



# City of Richmond

## Report to Committee

**To:** General Purposes Committee

**Date:** October 20, 2010

**From:** Jerry Chong  
Director, Finance

**File:**

**Re:** Administrative Overhead

### Staff Recommendation

That the report concerning administrative overhead be received for information.

Jerry Chong  
Director, Finance  
(604-276-4064)

<b>FOR ORIGINATING DEPARTMENT USE ONLY</b>		
<b>CONCURRENCE OF GENERAL MANAGER</b>		
<b>REVIEWED BY TAG</b>	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
<b>REVIEWED BY CAO</b>	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

**Staff Report**

**Origin**

During the General Purposes Committee meeting on May 3, 2010 there was discussion surrounding the staff report dated April 3, 2010 from the Director Richmond Olympic Business Office, entitled "Richmond Olympic Business Final Review". The following referral was made to staff.

*"That the 1% overhead administrative charge/policy be referred to staff and report back."*

**Analysis**

At the General Purposes Committee on March 5, 2007, the Chief Administrative Officer authored a report titled "Major Projects & Events Costing Reporting", in order to address the inconsistencies in the costing and application of overhead concerning major projects and major events. The report recommended that the following rates of overhead be applied:

<b>Major Events</b>	<b>Rate</b>	<b>Major Projects</b>	<b>Rate</b>
Budget for City's cost share less than \$50,000	4%	Budget is less than \$5 Million	4%
Budget for City's cost share greater than or equal to \$50,000 and less than \$100,000	3%	Budget is greater than or equal to \$5 Million and less than \$50 Million	3%
Budget for City's cost share greater than or equal to \$100,000 and less than \$1 Million	2%	Budget is greater than or equal to \$50 Million and less than \$100 Million	2%
Budget for City's cost share greater than or equal to \$1 Million	1%	Budget is greater than or equal to \$100 Million -When external project management resources are charged directly to the project Flat rate of \$50,000 per year during design phase -\$100,000 per year during construction phase	1%

On March 12, 2007, Council approved the concept that the above overhead rates be charged against major projects and major events.

Effective with fiscal years beginning on January 1, 2009, local governments were required to adopt the guidelines under Public Sector Accounting Board standards (generally accepted accounting principles) for tangible capital assets. In accordance with generally accepted accounting principles, general management costs and corporate overheads are not included in the costs of a tangible capital asset. Therefore, subsequent to the CAO's report, the City has discontinued charging administrative overhead to its capital projects. However administrative

overhead continues to be charged to major events and staff will be developing an administrative procedure in accordance to the recommended rates.

**Financial Impact**

None

**Conclusion**

The City will continue the practice of charging overhead against Major Events as per the above overhead rates schedule. However, the City will not be charging overhead against Major Projects.



Jerry Chong  
Director, Finance  
(604-276-4064)  
JC:jc