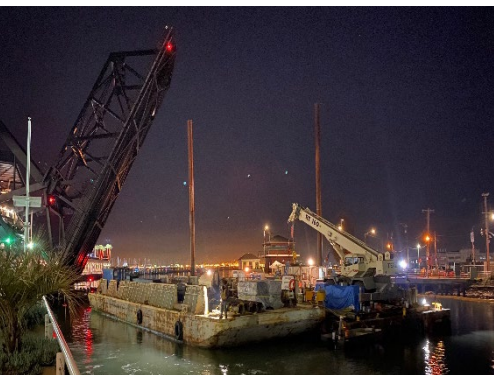
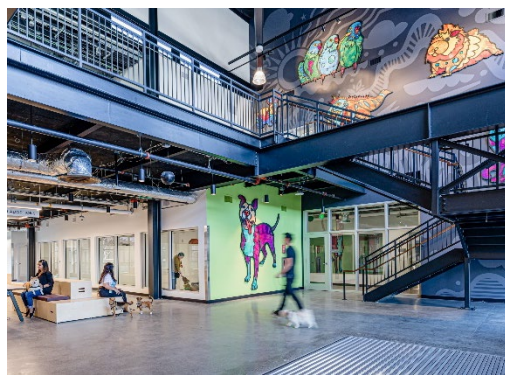
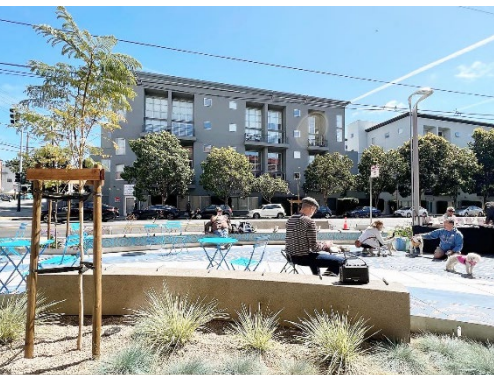




