

SIMPSON COUNTY WATER DISTRICT
Allocation Methodologies

Joint Operations Agreement

Simpson County Water District participates in a Joint Operations Agreement with Warren County Water District and Butler County Water System, Inc. The Joint Agreement includes the following provisions:

- Each Board of the Water Systems establishes its own policies, regulations, and rates.
- All Water Systems join to create a Joint Utility Committee that meets bi-annually.
- For all shared services, the Joint Utility Committee annually reviews and approves cost allocations.
- Warren Water provides employees, equipment, and other services necessary to carry out general system operations and day-to-day business of each Water System.
- As the lead Water System, Warren Water provides the following services:
 - Information Network hosting software for the following: billing, accounting, GIS, and asset management.
 - Coordination and supervision of operations, maintenance, and construction of the water systems.
 - Engineering, supervision of contractors and construction inspection services for major projects, extension agreements, and customer inquiries.
 - Accounting records and financial reporting.
 - Coordination, supervision, and maintenance of billing and meter reading services.
 - Equipment and material inventory necessary to maintain the Systems.
 - Customer service and the processing of applications for service.
- Each Water System pays the actual cost monthly for labor, equipment, material, contractual services, and other expenses for services provided by any other Water System.

Actual Costs – Timecard Labor and Equipment

Water Systems pays the actual cost of labor for field crews, engineering, and non-administrative personnel. The labor and equipment hours are tracked through Warren Water’s timecard system and hours recorded by each employee are charged to the appropriate Water System. For example, a repair crew’s workday may include time worked in more than one Water System and when this is reflected in the timecard system, the labor, truck, and backhoe time is charged to the appropriate Water System. On a monthly basis, each Water System reimburses Warren Water for the actual costs of these services.

Direct Purchases

Each Water System purchases materials and services directly without utilizing Warren Water. In addition, each Water System separately purchases assets and fund water line extensions, and obtain funding for construction projects,

Rates and Allocations

At the beginning of each year, the Joint Utility Committee reviews and approves a Rates and Allocations Memo (Reference Rates and Allocations Memo dated January 24, 2022) that outlines the following standard cost sharing allocations:

1. Allocation of administration wages and other shared expenses. This allocation is based upon the previous year's total number of customers and each Water System's percentage of the total. For year 2022, the allocation was Warren Water 64.6%, Warren Sewer 18.0%, Butler 10.2%, and Simpson 7.2%. Each Water System's portion is calculated by multiplying the actual administrative wages by their corresponding percentage of customers. Administrative personnel can record time directly to a specific project, such as billing software implementations.

Reasoning: Certain administrative employees support the operations of all three Water Systems daily. These positions benefit all utilities and typically are proportionate to the number of customers or size of the Water System. Positions that are allocated based upon percentage of customers include the General Manager, Manager of Finance & Administration, Manager of Water Quality & Operations, and Billing Administrator (Reference Allocation of Administrative Costs Year 2022).

If services, materials, and other items purchased benefit multiple Water Systems then the cost is allocated based upon the percentage of customers served by the benefiting Systems. Examples include billing and accounting software maintenance & support, asset management and GIS software support, after hours call center service, and employee training.

2. Distribution within each Water System of allocated administrative wages. Allocated administrative wages recorded to each Water System are recorded to expense and capital based upon the prior years' percentage breakdown of direct timecard wages. For the year 2022 administrative wages, the expense and capital breakdown were 59% and 41%, respectively. The breakdown of the General Manager's wages was 30% expense and 70% capital.

Reasoning: Certain administrative positions support each Water System's daily operation and maintenance. In addition, these positions maintain utility facilities, record fixed assets, coordinate construction, and plan future projects. The allocation of the General Manager's wages is weighted toward current and future planning and capital projects.

- 3. Employee Overhead Rate.** The overhead rate is applied to wages worked and allows Warren Water to recover employment costs such as taxes, medical insurance, retirement, employee leave, workman's compensation, and holiday pay. The rate is determined by dividing the estimated overhead costs by the projected total wages worked. For the year 2022, the initial overhead rate was 63.1%, and the final overhead rate was 64.6%. The overhead reimbursement amount is charged to the Water Systems by multiplying employee wages worked by the overhead rate.