



Regional Parks Billable Rates Procedure

Overview and Background

The Council has developed a standardized form and guidelines for documenting a billable rate. A billable rate is an hourly rate used to charge staff time to eligible Regional Parks grants. It consists of the employee's base hourly rate plus the costs of benefits, leave, and facilities; and administration costs necessary to keep a person employed and an office running. By including costs in the staff time that is directly charged, the billable rate method automatically allocates those costs to the grants that should bear them. Eligible programs include Parks and Trails Legacy Fund and Competitive Equity Grants (dependent on the funding source). Regional Parks Bonding and Parks Acquisition Opportunity Fund grants are not eligible.

Longstanding federal grant guidance classifies overhead costs into two broad categories: facilities and administration. As defined in the Code of Federal Regulations (2 Code of Federal Regulations, §200.414), facilities include operations and maintenance costs such as insurance, rent, and utilities. Administration includes general administrative costs such as accounting/finance, clerical support, human resources, and management.

A proportionate share of direct and necessary administrative costs may be charged to eligible Regional Parks grants. To factor the costs of administration in a billable rate, one of the following methods may be applied:

Option 1. Add 10% for facilities and administration costs to the modified base rate for each employee. The modified base rate includes wages, benefits, and leave.

Option 2. Add 10% of the total workable hours for the agency in a year as general administrative time to the billable rate calculation. To use this option, the hours added must be documented as general administration and cannot also be charged directly to grants and can come only from administrative staff within the department where work on the grant is being done. The definition of administrative staff must be consistent with the organization of the agency. For example, in some smaller agencies, planning and design staff may also perform administrative functions. For all agencies, the general administrative hours can only come from administrative staff within the department where work on the grant is being done.

Option 3. Apply the agency's federally negotiated indirect cost rate to the staff costs of the program or project funded by eligible grants. Federal indirect costs rates may be obtained from the cognizant federal agency responsible for reviewing, negotiating, and approving indirect cost proposals (See the Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Subpart A, §200.19 at <https://www.ecfr.gov/>).

Application

Agencies are not required to charge facilities and administration costs to their eligible Regional Parks grants through a billable rate. If costs are needed, reasonable, consistently applied, and rationally allocated, agencies may still charge all allowable costs to eligible Regional Parks grants directly. Costs directly charged cannot also be included in the billable rate calculations.

Agencies interested in pursuing a billable rate will need to select one of the three options outlined above for calculating a billable rate. The following parameters must be followed when calculating a billable rate:

- Facilities costs must be based on actual costs, as reported in the previous 12 months financial reports.
- Hours documented as general administrative time must be based on actual (and documented as part of job description).
- Hours documented for sick leave, holidays, or vacation must be based on actual accrual rates.
- Billable rates must be calculated for each employee. Billable rates rounded per employee category, or a single rate as the average rate for all employees of the agency, are not allowed.
- Billable rates should be evaluated annually but may be recalculated more often to reflect changes in costs or employees.

Formulas and Examples for Calculating Billable Rates

Two spreadsheet templates are provided to assist agencies in calculating billable rates using Options 1 and 2. The templates include:

- Option 1: How to Calculate Billable Rates Using MBR + 10%
- Option 2: How to Calculate Billable Rates Including Overhead Costs of Facilities and Administration

Correct formulas are built into the templates. An agency need only input the figures highlighted, using actual costs from their previous 12 months financial statements, and billable rates that recover all allowable costs will result. The options and respective workbooks are described in more detail below.

Option 1

Option 1 adds 10% of an employee's modified base rate to the modified base rate to factor the costs of facilities and administration. The "modified base rate" includes wages, benefits, and leave.

If an employee's modified base rate is \$25.00/hour, for example, an agency is allowed to charge a rate of \$27.50/hour (\$25.00 + \$2.50) to eligible grants. The additional \$2.50 per hour accounts for some of the employee's share of facilities and administration costs.

- The formula for calculating a modified base rate is: $(\text{Wages} + \text{Benefits} / \text{Workable Hours}) + (\text{Cost of Leave} / \text{Hours Actually Worked})$
- The formula for calculating a billable rate using Option 1 is: $\text{Billable Rate (allowing for facilities and administration)} = \text{Modified Base Rate} + (.10 * \text{Modified Base Rate})$

Option 2

The workbook for Option 2 factors the costs of facilities and administration in the billable rate. The example below illustrates a staff of three employees: Parks Director, Planner, and Administrative Assistant. The elements of a billable rate are wages, benefits, leave, and facilities and administration. **Facilities** and **administration** are shared expenses. Each employee bears an equal share of the costs. To factor the cost of facilities, divide the total cost of facilities for the agency by the total hours actually worked by all employees of the agency. When selecting this option, agencies should include all staff that directly bill time to grants (e.g. Planners and Designers) and all staff that directly support the work of the grant (e.g. a Parks Department accountant).

