

SIERRA VALLEY RESOURCE CONSERVATION DISTRICT  
**COST ALLOCATION PLAN OVERVIEW**



**Presented to SVRCD Board of Directors  
December 2021**

**QUESTION:** What is a Cost Allocation Plan, otherwise known as a CAP?

**ANSWER:** A transparent method for assigning shared costs to multiple projects.

**EXAMPLES OF COSTS SHARED BY RCD PROJECTS**

*examples in this overview do not reflect the actual cost allocations in real time*

LIABILITY  
INSURANCE

FACILITY  
RENT

MEMBERSHIP  
DUES

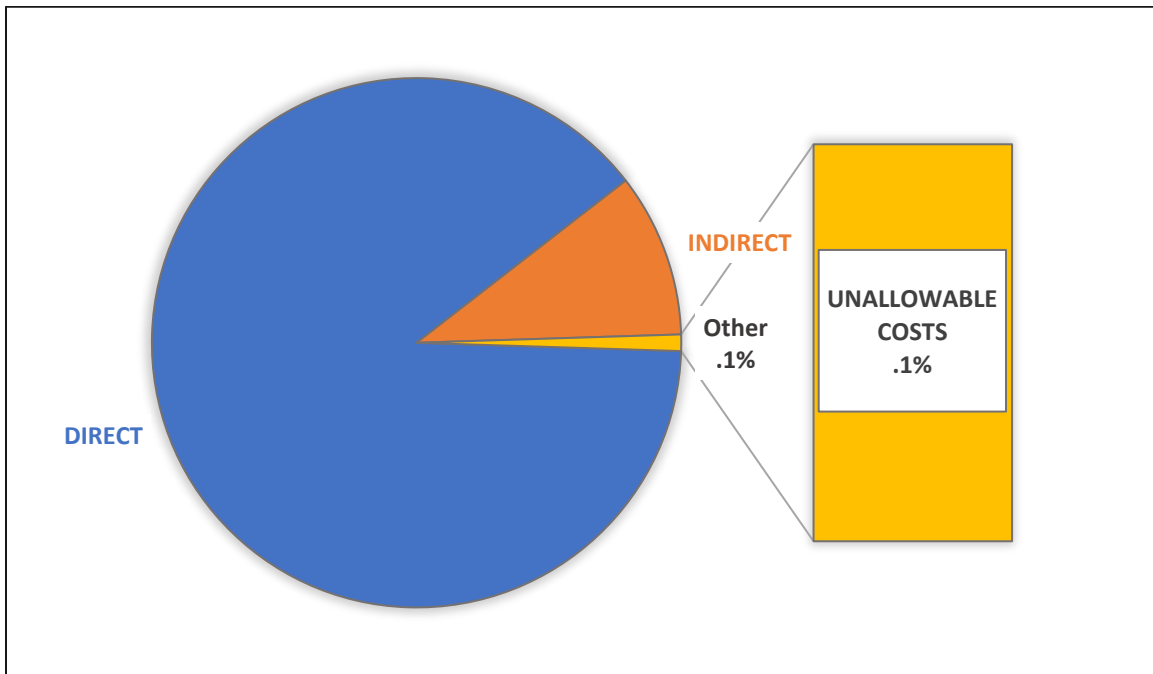
ADMIN,  
BOOKKEEPING,  
SECRETARIAL

OFFICE  
EXPENSES

## Sierra Valley RCD Cost Categories

CATEGORY	DIRECT COST EXAMPLE	INDIRECT COST EXAMPLE
Personnel	Time spent on a project	Time spent at a staff meeting
Operating	Pro-rated use of software	Insurance
Program	Payment to Construction Contractor	None: all program expenses are direct expenses

### Virtually all RCD Costs are Direct or Indirect



**Direct Costs:** Specifically related to a project (*examples include site visits, permits, project management and contractual for project completion*)

**Indirect Costs:** Not specifically related to a project (*examples include general administration, facility use/ rental fees, utilities, membership dues and professional development*)

**Unallowable Costs:** Not permitted in cost allocation (*examples include donations, fundraising*)

## **PERSONNEL COSTS**

The total remuneration, in cash or in kind, payable to an employee for work done.

