Cost Allocation Plan Overview

Presented to Board of Directors
June 16, 2016
What is a Cost Allocation Plan (CAP)?

A transparent method for assigning shared costs to multiple projects.

EXAMPLES OF COSTS SHARED BY RCD PROJECTS

- CARCD DUES
- LIABILITY INSURANCE
- INTERNET
- QUICKBASE/DATABASE
- RENT
## San Mateo RCD Cost Categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Direct Cost Example</th>
<th>Indirect Cost Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>Time spent on a project report</td>
<td>Time spent at a staff meeting</td>
</tr>
<tr>
<td>Operating</td>
<td>Pro-rated use of software</td>
<td>Insurance</td>
</tr>
<tr>
<td>Program</td>
<td>Water quality monitoring equipment</td>
<td>None- all program expenses direct expenses</td>
</tr>
</tbody>
</table>
Virtually all RCD Costs are Direct or Indirect

**Direct costs**
*Specifically related* to a project
Examples: site visits, lab fees, permits, project management

**Indirect costs**
*Not specifically related* to a project
Examples: general administration, rent, internet

**Unallowable costs**
Not permitted to include in cost allocation. About .1% of RCD costs are in this category.
Examples: fundraising, audits
Personnel Costs
The total remuneration, in cash or in kind, payable to an employee for work done.

Example Costs: salaries, benefits, payroll taxes, employer contributions

Allocation Method: ASSESS HOW AN EMPLOYEE SPENDS THEIR TIME
• Uses employee time spent on projects to determine indirect vs direct costs
• Direct Costs = staff time spent on projects
• Indirect Costs = staff time not spent on projects

Example Allocation:
• Employee A spends 80% of her/his time directly on project work
• Employee A costs the RCD a total of $50,000 for the year
• $50,000 x .80 = $40,000 Direct Cost
• $50,000 x .20 = $10,000 Indirect Cost
Operating Costs
Non-personnel expenses that cannot be billed directly to grants or contracts.

Example Costs: accounting, computer, insurance, professional development

Allocation Method: ANALYZE THE NATURE OF EACH EXPENSE
- Benefit to a specific project = Direct
- Benefit not related to a project = Indirect
- Costs that Federal guidelines do not allow to be allocated to projects = Unallowable

Example Allocation:
- Pro-rated percentage of rent allocated to a specific program when permitted by funder.
- A case of copy paper shared by all staff for numerous purposes is an indirect cost
- A donation made by the RCD to a scholarship fund is unallowable.
Program Costs
Non-personnel expenses that are billed to specific programs or projects.

Example Costs: construction contractors, lab fees, permit fees

Allocation Method: NONE NEEDED
• All program costs are direct costs.

Example Allocation:
• Construction contractor is paid $250,000 for grant-funded restoration project= Direct cost
Cost Allocation Plan

• PERSONNEL COSTS
  • Indirect
  • Direct

• OPERATING COSTS
  • Indirect
  • Direct

• PROGRAM COSTS
  • Direct
The Indirect Cost Rate (ICR)

The most accurate estimate of overhead, useful in grant budget proposals and contracts.

Indirect Cost Rate Calculation – (Current)

| $361,461  | (Total Indirect Cost) | = 74%   |
| $485,482  | (Direct Cost Base)     |

This ICR tells us that for every $1 of RCD operating and personnel costs spent on project costs, 74 cents are spent on overhead costs.

NOTE: Approximately 10% of the overall budget, which includes program costs, goes to overhead.
Cost Allocation Plan (CAP)

Indirect Cost Rate Calculation (current)

<table>
<thead>
<tr>
<th>Fiscal Year 2016 Cost Categories</th>
<th>A. Personnel</th>
<th>B. Operating</th>
<th>C. Program</th>
<th>TOTAL</th>
<th>Indirect Cost Rate Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect Costs</td>
<td>$266,111</td>
<td>$95,350</td>
<td>$0</td>
<td>$361,461</td>
<td>$361,461</td>
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<tr>
<td>Direct Costs</td>
<td>$485,482</td>
<td>$0</td>
<td>$485,482</td>
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<td>$485,482</td>
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<tr>
<td>Unallowable Costs</td>
<td>$5,300</td>
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<td>Direct Program Costs</td>
<td>$751,594</td>
<td>$100,650</td>
<td>$2,674,610</td>
<td>$3,526,854</td>
<td></td>
</tr>
</tbody>
</table>

74% ICR

The ICR is updated quarterly to reflect:
- salary adjustments
- a revised budget approved by the Board
- changes in amount of staff billable time
- unanticipated expenses
Review

• A transparent method for assigning shared costs to multiple projects
• Three categories of expenses: Personnel, Operating, Program
• Allocate all expenses as indirect or direct or unallowable
• Arrive at the Indirect Cost Rate (ICR) for use in grant/contract proposals