Facilities and Central Services

When determining facilities costs, expenses should be based on actuals from the previous year's financial statements. For agency-wide expenses, only the amount allocated to the department where the grant work is being done should be entered on the spreadsheet. Separate allocation methodology and documentation is required for demonstrating how this amount is determined.

Eligible facilities costs include, but are not limited to:

- Office space (rent and related maintenance costs)
- Telecommunications
- Central Services such as Human Resources, Finance, Payroll, and IT
- Computer Software
- Safety and Security
- Communications and Marketing
- Office Supplies and Equipment (non-capital)
- Professional Services/Fees
- Education, training, and professional association memberships
- Vehicle rental
- Depreciation for owned buildings or equipment
 - Depreciation schedule may be requested

Administrative Costs

To factor the cost of **administration**, up to 10% of the total workable hours for the agency may be added to the billable rate calculation. Administrative staff should be listed first in the workbook. Allowable administrative hours may only be allocated to these staff.

See Table 10 below for more information.

Option 2 Example Calculations:

Table 1: Sample Employee Wages for Current Year

EMPLOYEE	WAGES
PARKS DIRECTOR	\$54,579.00
PLANNER	\$40,501.00
ADMINISTRATIVE ASSISTANT	\$35,105.00
<i>TOTAL:</i>	<i>\$130,185.00</i>

Table 2: Calculation of Base Rates

Wage is factored as an hourly base rate. To calculate an hourly base rate, divide an employee’s annual wages by the workable hours in a year. **For each full-time equivalent employee (FTE), workable hours = 2088.**

Note that the Legislative Coordinating Commission calculates FTEs based on a denominator of 2,088 workable hours in a year. See Minnesota Statutes 2015, section 3.303, subdivision 10.

EMPLOYEE	CALCULATION OF BASE RATE	BASE RATE
PARKS DIRECTOR	\$54,579.00 ÷ 2088	\$26.14
PLANNER	\$40,501.00 ÷ 2088	\$19.40
ADMINISTRATIVE ASSISTANT	\$35,105.00 ÷ 2088	\$16.81

Table 3: Sample Benefits for Current Year

BENEFITS	
FICA %	6.20%
MEDICARE %	1.45%
PERA %	7.50%
YEARLY INSURANCE (PER EMPLOYEE)	\$16,128.00

Table 4: Calculation of the Cost of Benefits

Benefits are specific to each employee. To factor the cost of FICA, Medicare and PERA, apply the annual percentage to the base rate of each employee. To calculate the hourly premium for insurance, divide the yearly insurance premium by the yearly hours. Yearly insurance premiums should be specific to individual employees.

EMPLOYEE	COST OF FICA PER HOUR	COST OF MEDICARE PER HOUR	COST OF PERA PER HOUR	COST OF INSURANCE PREMIUM PER HOUR	TOTAL ADDITION TO BASE RATE FOR BENEFITS
PARKS DIRECTOR	\$26.14 x 6.20% = \$1.62	\$26.14 x 1.45% = \$0.38	\$26.14 x 7.50% = \$1.96	\$16,128.00 ÷ 2088 = \$7.72	\$11.68

EMPLOYEE	COST OF FICA PER HOUR	COST OF MEDICARE PER HOUR	COST OF PERA PER HOUR	COST OF INSURANCE PREMIUM PER HOUR	TOTAL ADDITION TO BASE RATE FOR BENEFITS
PLANNER	$\$19.40 \times 6.20\% =$ \$1.20	$\$19.40 \times 1.45\% =$ \$0.28	$\$19.40 \times 7.50\% =$ \$1.46	$\$16,128.00 \div 2088 =$ \$7.72	\$10.66
ADMINISTRATIVE ASSISTANT	$\$16.81 \times 6.20\% =$ \$1.04	$\$16.81 \times 1.45\% =$ \$0.24	$\$16.81 \times 7.50\% =$ \$1.26	$\$16,128.00 \div 2088 =$ \$7.72	\$10.26

Table 5: Calculation of the Workable Hours and Hours Actually Worked

To factor the costs of **leave**, **facilities**, and **administration**, a different denominator of “hours actually worked” is used. Hours actually worked = workable hours minus sick leave, holidays, and vacation.

EMPLOYEE	WORKABLE HOURS	LEAVE HOURS	HOURS ACTUALLY WORKED (WORKABLE HOURS-LEAVE HOURS)
PARKS DIRECTOR	2088	253	1,835
PLANNER	2088	221	1,867
ADMINISTRATIVE ASSISTANT	2088	200	1,888
<i>TOTAL:</i>	<i>6,264</i>	<i>674</i>	<i>5,590</i>

Table 6: Calculation of the Cost of Leave

Leave for each employee. To factor the cost of leave, multiply the actual number of leave hours by the employee’s base rate plus benefits, then divide the total by the hours actually worked by that employee.