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

**Allocation Method:** assess how an employee spends their time

- A) Use employee time spent on projects to determine indirect vs. direct costs
- B) Direct costs = staff time spent on projects
- C) Indirect costs = staff time not spent on projects

**Example Allocation:**

- A) Employee A spends 80% of their time directly on project work
- B) Employee A costs the RCD a total of \$50,000 for the year
- C)  $\$50,000 \times .80 = \$40,000$  Direct Costs
- D)  $\$50,000 \times .20 = \$10,000$  Indirect Costs

## **OPERATING COSTS**

Non-personnel expenses that cannot be billed directly to grants or contracts.

*Example of Costs: accounting, computer expenses, insurance, professional development*

**Allocation Method:** analyze the nature of each expense

- A) Benefit to a specific project = Direct
- B) Benefit not related to a project = Indirect
- C) Costs that Federal/State guidelines do not allow to be allocated to projects = Unallowable

**Example Allocation:**

- A) Pro-rated percentage of rent allocated to a specific program when permitted by funder
- B) A case of copy paper shared by all staff for numerous purposes is an indirect cost
- C) 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, permit fees, project management, workshops*

**Allocation Method:** none needed

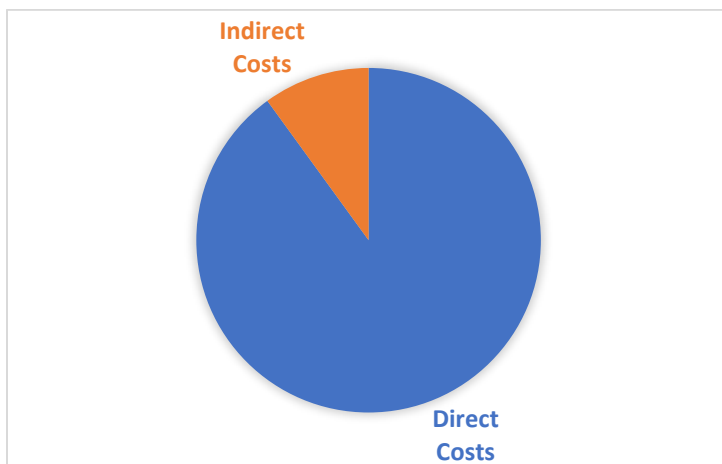
- A) All program costs are direct costs

**Example Allocation:**

- A) Construction contractor is paid \$250,000 for a grant-funded restoration project = Direct Cost
- B) Project manager is paid to oversee construction contractor, complete project reporting, hold landowner workshops = Direct Cost

## COST ALLOCATION PLAN

- **PERSONNEL COSTS**
  - Indirect →
  - Direct →
- **OPERATING COSTS**
  - Indirect →
  - Direct →
- **PROGRAM COSTS**
  - Direct →



$$\frac{\text{INDIRECT}}{\text{DIRECT}} = \%$$

### The Indirect Cost Rate (ICR)

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

#### Indirect Cost Rate Calculation – Current

$$\frac{\$31,668}{\$331,809} \quad \frac{\text{(Total Indirect Cost)}}{\text{(Direct Cost Base)}} \quad = 10\% \text{ ICR}$$

The ICR tells us that for every \$1 of RCD operating and personnel costs spent on project costs, 10cents are spent on overhead costs.

**NOTE:** Approximately 10% of the overall budget, which includes program costs, goes to overhead.

## **COST ALLOCATION PLAN (CAP)**

<b>Indirect Cost Rate Calculation</b> (current)					
<b>Fiscal Year 2021-2022 Cost Categories</b>	<b>A. Personnel</b>	<b>B. Operating</b>	<b>C. Program</b>	<b>TOTAL</b>	<b>ICR Calculation</b>
Indirect Costs	\$21,020	\$10,648	\$0	\$31,668	<u>\$31,668</u> (total indirect cost)
Direct Costs	\$5,500	\$0	\$326,309	\$331,809	\$331,809 (direct cost base)
Unallowable Expenses	\$0	\$0	\$0	\$0	
<b>TOTAL</b>	<b>\$26,520</b>	<b>\$10,648</b>	<b>\$326,309</b>	<b>\$363,477</b>	<b>10% ICR</b>

**The ICR is updated yearly to reflect:**

- salary adjustments
- a revised budget approved by the board
- changes in number of staff billable time
- unanticipated expense

### **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