



Memorandum Office of the City Manager

DATE: January 17, 2024

TO: City Executive Management Team

FROM: Jeff McLaughlin, Grants Administrator
Office of the City Manager

RE: **INDIRECT COST RATE SET ASIDE POLICY FOR GRANTS AND EARMARKS**

In July of 2022, the City formally adopted a revised and updated Grants Administration Policy 01.006.00 ("Policy"). Among other updates, the Policy articulates an indirect cost rate of 10% for grants for all grants and earmarks. Indirect costs are agency-wide, general management costs. General management costs consist of administrative activities necessary for the general operation of the City, such as accounting, budgeting, payroll preparation, personnel services, purchasing, and legal services. Indirect costs are generally not covered by direct grant administration and/or direct project costs.

The City does not currently have a negotiated indirect cost rate with the federal government. As such, we have chosen to utilize a minimum indirect rate of 10%, which is defined by 2 CFR § 200.414(f). If the City is able to negotiate an indirect cost rate with the federal government in the future, this guidance will be updated.

At this time, the City Manager's Office is requesting that all competitive and earmark grants to begin budgeting a 10% indirect cost rate if funding application rules allow for this set-aside to occur. When entering funding applications into the Grants Management Database, please indicate the indirect cost rate that is budgeted and the amount. The Finance Department will work with the individual Departmental fiscal managers regarding allocation of these funds. This guidance will cover competitive federal and state grants and earmark allocations, but will exclude federal entitlements. This guidance will be occasionally amended as new procedures are put into place.

In the past, the City's General Fund has borne the costs of indirect grant administration. This current Policy recovers a portion of overhead-related costs, alleviating pressure on the General Fund. The Citywide Administration Grants Policy can be found at the "Forms and Manuals" tab in the City Intranet system.

If you have any questions, please contact me at x5189. Your time and attention are most appreciated.

COPY: Mike Futrell, City Manager
Edward Enriquez, Assistant City Manager and CFO
Kristie Thomas, Finance Director and Assistant CFO