

The **transaction count method** is the administrative formula currently used by the Strathcona Regional District (SRD) to allocate **Finance and IT costs** across various regional and local service budgets. Under this 14-year-old framework, centralized indirect costs are distributed based strictly on the **number of individual entries recorded in the district's financial ledger** for a specific service.

The following details define the method's mechanics and the inequities identified in recent staff audits:

1. Financial Impact and Application

- **Benchmark Cost:** In 2024, each individual transaction was effectively valued at **\$182.64** in overhead costs.
- **Target Functions:** This method is primarily used to distribute costs for **Financial Services (Function 113)** and **Information Technology (Function 116)**.
- **Area D Burden:** Among rural areas, **Electoral Area D** carries the heaviest burden under this model, accounting for **24.2% of all Finance and IT transactions** across the regional district.

2. Technical Distortions and Inequities

Official reports describe transaction counts as an **"inherently flawed metric"** due to several significant financial distortions:

- **Arbitrary Weighting:** The method weights all ledger entries equally, meaning a **\$1 monthly mobile phone bill** triggers the exact same overhead charge as a **multi-million-dollar infrastructure contract**.
- **Accounting Inconsistencies:** If a service pools its expenses into a single year-end transaction rather than 12 monthly ones, its overhead cost drops artificially from 12 units to one, shifting those costs to other jurisdictions.
- **Zero-Sum Shifting:** Because the formula is a zero-sum calculation based on total regional transactions, a drop in usage in one area (such as the plummet in transactions at Strathcona Gardens during the pandemic) **automatically forces higher cost allocations** onto other unaffected services.
- **IT Resource Disconnect:** The method often misrepresents actual Information Technology usage, as specialized staff may rely heavily on regional IT infrastructure while generating very few financial transactions.
- **Threshold Penalties:** Services that cross a **40-transaction threshold** lose a 75% cost reduction. Furthermore, a **\$250 minimum charge** severely penalises small services with low annual budgets, such as Heritage Conservation.

3. Proposed Reform

In 2024 and 2025, the Board moved to **audit and replace this system**, acknowledging that it fails to logically reflect the actual consumption of corporate resources. Proposed reforms suggest moving away from transactional metrics toward established **administrative pools**—such as allocating IT costs as **70% General Administration and 30% Strathcona Gardens**—to ensure a more stable and equitable distribution of regional overhead.