



BUDGET PRINCIPLE: 4.10

Replaces Principle Dated: NEW

**CAMPUS SERVICES
OVERHEAD CHARGEBACK ALLOCATION**

Approved by ACET: May 26, 2022

Effective Date: May 26, 2022

INTRODUCTION

Overhead chargebacks, or indirect costs, include the costs associated with providing centralized corporate services to many College business units that cannot be assigned to any single business unit or cost centre. These include services such as, but not limited to, finance, human resources, information technology services, snow removal, and facilities management services.

DEFINITIONS

| Term | Definition |
|---------------------------|--|
| Allocation | The process of distributing costs amongst several business units and departments |
| Ancillary services | College services, amenities and goods provided to students, employees and other clients that are non-core or context services and are not eligible to receive Provincial operating or capital funding, tuition or other student fee revenues directly associated with delivery of post-secondary education. |
| Campus Services | Self-funded College department that provides ancillary services to students, employees and other clients on a cost recovery and financially sustainable basis and include <ul style="list-style-type: none"> • Food and Conference Services • Retail Services • The Print Shop • Parking, Lockers and Card Services • Residence |
| Financial Sustainability | Managing an organization in a manner that realized revenues are sufficient to fund its full economic costs and investment in its infrastructure (physical, human and intellectual) at a rate adequate to maintain the future productive capacity needed to deliver its strategic plan and serve its students and clients. |
| Gross Margin | Revenue minus Cost of Goods Sold (COGS) |
| Overhead or Indirect Cost | Real, ongoing, necessary operating expenses that support the operations of many College business units and departments but cannot be wholly attributable to any single department |
| Shared Service | The provision of a service by one business unit or department of the College to many other College business units and departments |

PURPOSE

To provide a framework to clearly define the College overhead chargeback allocation methodology applied to Campus Services business units on an annual basis.

PRINCIPLE

Campus Services is required to operate and provide ancillary services to College students, employees and other clients in a financially sustainable manner. Campus Services relies on certain College corporate services to operate and will compensate the College for this benefit. Where Campus Services provides and funds its own corporate services, a chargeback from the College will not be applied. An overhead chargeback allocation methodology will be used to identify these annual costs that the College will charge back to Campus Services. The methodology must be defined and relatively simple to apply each year. The overhead chargeback will be credited to the College central Corporate Services Area to provide a general offset to College costs and will not be applied to specific College corporate service business units or departments.

| Overhead Categories | Allocation Metrics |
|---|---|
| Facilities Management Costs | The ratio of Campus Services dedicated room square footage (excluding Residence) in relation to the overall College room square footage on the Ottawa Campus based on the last fiscal year. |
| Human Resources Costs | The ratio of Campus Services Salaries and Benefits in relation to the overall College cost for salaries and benefits based on the last fiscal year. |
| Information Technology Services Costs | The ratio of Campus Services Salaries and Benefits in relation to the overall College cost for salaries and benefits based on the last fiscal year. |
| Finance and Administrative Services Costs | Campus Services Revenue (Excluding Residence) after COGS (Gross Margin) as a percentage of the overall College Revenue based on the last fiscal year. |
| Snow Removal Costs | 75% of College Snow Removal Cost based on in year costs. |

POLICY

1. Authority

- The Chief Financial Officer (CFO) holds the authority to approve the calculations associated with the Campus Services overhead chargeback allocations as presented from the Controller for Campus Services.

2. Accountability

- The Controller is responsible for the overhead chargeback calculations and allocation to the various business units within Campus Services.

3. Reporting

- The estimated overhead chargeback allocation calculations will be made available to all budget holders within Campus Services as part of the annual budget development process.

4. Time frame

- Actual overhead chargeback allocations to the Campus Services business units will be calculated one month after the release of the last fiscal year's audited financial statements of the College.

5. Transparency

- The Director, Campus Services and/or the Controller will present the estimated overhead chargeback calculations to the College Budget Committee for information as part of the annual pro forma presentation and will present the actual overhead chargeback calculations once determined from the last fiscal year's audited financial statements.

PROCEDURES

1. During the annual budget development process for the upcoming new fiscal year, the Campus Services Controller will estimate the overhead chargeback allocations for the upcoming new fiscal year and present them to the CFO for approval to use in the Campus Services pro forma preparation.
2. After the release of the audited College financial statements (typically in June each year), the Controller will pull the general ledger account values to be used for Campus Services overhead chargeback calculations. The general ledger account values are:
 - College Total Revenue
 - Campus Services Gross Margin
 - College Salaries and Benefits expense
 - Campus Services Salaries and Benefit expense
 - Annual costs for the relevant corporate services (Human Resources, Information Technology Services, Facilities Management, Finance and Administrative Services)
3. The Controller will verify the Ottawa Campus space allocation to business units within Campus Services. If there were changes to space allocations, then an adjustment will be made to the allocation of the assigned space.
4. The Controller will use the allocation metrics for each overhead cost category, apply it against the annual costs of the relevant corporate service and calculate Campus Services overhead chargebacks for the fiscal year.
5. The Controller will process any necessary journal entry adjustments to reflect the actual chargeback cost allocation before the end of the fiscal year.

RELATED POLICIES:

RELATED DOCUMENTS: