Utilities Allocation

Revised: 09/13
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Issue No. 4
Reviewer: Associate Vice President for Financial Services
Effective Date: 06/85 (E4Y)
Review Date: 05/17

01. PURPOSE

01.01 The purpose of this PPS is to provide policies and procedures for the allocation of utilities costs among Educational and General (E&G) and non-E&G facilities.

01.02 Texas State's utilities operation functions as a “service department.” As such, the costs incurred in this service department are allocated among various E&G and non-E&G areas.

02. DEFINITIONS

02.01 Utility costs are incurred for the provision of electricity, gas, water, solid waste, and wastewater, as well as fire suppression systems.

02.02 Types of Utility Costs – include two major categories, depending upon the source from which the utilities are either acquired or generated:

   a. Purchased Utilities - from off-campus vendors.

   b. Texas State Utilities – costs associated with generating and servicing utilities on-campus. This includes (but is not limited to):

       1. Costs of operating and managing the university plant facilities.
       2. Major repairs and rehabilitation to the utility system (chilled water, steam lines, etc.)
       3. Salaries and Wages for employees employed in these areas.
       4. Bond debt service – cost of bond principal and interest payments for capital improvements to the Texas State utility system.
       5. Utility Reserves – amounts being set aside for future utility projects.

02.03 Types of Facilities (Buildings) to which utilities costs are allocated include:

   a. Educational and General – state-funded, such as academic buildings
   b. Auxiliary – generally, these areas provide services to students.
03. INITIAL RECORDING OF UTILITIES COSTS

03.01 Metered Buildings and Properties – Some buildings and properties at Texas State are metered individually for utility costs. The "purchased utilities" costs for such assets, generally, are charged (expensed) directly to the appropriate account (SAP cost/fund center and fund) for that building or property.

03.02 Non-metered Buildings and Properties – Costs of purchased utilities for all buildings and properties which are not metered individually (for electrical costs) are charged (expensed) initially against central “Utility” accounts and are allocated as described in sections 04 and 05.

03.03 Texas State Utilities Costs – Texas State utilities costs are accumulated in several accounts and are allocated as described in sections 04 and 05.

04. ALLOCATION PARAMETERS

04.01 Gross Square Footage is the basis for allocating utilities costs among the various areas. At the start of each fiscal year, the Assistant Vice President for Budgeting, Financial Planning, and Analysis (AVPBFPA) or their designee contacts the Coordinator of Facilities Inventory (VPFSS) to obtain up-to-date figures for all the buildings on-campus. “Assignable Square Footage” is utilized to allocate Gross Square Footage for each split-use building (partially E&G and partially non-E&G). For example, 10,000 gross square feet in a split-use building which has 6,000 square feet of assignable E&G space and 2,000 square feet of assignable Athletics space would be allocated as: 7,500 gross feet to E&G and 2,500 gross square feet to Athletics. Final figures will be communicated to the Director of Accounting no later than September 25th of each fiscal year.

04.02 Buildings Under Construction are included in the utility calculations (and allocation) provided the building has been connected to the University's chilled water loop and/or other utilities costs are being incurred by the University directly (i.e. not being borne by the construction contractor). The AVPBFPA must consult with the Associate Vice President for Facilities (AVP-Facilities) to confirm these items. [Each construction contract may contain different language as to who bears the cost of utilities during construction.] Changes resulting from new or deleted connections will be communicated by the AVPBFPA to the Director of Accounting.

Although gross square footage is determined at the start of each fiscal year, adjustments to the allocation may be needed throughout that year. Changes to the allocation will be coordinated between the AVPBFPA and the Coordinator of Facilities Inventory. Coordinated changes will be communicated to the Director of Accounting.

04.03 Allocation of utilities costs will be made monthly.

04.04 Year-end accruals are needed to record estimated “Purchased Utility” expenses and payables only if twelve months' expenditures have not been previously expensed and allocated. Careful review must be done to assure that twelve months' data is recorded
both as an expense in the Purchased Utility account and is allocated as expenses among the functional areas.

04.05 Costs for Artesian Well water, Spring Lake water, and other similar sources are not allocated to the various areas based on lack of materiality.

05. ALLOCATION METHODOLOGY

05.01 The AVPBFPA reviews the annual operating budget to confirm any changes to utility accounts (either Purchased or Texas State) and communicates changes to the Director of Accounting. Updated gross square footage figures are utilized to determine the percentage of utilities costs allocated to each department as described in Sections 05.03 and 05.04.

05.02 On a monthly basis, designated General Accounting Office staff will extract reports from the financial system of actual Purchased and Texas State utility expenditures and apply the percentages from the gross square footage figures. Staff will also verify if any month-end processing adjustments in the prior period exist. These adjusted amounts will be included in current month’s allocation.

05.03 Purchased Utilities are allocated as an expense (GL 752400 Other Utilities) to the appropriate departments.

05.04 Texas State Utilities (on-campus) costs are allocated as an expense (GL 752400 Other Utilities) to the appropriate departments.

05.05 Service Revenue (GL 41740) is recognized in the Utilities fund as the credit which balances the utility allocations to the departmental charges.

06. RESPONSIBILITIES

06.01 Designated General Accounting Office staff will prepare the utilities allocation and record the journal entries in the general ledger on a monthly basis. Review of the journal entry is performed in accordance with standard General Accounting Office procedures.

06.02 AVP-Facilities assures that utilities costs are monitored, approved, and communicated to the appropriate parties in a timely manner and communicates with the AVPBFPA about changes in building construction, utilities costs, and other issues that might affect utilities allocation. The AVP-Facilities also monitors utilities service department revenue and expenses.

06.03 Utilities Analyst (Facilities) reviews and approves utilities charges prior to payment and notifies the Director of Accounting of any outstanding issues, such as delays in payment processing, which might affect the utility allocation.

06.04 Coordinator of Facilities Inventory (Vpfss Office) maintains the official university inventory of buildings and coordinates the gross square footage figures with the
AVPB or their designee at the beginning of each fiscal year or when significant square footage changes occur.

06.05 AVPB-32 coordinates the gross square footage figures with the Coordinator of Facilities Inventory (VPFSS Office) at the beginning of each fiscal year and communicates to the Director of Accounting by September 25th annually. AVPB-32 also coordinates any changes to the utilities allocation through interaction with the AVP-Facilities and the Coordinator of Facilities Inventory (VPFSS Office) and communicates changes to the Director of Accounting.

07. MAJOR RESPONSIBILITIES ASSOCIATED WITH THIS PPS

Major responsibilities for routine assignments associated with this PPS include the following:

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<td>Assistant Vice President of Budgeting, Financial Planning and Analysis</td>
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08. CERTIFICATION OF STATEMENT

This FSS/PPS has been approved by the following individuals in their official capacities, and represents FSS policy and procedure from the date of this document until superseded.

Associate Vice President for Financial Services, Senior Reviewer

Associate Vice President for Facilities, Reviewer

Vice President for Finance and Support Services

Approved: ________________________________

Reviewer

Approved: ________________________________

Reviewer

Approved: ________________________________

Vice President for Finance and Support Services