



HOW TO WRITE A BUDGET NARRATIVE

NARRATIVES SHOULD BE WRITTEN IN SUCH A WAY THAT SOMEONE NOT SPECIFICALLY FAMILIAR WITH THE PROJECT CAN UNDERSTAND THE RATIONALE, PURPOSE, AND CALCULATION OF THE ANTICIPATED COSTS.

WHO, WHY, HOW MUCH AND HOW YOU ESTIMATED THOSE COSTS?

ADMINISTRATION

Administrative costs are those expenses incurred by sub-recipients in support of the day-to-day operations of their organization. These costs are the expenses that are directly tied to a project. Provide a description of:

1. Itemized personnel (staff) costs requested - include the labor costs of the organization's staff assigned to the project, and not those of contractors or other third parties.
2. Provide a brief explanation of the work to be completed by each position budgeted for the project and how the work of each budgeted position will support the purpose and goals of the overall project.
3. Enter a description of each budgeted cost item under Administration such as legal, audit or accounting services.
4. In-kind services provided by another stakeholder or group should have an hourly estimate plus a unit cost, those unit costs can be estimated using US Bureau of Labor Statistics or another source, but that must be detailed in the narrative.
5. Provide details if expenses have already occurred.

Example 1:

Grant Administration will be done by the CD Administrator. Tasks include: tracking project costs, compiling progress reports, reviewing, paying and turning in reimbursement requests, entering and tracking expenses and warrants, participating in project calls. CD Administrator, \$30/hour x 100 hours = \$3,000. Administration will be charged to the ARPA Grant.

Legal fees for a site title opinion, estimate (attached) provided by Small Law Firm flat fee \$10,000. Legal fees will be paid for by the Conservation District as match.

Audit costs estimated at \$3,000 based on two past audits, adjusted for 5% inflation. Auditor will be selected based on a limited solicitation for services. Audit costs will be charged to the ARPA Grant.

Permit expenses are estimated at \$250 for 318 Permit, \$250 for 404 Permit and \$250 for County Floodplain Permit = \$750. Permit fees will be paid by the Conservation District and reimbursed by the ARPA Grant.

Total Administration \$16,750

Example 2:

Administration will be provided by the Town Clerk and Mayor. Tasks include tracking project costs, reviewing and approving progress reports, reviewing, paying and turning in reimbursement requests, entering and tracking expenses and warrants, participating in project calls. Associated costs will not be charged or tracked to the ARPA grant or match.

Legal fees for a site title opinion and right-of-way permits, will be provided by the City Attorney at an estimate of \$150/hour x 100 hours = \$15,000. The City will cover legal fees as match.

Audit costs estimated at \$3,000 based on two past audits, adjusted for 5% inflation. Auditor will be selected based on a limited solicitation for services. Audit costs will be charged to the ARPA Grant.

Total Administration \$18,00

EQUIPMENT, MATERIALS & SUPPLIES

This should only include the costs to purchase new equipment materials or supplies, do not include these costs if they will be included in a construction contract.

1. Describe and itemize the equipment requested for purchase,
2. Intended purpose of each item, and
3. How the estimated costs were determined. You may attach an estimate from a vendor.
4. In-Kind supplies or materials provided to the project must have a quantity and unit cost, those unit costs unit costs must be detailed.
5. Provide details if expenses have already occurred.

Example 1

Large headgate, \$20,000 cost estimate provided H&M Ranch Supply, attached. Costs will be covered by the Ditch Company.

(4) 36-inch steel culverts @\$800, cost estimate provided by H&M Ranch Supply, attached. Costs will be covered by the Ditch Company.

Riprap cost estimates provided by 2 local contractors at \$400/cubic yard. Estimated 60 cubic yards needed for 500 feet of stream bank. \$24,000. Conservation district will purchase directly. Costs charged to ARPA Grant.

CONTRACTUAL SERVICES

Example: Engineering services for preliminary engineering, final design, or construction oversight.

1. Explain the need for each agreement and how their use will support the purpose and goals of the project.
2. For each service, describe the associated activities, scope of work or services to be provided.
3. How the costs were estimated.
4. If budgeting for a procurement action, document if a solicitation process has occurred.
5. In-Kind services provided by another stakeholder or group should have an hourly estimate plus a unit cost, those unit costs can be estimated using US Bureau of Labor Statistics or another source, but that must be detailed in the narrative.
6. Provide details if expenses have already occurred.

Example 1

Project management tasks include landowner and agency coordination, tracking of project tasks, progress report compilation, assistance with procurement and bidding. Oversight of construction and management of volunteers. Watershed coordinator 240 hours @ \$50/hour based on estimates from US bureau of labor and statistics. \$12,000. Costs will be covered by the Ditch Company.

