



ADMINISTRATIVE COST POLICY

Policy

It is the policy of First 5 Ventura County to consistently identify administrative costs following guidelines outlined in this policy, to annually review the established cap on administrative costs as a percentage of total operating budget, and to monitor actual administrative costs on an ongoing basis.

Definition of Administrative Costs

Administrative costs, as defined by the Financial Management Guide for First 5 commissions, are costs incurred in support of the general management and administration of a First 5 commission, for a common or joint purpose that benefits more than one cost objective and/or those costs that are not readily assignable to a program or direct service. Program costs and evaluation costs should be separated from administrative costs.

Procedures

For the Commission, administrative costs include all salaries, benefits, services, and supply costs not readily identifiable as costs of the Commission's evaluation or programmatic activities. Commission staff will adhere to the above definition for budgeting, accounting, and financial reporting processes. Staff utilizes certain codes for reporting processes to identify costs as program, evaluation, or administration according to their nature. Except when there is information to determine a direct allocation of operating costs, shared operating costs/office expenses will be allocated by a systematic, valid and rational allocation methodology. The methodology will be reviewed annually and presented with the annual budget.

The Commission shall allocate in a responsible manner the funds necessary for the proper control and administration of the Commission's operations and activities. An annual budget will be adopted by the Commission, along with the annual administrative rate which establishes the upper limit on administrative costs as a percentage of the total operating budget. Administrative costs will be monitored on an ongoing basis. Because of timing issues, comparisons between the actual percentage of administrative expenditures and the established cap based on budget will be reported at the close of the fiscal year. In the event that administrative expenditures exceed the established cap, the Executive Director will inform the Commission in open session. The Commission may increase or decrease the maximum allowable administration percentage based on changing fiscal or legislative circumstances.

This policy will be reviewed on an annual basis.