORMATION TECHNOLOGY	HUMAN RESOURCES	PROCUREMENT	TAX COLLECTION	TREASURER	TOTAL
DEVELOPMENT SERVICES - page 383												
FY 17	58,916	141,745	29,469	10,066	52,667	80,945	253,934	23,920	6,281		4,201	662,144
FY 16	58,620	124,856	29,270	6,966	67,053	58,105	521,666	24,047	8,959		3,472	903,014
CHANGE	296	16,889	199	3,100	(14,386)	22,840	(267,732)	(127)	(2,678)	-	729	(240,870)
	0.5%	13.5%	0.7%	44.5%	-21.5%	39.3%	-51.3%	-0.5%	-29.9%		21.0%	-26.7%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **0.9%**
 FY1617 Dept Total Costs as a % of County Total Costs **0.6%**

The Development Services Fund's county administrative overhead allocation decreased by more than 26% primarily because the Fund used proportionally less Information Technology and Facilities Management services than other departments.

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ENVIRONMENTAL QUALITY - page 174												
FY 17	28,302	14,795	10,394	5,280	42,804	69,177	197,225	12,548	26,530		2,283	409,338
FY 16	28,032	6,683	11,573	4,568	52,874	79,564	225,705	15,769	6,011		1,854	432,633
CHANGE	270	8,112	(1,179)	712	(10,070)	(10,387)	(28,480)	(3,221)	20,519	-	429	(23,295)
	1.0%	121.4%	-10.2%	15.6%	-19.0%	-13.1%	-12.6%	-20.4%	341.4%		23.1%	-5.4%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **0.5%**
 FY1617 Dept Total Costs as a % of County Total Costs **0.4%**

The Environmental Quality Fund's county administrative overhead allocation decreased by more than 5% primarily because the Fund used proportionally less Information Technology, Finance, and Facilities Management services than other departments.

	BUILDING USE	BOS and COUNTY ADMIN	COUNTY ATTORNEY	COMMUNI- CATIONS	FACILITIES MANAGEMENT	FINANCE	INFORMATION TECHNOLOGY	HUMAN RESOURCES	PROCUREMENT	TAX COLLECTION	TREASURER	TOTAL
FACILITIES MANAGEMENT - PARKING GARAGES page 62												
FY 17		7,026	3,206	660		48,867		1,570	11,553		1,242	74,124
FY 16		7,202	4,188	456		23,179	2,056	1,576	9,220		1,247	49,124
CHANGE	-	(176)	(982)	204	-	25,688	(2,056)	(6)	2,333	-	(5)	25,000
		-2.4%	-23.4%	44.7%		110.8%	-100.0%	-0.4%	25.3%		-0.4%	50.9%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **0.1%**
 FY1617 Dept Total Costs as a % of County Total Costs **0.3%**

The Parking Garage Internal Service Fund's county administrative overhead allocation increased by more than 50% primarily because the Fund used proportionally more Finance services than other departments.

Pima County Administrative Overhead Charged by Department/Fund
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BUILDING USE	BOS and COUNTY ADMIN	COUNTY ATTORNEY	COMMUNI- CATIONS	FACILITIES MANAGEMENT	FINANCE	INFORMATION TECHNOLOGY	HUMAN RESOURCES	PROCUREMENT	TAX COLLECTION	TREASURER	TOTAL
FINANCE & RISK MANAGEMENT - RISK MANAGEMENT INTERNAL SERVICE FUND page 112											
FY 17	50,522	88,044	4,785		536,990	56,513	11,372	13,400		2,248	763,874
FY 16	44,227	75,092	2,512		580,127	52,603	8,673	11,524		2,212	776,970
CHANGE	-	6,295	2,273	-	(43,137)	3,910	2,699	1,876	-	36	(13,096)
	14.2%	17.2%	90.5%		-7.4%	7.4%	31.1%	16.3%		1.6%	-1.7%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **1.0%**
 FY1617 Dept Total Costs as a % of County Total Costs **1.4%**

The Risk Management Internal Service Fund's county administrative overhead allocation decreased by more than 1% primarily because the Fund used proportionally less Finance services than other departments.

FLEET SERVICES INTERNAL SERVICE FUND - page 75											
FY 17	132	65,792	30,019	9,076	280,247	317,785	826,173	21,566	165,843	27,599	1,744,232
FY 16	132	62,235	36,197	6,281	118,737	204,657	486,226	21,683	113,532	9,137	1,058,817
CHANGE	-	3,557	(6,178)	2,795	161,510	113,128	339,947	(117)	52,311	-	685,415
	0.0%	5.7%	-17.1%	44.5%	136.0%	55.3%	69.9%	-0.5%	46.1%	202.1%	64.7%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **2.2%**
 FY1617 Dept Total Costs as a % of County Total Costs **1.8%**

The Fleet Services Internal Service Fund's county administrative overhead allocation increased by more than 64% primarily because the Fund used proportionally more Information Technology, Facilities Management, and Finance services than other departments.