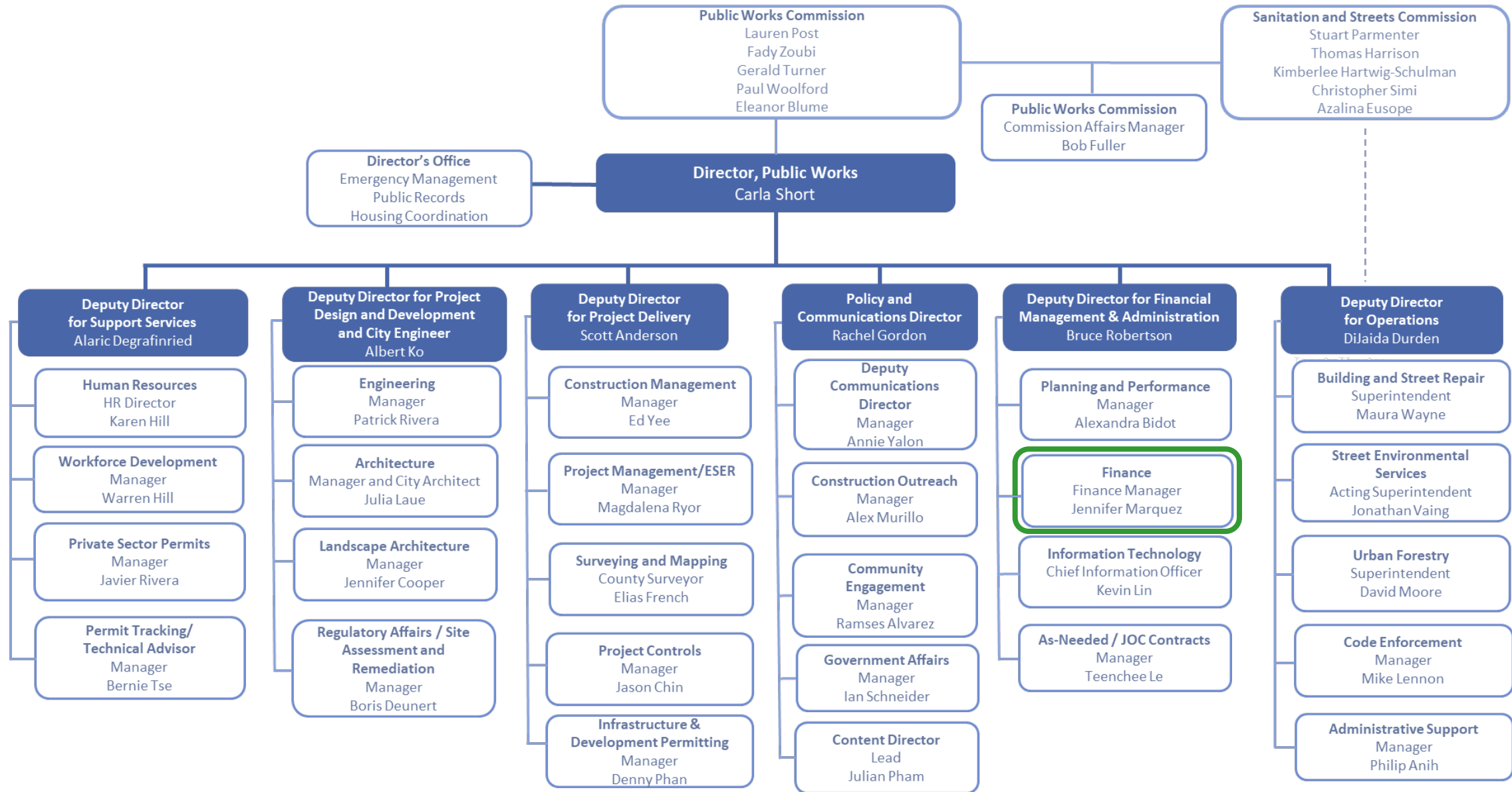
December 11, 2025

Public Works Indirect Cost Plan

Victoria Chan
Budget Manager

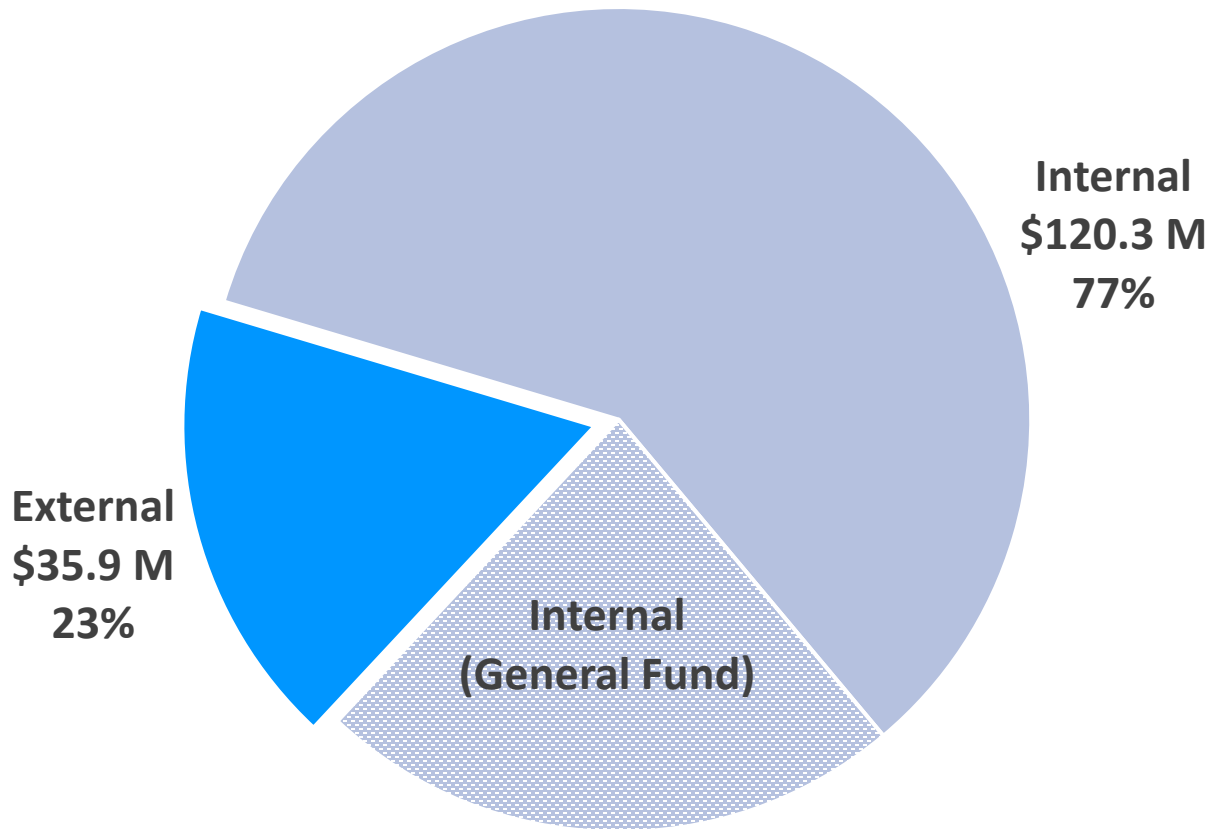


Organization



Why Do We Use An Indirect Cost Plan (ICP)?

Indirect Cost Recovery Sources (FY 24)



- Reduces City's General Fund burden
- Government Finance Officers Association (GFOA) best practice
- Implemented in 1977
- Equitable allocation of shared administrative costs
- Required for Federal/State grants
- Frequent audits

What Is In The Indirect Cost Rate?

