



Administrative Regulations

Number AR15-3
Issue 1

Subject: Charges to other Departments - Memorandum of Understanding Guidelines.

I. PURPOSE

To establish standard procedures for developing costs, drafting memorandums of understanding and billing of interdepartmental charges.

II. SCOPE

This regulation is applicable to all City departments and offices responsible directly to the City Manager. This regulation applies to direct service, capital projects and other services financed by interdepartmental charges.

III. PROCEDURES

A. Cost Development:

Each department shall be responsible for determining all costs associated with providing basic service levels to other departments and for developing a unit standard cost for such services. In determining total value of units of service to be provided, the department shall include the following costs associated with that service:

- (1) Personal Services
- (2) Non-Personal services, including allocated general City overhead.
- (3) Departmental Administrative Overhead.

Total costs determined in this manner are to be subdivided into the cost of providing one unit of service. A unit of service can be defined as work hours, task hours or in any manner that provides an identifiable, measurable basis for a service provided.

The method of arriving at total cost and cost per unit must be well documented by the providing department. Cost documentation and units of service levels provided may be subject to audit by outside agencies and must be maintained until the statute of limitations has expired, which is generally three to five years.

The Department of Financial Management is available to assist in the development of the cost and will review such costs as to their applicability and accurateness.

B. Memorandum of Understanding (MOU):

The MOU is to document the understanding between the providing and the receiving departments and should include, at a minimum, the following clauses:

- (1) Date of Agreement.
- (2) Level of services to be provided stated on a per unit basis for each major service area, (e.g. maintenance, electronics, painting, etc.) and timing of such service.

- (3) Special Requests.
- (4) Emergency Services.
- (5) Provision of quarterly reviews of documentation supporting level of service provided to the receiving department.
- (6) Provision for adjustment if agreed upon levels of service are not achieved.

The MOU shall be signed by appropriate representatives of each department with one copy filed with the Director of Financial Management no later than the second Friday of each January for the ensuing fiscal year.

A department will not institute, change, modify, or add to an authorized MOU unless approved by the department which is providing the funding or funding source. Additionally, no department will charge or obligate in any way the funds or budget of another department unless specifically covered by an existing MOU, with the exception of the annual adjustment of general City overhead from estimate to actual work performed in January of each year for the prior fiscal year.

B. MOU will be adjusted and agreed upon - if required - by final budget appropriations.

C. Billing

Each month the providing department shall bill the receiving department 1/12 of the basic service level contractual amount. Special requests will be billed to the receiving department after service is completed.

The providing department and the receiving department shall initial all billings before submission to the Department of Financial Management for processing.

D. Capital Projects or Purchases

Each department requesting a capital project or item will initiate said request in the same manner as above and secure an estimate of cost by the providing department. When approved by the ordering department this shall become an MOU and be filed in the same manner as above.

No project shall be undertaken or item secured until authorized by the requesting department and no contract, or purchase order, shall be entered into unless within the amount specified in the MOU.

Payments will be made as specified in contracts or purchase orders, however, final payment will not be authorized until approved by requesting department.

E. The Department of Financial Management will establish forms, budget cost activities, and procedures to expedite all of the above and enforce agreement conditions and payments.