EMPLOYEE	CALCULATION OF LEAVE	ADDITION TO BASE RATE FOR LEAVE
PARKS DIRECTOR	$253 \times (\$26.14 + \$11.68) \div 1,835$	\$5.21
PLANNER	$221 \times (\$19.40 + \$10.66) \div 1,867$	\$3.56
ADMINISTRATIVE ASSISTANT	$200 \times (\$16.81 + \$10.27) \div 1,888$	\$2.87

Table 7: Sample Expenses for Previous 12 Months Financial Reports

EXPENSES	AMOUNT
EDUCATION/TRAINING	\$948.93
NEWSLETTERS	\$327.27
OFFICE MAINTENANCE	\$288.82
OFFICE SUPPLIES	\$1,273.97
POSTAGE	\$947.84
PROFESSIONAL ASSOCIATIONS	\$1,600.00

EXPENSES	AMOUNT
PROFESSIONAL SERVICES EX: AUDIT FEES	\$863.33
RENT	6,326.49
TELEPHONE/INTERNET/FAX	\$724.33
UNEMP / WORKERS COMP INS	\$2,143.29
UTILITIES	\$3,435.14
VEHICLE GAS/MAINTENANCE	\$1,757.10
<i>TOTAL:</i>	\$20,636.51

Table 9: Calculation of the Cost of Facilities

Facilities and **administration** are shared expenses. Each employee bears an equal share of the costs. To factor the cost of facilities, divide the total cost of facilities for the agency by the total hours actually worked by all employees of the agency.

EMPLOYEE	CALCULATION OF FACILITIES	ADDITION TO BASE RATE FOR FACILITIES
PARKS DIRECTOR	$\$20,636.51 \div 5590$	\$3.69
PLANNER	$\$20,636.51 \div 5590$	\$3.69
ADMINISTRATIVE ASSISTANT	$\$20,636.51 \div 5590$	\$3.69

Table 10: Documented Administration Hours

EMPLOYEE	DOCUMENTED ADMINISTRATION HOURS
PARKS DIRECTOR	500
PLANNER	200
ADMINISTRATIVE ASSISTANT	200
<i>TOTAL:</i>	<i>900</i>

Table 11: Calculation of the Cost of Administration

To factor the cost of **administration**, up to 10% of the total workable hours for the agency may be added to the billable rate calculation. In the example of three full-time employees, the total workable hours = 6,264, so the administrative hours allowed = 626. These hours are distributed to the administrative staff of the agency—the Parks Director and the Administrative Assistant—and valued at a rate that includes wages, benefits, leave, and the cost for facilities.

To factor the cost of administration, divide the total cost of allowed administration by the total hours actually worked, *minus* the hours allowed for administration.

EMPLOYEE	BASE RATE + BENEFITS + LEAVE + FACILITIES	COST OF ADMINISTRATION	CALCULATION OF ADMINISTRATION	ADDITION TO BASE RATE FOR ADMINISTRATION
PARKS DIRECTOR	\$46.72	$500 \times \$46.72 =$ \$23,360.00	$\$27,612.10 \div (5,590$ $- 626.4)$	\$5.56

EMPLOYEE	BASE RATE + BENEFITS + LEAVE + FACILITIES	COST OF ADMINISTRATION	CALCULATION OF ADMINISTRATION	ADDITION TO BASE RATE FOR ADMINISTRATION
PLANNER	\$37.31	\$0	$\$27,612.10 \div (5,590 - 626.4)$	\$5.56
ADMINISTRATIVE ASSISTANT	\$33.64	$126.4 \times \$33.64 = \$4,252.10$	$\$27,612.10 \div (5,590 - 626.4)$	\$5.56
<i>TOTAL:</i>		<i>\$27,612.10</i>		

These calculations result in the following billable rates:

Table 12: Billable Rate Calculations Summarized

Employee	Parks Director	Planner	Administrative Assistant
Base Rate	\$26.14	\$19.40	\$16.81
Benefits	\$11.68	\$10.66	\$10.27
Leave	\$5.21	\$3.56	\$2.87
Facilities	\$3.69	\$3.69	\$3.69
Administration	\$5.56	\$5.56	\$5.56
Total:	\$52.28	\$42.87	\$39.20

Additional Documentation Required

In addition to submitting a completed billable rates workbook, agencies will also be required to submit the following documentation:

- Organizational chart for the department where the grant work is being done
- Methodology for staff time tracking procedures related to grant activities and examples of time tracking documentation
- Supporting documentation for submitted facilities and central services expenses from the previous calendar year
- Allocation methodology supporting shared facilities and central services expenses pro-rated for the department where the grant work is being done

Summary

Costs charged to eligible grants must be direct and necessary to produce the outcomes funded by the grant. In general, if you can associate a cost with a specific grant, you should directly charge it to that grant. If a cost supports more than one grant, you should include it in your billable rate calculations or allocate it consistently across two or more applicable grants. If a cost supports many grants or programs, include it in the billable rate calculations. Costs direct charged cannot also be included in any billable rate calculation. If you are unsure of how to charge a cost to an eligible grant or whether a cost is allowable at all, consult with your Grant Administrator.