Engineering services include site surveys, processing LiDAR data, modeling, preparation of plans and specifications, preparation, and submission of permits. Preparation of competitive bid package, oversee bidding and award. Estimate provided by Excellent Engineering \$30,000. Attached. Engineering services have been procured by the CD. Costs will be charged to the ARPA Grant.

Represent Conservation District as the Owners Representative and ensure construction activities meet plans and specifications. Write and finalize the construction completion report and as-built surveys. Estimate provided by Excellent Engineering \$20,000. Attached. Engineering services have been procured by the CD. Costs will be split between the ARPA grant and the Ditch Company.

Example 2

Engineering Project Management and Grant Administration - Grant Administration contracted engineering firm. Tasks include: tracking project costs, compiling progress reports, reviewing, paying and turning in reimbursement requests, entering and tracking expenses, participating in project calls. Engineering Firm estimate: \$55/hour x 500 hours = \$27,500. Engineering Project Management is included in the Engineering Design and Construction Oversight costs in the PER. Administration will be charged to the ARPA Grant. XYZ Engineering was procured by the Town in 2022 for all project design, management, and oversight.

Engineering Design - Engineering services include completion of preliminary designs, permitting and preparing plans and specifications to DEQ for review, Finalize bid document, oversee bidding, review and awards. See the attached PER for cost estimates, those costs were increased by 2.5% to adjust for inflation. Costs will be split between the ARPA grant and the match funding. \$76,875

Owners Representative and ensure construction activities meet plans and specifications. Write and finalize the construction completion report and as-built surveys. See the attached PER for cost estimates, those costs were increased by 2.5% to adjust for inflation. Costs will be split between the ARPA grant and the match funding. \$76,875

CONSTRUCTION

If the narrative references an Engineer's Cost Estimate included in a PER or Tech Memo, please ensure that is attached to an application and has been adjusted for inflation. In other words, how has the construction estimate in a 2012 PER been updated for the budget numbers included in this application.

If there is not an Engineer's Cost Estimate to reference, a construction cost estimate must be prepared that addresses:

1. Details the major line items,
2. Estimated quantity,
3. Unit costs and
4. Total cost per item.
5. The narrative should detail how those unit costs were estimated.
6. Provide details if expenses have already occurred.

Example 1

Construction includes costs associated with mobilization, excavator, dump truck, water truck and hand crew. Estimate based on 10 days full crew. Estimate provided by XYZ Contracting Services. Attached. Conservation District will procure construction contractor through competitive bid. ARPA grant will cover a portion of the construction costs, the other will be provided by the Ditch Company. \$60,000.

Seeding will be done by the landowner and is estimated at \$300 for seeds and supplies. Willow cuttings will be done by watershed group volunteers and cut from a local source. Estimated cost for purchase and planting of similar willows \$500.

Contingency is based on 10% for engineering costs due to unforeseen permitting issues and 25% material and construction costs. \$31,800.

Example 2

Construction costs include all ancillary costs including mobilization, replacement of 2,500 linear feet of AC main with PVC, replacement of 2,500 feet of service with PVC, grading and repair of road surfaces and 3 manholes. Engineers Estimate is included in the attached PER and adjusted by 2.5% to adjust for inflation. Costs will be split between the ARPA grant and the match funding. \$1,537,500

Contingency is based on 20% of construction materials and work and is specified in the PER. Costs will be split between the ARPA grant and match funding. \$307,500

FINAL CONSIDERATIONS

TAKE TIME TO THOUGHTFULLY DESCRIBE THE PROJECT DETAILS AND COSTS. THIS WILL REDUCE THE RISK OF SURPRISES THROUGH PROJECT IMPLEMENTATION.

Budget narratives or budget justifications are synonymous with taking the time to think through the project scope, assigning the correct project team, contemplating project logistics and estimating costs and schedules appropriately. Finally, with projects that involve in-kind match or collaborative funding from multiple stakeholders, budget narratives offer applicants the opportunity to be clear about who will be paying for each item and a reminder of each team member's contribution and responsibilities.

IMPORTANT! DNRC must verify match throughout the project, so matching funds must be documented by accounting records and provided to the DNRC for verification. Actual administrative and in-kind services must also be documented throughout the project – which will include hourly records of tasks as well as rates. As you prepare budget narratives, think, how will we justify these costs or expenditures throughout the project implementation.

FINALLY, please ensure budget numbers match in the narrative, budget tables, application, commitment of funds documents.

Budget narratives can be presented in written format or Excel based on the applicant's preference. Examples 1 & 2 are replicated in the attached Tables.

