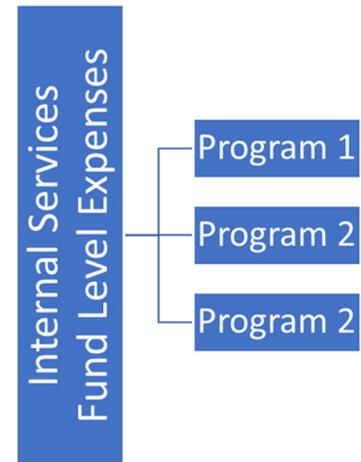


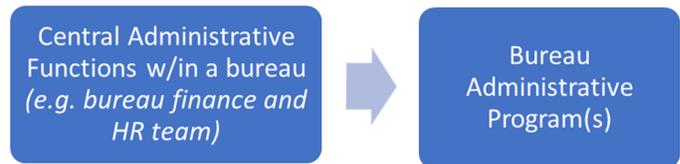
Budgeting Administrative Costs in Program Offers

The goal of program offer budgeting is to succinctly and accurately describe how bureau resources are allocated to deliver services.

The treatment of *indirect* administrative costs poses a challenge in program offer budgeting. Should administrative cost be budgeted within a program or treated as a separate program? How should internal service costs be budgeted? Due to past practice and specific circumstances, there are likely to be inconsistencies in how bureaus budget administrative costs. **It is expected that it will take several budget cycles to reach consistency in how these costs are budgeted.**



In deciding how and where to allocate an indirect/administrative cost to a program, bureaus should consider these questions whether allocating this administrative cost be useful in understanding both (1) what type of resources support the program and (2) how much resource is necessary for service provision. Within the “budget section” of the program offer descriptions, bureaus should describe which administrative costs are reflected in budgeted expenses. Not Allocated



This document provides suggested guidance on how to navigate these challenges. Bureaus are encouraged to follow guidelines, but they are not required. CBO also encourages bureaus to weigh any changes to budgeting administrative costs with the other changes and challenges in the program offer budgeting. Incorporating these changes over the next several budget processes may be the best route.

Below are general guidelines for deciding how certain types of administrative costs be budgeted.

Types of Administrative Costs	Budgeting Guidelines
<p>Bureau administrative programs Within each bureau, there are central functions that serve divisions, such finance teams and human resource teams within bureaus. These central functions are often organized as distinct groups and have goals in serving other parts of the bureau. Most bureaus have a director office’s and/or other administrative programs that provide necessary</p>	<p>Not allocated These functions in medium- to large-bureaus should be their own distinct ‘administrative programs’ for which the bureau should develop a program offer. For smaller central functions that are easily allocable or if it is the current practice, programs can be allocated.</p>

<p>support for the performance and service delivery of the bureau.</p> <p><i>Examples: Bureau finance team, HR team</i></p>	<p>If allocating bureau administrative costs to program budgets, please see the section below on how to use allocation accounts.</p>
<p>Central service functions</p> <p><i>Examples: OMF facilities and technology costs</i></p>	<p>Budget directly</p> <p>Central services should be budgeted directly to the program or via allocation accounts.</p>
<p>General Fund Overhead Costs</p> <p>Non-General Fund bureaus budget a cash transfer expense to pay for the Citywide administrative functions</p> <p><i>Examples: General Fund Overhead costs paying for the Attorney’s Office, the City Budget Office</i></p>	<p>Budgeted in bureau administrative program</p> <p>General Fund overhead costs can be budgeted within a bureau administrative program.</p>
<p>Fund-level expenses</p> <p>Fund-level expenses include fund transfers, bond expenses, contingency, and ending fund balance.</p> <p><i>Examples: Fund balance, contingency</i></p>	<p>Allocated if reasonable</p> <p>If fund level expenses are associated with specific programs within a bureau, these costs should be budgeted to that program. For those which are not easily allocable, they can be allocated within a bureau administrative program. To note: the budget table within the program offer will be broken into bureau expenses and fund-level expenses so that the operational administrative costs are not conflated with fund costs.</p> <p>If allocating fund-level costs to program budgets, please see the section below on how to use allocation accounts.</p>
<p>Program Administrative Costs</p> <p>Within each program are associated with directly supporting programs</p> <p><i>Examples: An administrative assistant that supports time-keeping and invoice processing <u>within</u> a program</i></p>	<p>Budgeted directly</p> <p>These costs should be allocated directly to a program.</p>

Reminder: How to use allocation accounts

Allocation accounts allow bureaus to shift costs from one part of the budget to another. With the implementation of SAP, multiple cost allocation commitment items were created to allow bureaus to move overhead costs around within their bureau at a more generic level. For example, a bureau may want to allocate expenses related to the Director's Office across all programs. Allocation commitment items allow the bureau to capture the total costs (personnel services, materials & services, etc.) of the Director's Office in one fund center, but also allocate the costs using debit and credit entries in an allocation commitment item. The example below moves the costs in the Director's Office to Customer Services using the bureau overhead account.

	Director's Office	Customer Services
<i>Personnel Services (511100)</i>	\$30,000	\$0
<i>External M&S (549000)</i>	\$10,000	\$0
<i>Bureau Overhead (601020)</i>	(\$40,000)	\$40,000
Total	\$0	\$40,000

Bureaus are free to allocate costs using any of the commitment items below:

- 601XXX – Overhead Allocations (rolls up to internal M&S)
- 610XXX and 619XXX – Labor Allocations (rolls up to personnel services)
- 620XXX – Equipment Allocations (rolls up to internal M&S)
- 629XXX – Bureau Services Allocations (rolls up to internal M&S)

Bureaus should note that, because these accounts roll up to Internal Materials & Services, allocating costs within the bureau and across funds, fund centers or programs, there are situations when the total for internal materials and services will show negative for that cost object.

Updating Actuals

As with other changes to bureau program offer budgets, bureaus may need to work with Accounting to ensure that actual expenses match changes to budgeted allocated administrative costs at the 6-digit functional area level.