Pima County Administrative Overhead Charged by Department/Fund
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	BUILDING USE	BOS and COUNTY ADMIN	COUNTY ATTORNEY	COMMUNI- CATIONS	FACILITIES MANAGEMENT	FINANCE	INFORMATION TECHNOLOGY	HUMAN RESOURCES	PROCUREMENT	TAX COLLECTION	TREASURER	TOTAL
HEALTH - PIMA ANIMAL CARE CENTER - page 201												
FY 17	126,577	110,077	68,951	13,036	132,698	128,852	106,041	30,977	35,423		10,457	763,089
FY 16	127,030	82,024	53,286	9,022	116,221	93,326	84,591	31,144	32,437		7,177	636,258
CHANGE	(453)	28,053	15,665	4,014	16,477	35,526	21,450	(167)	2,986	-	3,280	126,831
	-0.4%	34.2%	29.4%	44.5%	14.2%	38.1%	25.4%	-0.5%	9.2%		45.7%	19.9%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **1.0%**
 FY1617 Dept Total Costs as a % of County Total Costs **0.7%**

The Public Health - Animal Care Department's county administrative overhead allocation increased by more than 19% primarily because the Department used proportionally more Finance, County Administration, and Information Technology services than other departments.

HUMAN RESOURCES - HEALTH BENEFITS TRUST INTERNAL SERVICE FUND page 80												
FY 17		17,064	7,786	2,311		586,284		5,491	3,946		780	623,662
FY 16		18,925	11,006	1,713		395,821		5,913	3,358		419	437,155
CHANGE	-	(1,861)	(3,220)	598	-	190,463	-	(422)	588	-	361	186,507
		-9.8%	-29.3%	34.9%		48.1%		-7.1%	17.5%		86.2%	42.7%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **0.8%**
 FY1617 Dept Total Costs as a % of County Total Costs **5.0%**

The Health Benefit Trust Internal Service Fund's county administrative overhead allocation increased by more than 42% primarily because the Fund used proportionally more Finance services than other departments.

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BUILDING USE	BOS and COUNTY ADMIN	COUNTY ATTORNEY	COMMUNI- CATIONS	FACILITIES MANAGEMENT	FINANCE	INFORMATION TECHNOLOGY	HUMAN RESOURCES	PROCUREMENT	TAX COLLECTION	TREASURER	TOTAL	
INFORMATION TECHNOLOGY - TELECOMMUNICATIONS INTERNAL SERVICE FUND page 115												
FY 17	29,669	13,538	4,621	844	119,839	360,612	10,979	13,457		1,782	555,341	
FY 16	25,915	15,067	1,713	17,650	54,966	311,021	5,913	3,129		1,265	436,639	
CHANGE	-	3,754	(1,529)	2,908	(16,806)	64,873	49,591	5,066	10,328	-	517	118,702
	14.5%	-10.1%	169.8%	-95.2%	118.0%	15.9%	85.7%	330.1%		40.9%	27.2%	

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **0.7%**
 FY1617 Dept Total Costs as a % of County Total Costs **0.5%**

The Telecommunications Internal Service Fund's county administrative overhead allocation increased by more than 27% primarily because the Fund used proportionally more Finance services than other departments.

KINO SPORTS COMPLEX - STADIUM DISTRICT page 166												
FY 17	40,631	3,971	6,600	593,112	86,467	96,223	15,685	43,922		7,339	893,950	
FY 16	37,205	2,067	4,568	533,322	56,260	46,996	15,769	40,673		4,387	741,247	
CHANGE	-	3,426	1,904	2,032	59,790	30,207	49,227	(84)	3,249	-	2,952	152,703
	9.2%	92.1%	44.5%	11.2%	53.7%	104.7%	-0.5%	8.0%		67.3%	20.6%	

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **1.1%**
 FY1617 Dept Total Costs as a % of County Total Costs **0.4%**

The Stadium District Fund's county administrative overhead allocation increased by more than 20% primarily because the Fund used proportionally more Facilities Management, Information Technology, and Finance services than other departments.

