

## Chapter 5

# Agency Administrative and Staffing Costs

## 5.1 COST STANDARDS

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### **Allowable agency staff costs must be specific to the capital project and directly relate to the execution of the project**

Capital construction funds, whether funded with bond proceeds or revenues deriving from fees or other cash, are dedicated to the acquisition, construction and renovation of capital assets. These funds should not be used to subsidize operating budget costs, which include maintenance activities and most kinds of administrative staff costs.

## 5.2 PROJECT ADMINISTRATIVE AND PROJECT MANAGEMENT STAFF COSTS

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### **Project administrative costs are services rendered by agency staff directly related to the administration of a capital project**

These costs include, but are not limited to, project support services such as processing agreements, contracts, and change orders; managing bid processes; and verifying bills for payment in the execution of a capital project. Common agency accounting practices for these costs involve either:

- Charging each project directly for costs incurred, or
- Assessing a project administration fee across agency capital projects and using the pooled funds to pay agency project administrative costs.

### **Staff costs that are not eligible for inclusion in a capital project should be included in the agency's operating budget**


Each capital project has guidelines for building cost estimates which include recommended values for project components such as architect/engineer service costs, contingency allowance, and project management fees, etc. The project management fee is limited and intended to cover only the direct charges necessary to coordinate and deliver the project. Although some administrative costs are allowed in the project budget, agencies should limit the number of non-project specific tasks charged to the project.

The following guidelines will help clarify appropriate budgeting of administrative and project management expenses for the completion of capital projects:

- Major and stand-alone capital projects greater than \$1 million (\$2 million for higher education)
  - ♦ The project management/administration fee is based on the A/E Basic Service Fee, minus 4 percent and multiplied by the sum total of acquisition cost, consultant services cost, maximum allowable construction cost, construction contingency, and other costs as identified in the Capital Budgeting System. Access the A/E fee schedule at <http://www.ofm.wa.gov/budget/instructions/capital.asp>. This rate is intended to be a ceiling, not a target. Thus, agencies must evaluate their project management and administration requirements for each project when requesting these fees.
  - ♦ When DES is responsible for project administration, the project management/administration fee is not included in the capital request. However, if the project is “alternatively financed,” additional DES fees will be incurred. Agencies should consult with DES Engineering and



Architectural Services when projects are not funded by appropriation. Projects funded through alternative financing mechanisms need to include cost estimates for the additional project management/administration in the capital request for those projects.

- Minor works appropriation with subprojects less than \$1 million (\$2 million for higher education) 
  - ♦ The project management/administration fee may not exceed 4 percent of the total new appropriated project cost. The Capital Budgeting System calculates this fee by multiplying 4 percent by the sum total of acquisition, consultant services, maximum allowable construction cost, construction contingency, and other costs.
- Grant projects (for agencies that administer grant programs)
  - ♦ The project/program administration fee may not exceed 3 percent of the total new appropriated project costs unless otherwise allowed by statute.

### **Project management and staff costs that may be direct-charged to a capital project**

Certain kinds of capital project management costs are appropriate for funding in the capital budget, such as additional project-specific tasks that may be required due to specific project requirements or agency practice. Tasks include:

- Project design (when performed by agency professional staff in lieu of consultants)
- Land use applications
- Environmental impact statements and other environmental assessments
- Hazardous material assessments and other special design studies not routinely required for all projects
- Enhanced construction phase administration for complex projects
- Building code plan review services (when not otherwise performed by local jurisdictions)
- Project-specific tasks associated with the reproduction and distribution of construction documents for bidding are routinely performed by the design consultant or agency staff.

### **Agency design and professional staff**

Some agencies employ professional staff for planning, environmental permitting and design services. These staff costs may be charged to capital projects only for the time and expenses directly related to performing the scope of work for the project appropriated in the capital budget. The remainder of those staff costs should be charged to the operating budget. The cost for agency staff should be estimated and incorporated into the total cost of the individual capital project and not as a separately identified staff cost. Agencies must identify these staff members and their anticipated FTE and supporting expenditures on their Capital FTE Summary form.

### **Certain agency trades staff costs**

Agency trades staff costs may be charged to capital projects only for the time and expenses directly related to performing the scope of work for the project appropriated in the capital budget. The remainder of trades staff costs should be charged to the operating budget.

### **Administrative and staff costs that may be charged to a capital project as part of a project management fee assigned to all projects**

The following administrative and staff costs may be included in the project management fees and in the capital budget (note the restrictions above on limitations for project management fees):

- Non-project-specific tasks associated with general support of project management operations, including staff management, staff support, general accounting, statutory accounting, and

management of public information related to an agency's capital program. Tasks in this subcategory are generally performed by agency professional and technical staff.

- Routine project management tasks associated with consultant selection, contract negotiation and day-to-day administration of consultant agreements and public works contracts for individual capital projects. Tasks in this category are generally performed by agency professional staff. For agencies listed in RCW 43.19.450, these services are generally provided by the Department of Enterprise Services' Engineering and Architectural Services (E&AS).
- Project-specific tasks associated with identification of project agency base bid and alternates, determination of bid date and time, opening and evaluation of bids, and resolution of bidding irregularities. These tasks are routinely performed by agency management or professional staff. For agencies listed in [RCW 43.19.450](#), these services are provided in large measure by E&AS. Coordinate with E&AS to ensure that its services are properly accounted for in the budget.
- Routine project-specific tasks performed by agency staff associated with administration of construction contracts, coordination of agency reviews of construction submittals, monitoring of project schedules, and monitoring of consultant and contractor performance. For agencies under [RCW 43.19.450](#), these services are provided by E&AS.

### **Administrative and staff costs that may NOT be included in the capital budget**

The following administrative and staff costs may not be included in the project management fee or in the capital budget.

- Normal maintenance and costs associated with routine janitorial activities and day-to-day upkeep are usually ongoing expenses funded in the operating budget and are not charged to capital appropriations.
- Agency administrative costs related to capital budget development, capital facility management, long-range budget planning, and policy initiatives. These items should be included in the operating budget because they exist regardless of the particular composition of agency projects proposed each biennium.
- Non-project-specific tasks associated with regulation and policy development, contract development, interagency initiatives, legislative oversight, etc. Tasks in this category are generally performed, or directly supervised, by executive-level agency staff.
- Non-project-specific tasks associated with overall general comprehensive planning for facilities and infrastructure, identification and prioritization of capital projects, and preparation of agency capital requests. Tasks in this subcategory are generally performed, or directly supervised, by executive or program management level agency staff.
- Provision of emergency services (to the extent provided by agency) and infrastructure management (utilities).

## **5.3 CAPITAL FTE SUMMARY**

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### **Agencies must submit a capital FTE summary**

FTE levels, historically requested during the allotment process, are required in the budget submittal. A narrative describing the role of the FTEs in the capital budget and the reasons for the changes in the level of FTEs requested should be provided in your Capital FTE Summary (CBS004). In addition to identifying FTEs, identify the fund sources and level of anticipated expenditures.

The Capital FTE Summary report is available for entry printing and electronic transmission of data to OFM from the Capital Budget System (CBS). See the CBS tutorial for more information.