Compensation and Benefits

Direct Salary

Project staff productive hours

- Street Resurfacing
- Emergency Services Infrastructure (Fire, Police, Hospitals)
- Street Cleaning
- Pothole Repairs

Fringe Benefits

- Healthcare
- Retirement
- Medicare

Paid Time Off

- Legal Holidays
- Sick Pay
- Vacation

Overhead

Indirect, shared, administrative costs

- Finance
- Information Technology
- Human Resources
- Contract Administration
- Materials Procurement
- Fleet Management
- Planning and Performance
- Executive Team and Management
- Rent and Facilities (49 South Van Ness, Materials Testing Lab)
- Office Supplies & Equipment
- Work order obligations (Workers' Compensation, Department of Technology, Controller's Office, City Attorney)

What Is In The Indirect Cost Rate?

Expenditure Category	FY 24 Actuals	Percent
Paid Time Off	40,242,758	27%
Salaries & Mandatory Fringe Benefits	58,468,527	39%
Services of Other Departments (to Public Works)	41,215,155	28%
Non-Personnel Services	6,348,224	4%
Materials and Supplies/Equipment	2,473,297	2%
Total	148,747,962	100%

- Salaries and Services of Other Departments make up 94% of planned expenses
- Limited control for many external costs

What Is In The Indirect Cost Rate?

Example: Public Works Project Manager

Compensation and Benefits

\$152.00

Direct Salaries
+ Fringe Benefits
+ Paid Time Off



+

Overhead

\$80.80

(82% of Direct Salaries)

Indirect, shared, administrative costs



=

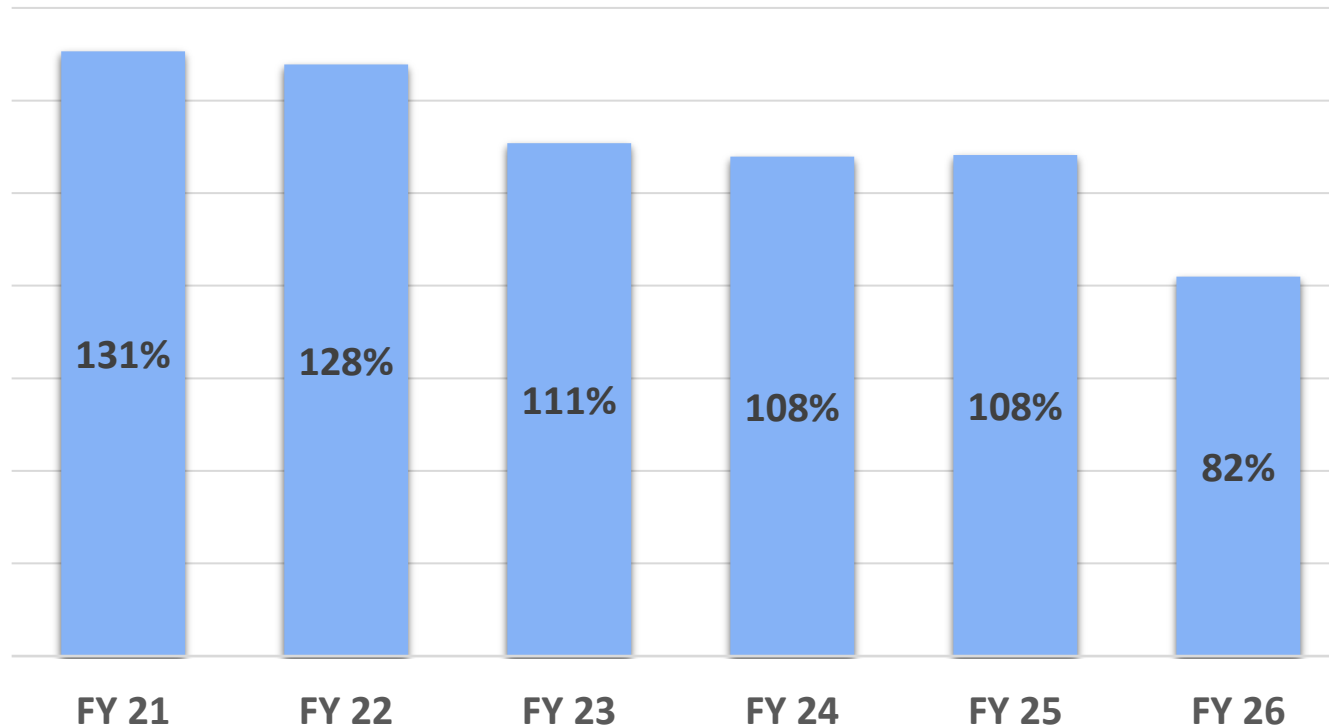
Total Cost Per Hour

\$232.80

FY 2025–26 Achievements

- **Simplified rates:** Capital, Operating
- **Reduced rates:** Yields an estimated **\$34 million** in savings, of which **\$10 million** is City General Fund

Capital Overhead Rates: FY21 to FY26





QUESTIONS