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OFFICE OF EMERGENCY MANAGEMENT - OEM RADIO SYSTEM - page 194 - FY1516												
OFFICE OF EMERGENCY MANAGEMENT - WIRELESS INTEGRATED NETWORK - page 205 - FY1617												
FY 17	21,445	9,784	495	16,049	155,775		1,176	2,212		1,063	207,999	
FY 16	13,085	7,611	1,484		15,057	108,669	5,125	4,868		681	156,580	
CHANGE	-	8,360	2,173	(989)	16,049	140,718	(108,669)	(3,949)	(2,656)	-	382	51,419
	63.9%	28.6%	-66.6%		934.6%	-100.0%	-77.1%	-54.6%		56.1%	32.8%	

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **0.3%**
 FY1617 Dept Total Costs as a % of County Total Costs **0.3%**

The Wireless Integrated Network Fund's county administrative overhead allocation increased by more than 32% primarily because the Fund used proportionally more Finance services than other departments.

REGIONAL FLOOD CONTROL - page 394												
FY 17	88,085	160,618	30,556	10,726	53,106	211,166	572,782	25,488	50,590	776,581	6,242	1,985,940
FY 16	77,421	124,941	15,909	7,423	72,591	161,456	371,349	25,624	30,058	822,990	4,096	1,713,858
CHANGE	10,664	35,677	14,647	3,303	(19,485)	49,710	201,433	(136)	20,532	(46,409)	2,146	272,082
	13.8%	28.6%	92.1%	44.5%	-26.8%	30.8%	54.2%	-0.5%	68.3%	-5.6%	52.4%	15.9%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **2.6%**
 FY1617 Dept Total Costs as a % of County Total Costs **1.4%**

The Flood Control Department's county administrative overhead allocation increased by more than 15% primarily because the Department used proportionally more Information Technology services than other departments.

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REGIONAL WASTEWATER - page 401												
FY 17	72,951	693,650	53,441	81,682	770,949	1,982,887	2,185,095	194,101	506,230		60,059	6,601,045
FY 16	71,617	647,461	60,278	56,528	671,234	2,291,377	2,579,114	195,143	305,694		38,818	6,917,264
CHANGE	1,334	46,189	(6,837)	25,154	99,715	(308,490)	(394,019)	(1,042)	200,536	-	21,241	(316,219)
	1.9%	7.1%	-11.3%	44.5%	14.9%	-13.5%	-15.3%	-0.5%	65.6%		54.7%	-4.6%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **8.5%**
 FY1617 Dept Total Costs as a % of County Total Costs **12.7%**

The Regional Wastewater Reclamation Department's county administrative overhead allocation decreased by more than 4% primarily because the Department used proportionally less Information Technology and Finance services than other departments.

	BUILDING USE	BOS and COUNTY ADMIN	COUNTY ATTORNEY	COMMUNI- CATIONS	FACILITIES MANAGEMENT	FINANCE	INFORMATION TECHNOLOGY	HUMAN RESOURCES	PROCUREMENT	TAX COLLECTION	TREASURER	TOTAL
TRANSPORTATION - page 408												
FY 17	50,586	299,970	30,483	50,329	293,670	848,670	1,055,545	119,598	205,825		29,991	2,984,667
FY 16	61,132	248,369	30,368	35,059	323,366	718,192	977,534	121,028	176,669		18,926	2,710,643
CHANGE	(10,546)	51,601	115	15,270	(29,696)	130,478	78,011	(1,430)	29,156	-	11,065	274,024
	-17.3%	20.8%	0.4%	43.6%	-9.2%	18.2%	8.0%	-1.2%	16.5%		58.5%	10.1%

FY1617 Dept Overhead Costs as a % of Total Overhead Costs **3.8%**
 FY1617 Dept Total Costs as a % of County Total Costs **3.8%**

The Transportation Department's county administrative overhead allocation increased by more than 10% primarily because the Department used proportionally more Finance and Information Technology services than other departments.

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TOTAL COUNTY ADMINISTRATIVE OVERHEAD CHARGED												
FY 17	1,044,115	2,024,678	384,918	266,497	3,163,669	5,609,531	7,151,516	633,281	1,136,004	776,581	192,150	22,382,940
FY 16	998,254	1,781,852	354,931	184,429	2,927,370	5,067,453	6,786,008	636,674	835,979	822,990	128,783	20,524,723
CHANGE	45,861	242,826	29,987	82,068	236,299	542,078	365,508	(3,393)	300,025	(46,409)	63,367	1,858,217
	4.6%	13.6%	8.4%	44.5%	8.1%	10.7%	5.4%	-0.5%	35.9%	-5.6%	49.2%	9.1%