

From: [Don Schwartz](#)
To: [Don Schwartz](#)
Subject: Question and response re: Cost Allocation Study
Date: Saturday, February 17, 2024 4:01:01 PM

Councilmembers,

One of you asked a question re: next week's item on the cost allocation plan; here's the question and the response from the consultant who did the report:

Question: What is "Gross Expense Net of Distortions?" This is a term used repeatedly in the cost allocation study.

Response: "Size of budget" is a common basis for distributing overhead costs, meaning a department receives overhead in proportion to its fiscal size on the city. In this case, for the scale and scope of Sebastopol, we chose a "size of budget" factor equal to a department's total expenses but excluding items that would distort the outcomes unreasonably. The expense items we flagged as distortive to the outcome and removed from the allocation factor are as follows: transfers, existing overhead charges, and in wastewater, its large outlay for regional treatment. To leave these items in the allocation basis would generate a cost allocation to the receiving departments that would not reasonably reflect its demands on or benefit from the central service being allocated.

BCC: City Council, Department Heads

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