AGENCY REVIEW

Agency staff review budget narratives for the following purposes:

1. **Eligible Costs:** Agency staff are responsible to ensure that costs are allowable and can be reimbursed under the grant. When items like "Construction" are not detailed, the agency cannot determine if all expenses are eligible under the program for reimbursement particularly property or equipment if it is not specified. Additionally, DNRC does not allow "indirect charges" for administration, that is charges to cover rent, office equipment, taxes, etc. Administrative charges must be staff time or costs directly associated with administration of the project.
2. **Consistency and accuracy of budgets:** Agency staff reviews budget narratives to ensure that costs are correctly entered into budget tables, verify commitment of funds documents and assigned to appropriate funding sources.
3. **Technical Feasibility:** Agency staff are responsible to ensure that the project is technically feasible, and without the level of detail provided in the "who does what" tasks, the agency cannot determine whether the applicant can complete the project.
4. **Financial Feasibility:** Agency staff are responsible to ensure that cost estimates are adequate and that all the steps of project implementation were considered when budgeting for the project.
5. **Compliance:** ARPA Grants must comply with applicable state and federal laws, steps such as acquiring necessary permits and procurement have associated costs as well as time considerations, by comparing the budget narrative, project scope and project schedule, the agency staff can be assured that the project has plans to complete all the necessary steps to comply with state and federal laws.

Table 1 - EXAMPLE 1 BUDGET NARRATIVE TABLE FORMAT

Task Name and Description	Justification	Units	Unit Cost	Total		ARPA Grant	Match Amount	Total Task Cost
ADMINISTRATION								
Grant Administration	CD Staff time (\$3,000) - 100 hrs @ \$30/hr Grant Administration will be done by the CD Administrator. Tasks include: tracking project costs, compiling progress reports, reviewing, paying and turning in reimbursement requests, entering and tracking expenses and warrants, participating in project calls.	100	\$30	\$3,000		\$3,000	\$0	\$3,000
Legal Fees	Legal fees for a site title opinion, estimate (attached) provided by Small Law Firm flat fee \$10,000. Legal fees will be paid for by the Conservation District as match.	1	\$10,000	\$10,000		\$0	\$10,000	\$10,000
Audit	Audit costs estimated at \$3,000 based on two past audits, adjusted for 5% inflation. Auditor will be selected based on a limited solicitation for services. Audit costs will be charged to the ARPA Grant.	1	\$3,000	\$3,000		\$3,000	\$0	\$3,000
Permitting	Permit expenses are estimated at \$250 for 318 Permit, \$250 for 404 Permit and \$250 for County Floodplain Permit = \$750. Permit fees will be paid by the Conservation District and reimbursed by the ARPA Grant.	3	\$250	\$750		\$750		\$750
TOTAL ADMINISTRATION	-			\$16,750		\$6,750	\$10,000	\$16,750
ACTIVITY								
Project Management	Project management tasks include landowner and agency coordination, tracking of project tasks, progress report compilation, assistance with procurement and bidding. Oversight of construction and management of volunteers. Watershed coordinator 240 hours @ \$50/hour based on estimates from US bureau of labor and statistics. \$12,000. Costs will be covered by the Ditch Company.	240	\$50	\$12,000		\$0	\$12,000	\$12,000

Task Name and Description	Justification	Units	Unit Cost	Total		ARPA Grant	Match Amount	Total Task Cost
Engineering Design	Engineering services include site surveys, processing LiDAR data, modeling, preparation of plans and specifications, preparation and submission of permits. Preparation of competitive bid package, oversee bidding and award. Estimate provided by Excellent Engineering \$30,000. Attached. Engineering services have been procured by the CD. Costs will be charged to the ARPA Grant.	1	\$30,000	\$30,000		\$30,000	\$0	\$30,000
Engineering Construction Oversight	Represent Conservation District as the Owners Representative and ensure construction activities meet plans and specifications. Write and finalize the construction completion report and as-built surveys. Estimate provided by Excellent Engineering \$20,000. Attached. Engineering services have been procured by the CD. Costs will be split between the ARPA grant and the Ditch Company.	1	\$20,000	\$20,000		\$20,000	\$0	\$20,000
Materials - Headgate	Large headgate, \$20,000 cost estimate provided H&M Ranch Supply, attached. Costs will be covered by the Ditch Company.	1	\$20,000	\$20,000		\$0	\$20,000	\$20,000
Materials - Culverts	(4) 36-inch steel culverts @\$800, cost estimate provided by H&M Ranch Supply, attached. Costs will be covered by the Ditch Company.	4	\$800	\$3,200		\$0	\$3,200	\$3,200
Materials - Rip Rap	Riprap cost estimates provided by 2 local contractors at \$400/cubic yard. Estimated 60 cubic yards needed for 500 feet of stream bank. Conservation district will purchase directly. Costs charged to ARPA Grant.	60	\$400	\$24,000		\$24,000	\$0	\$24,000
Construction	Construction includes costs associated with mobilization, excavator, dump truck, water truck and hand crew. Estimate based on 10 days full crew. Estimate provided by XYZ Contracting Services. Attached. Conservation District will procure construction contractor through competitive bid. ARPA grant will cover a portion of the construction costs, the other will be provided by the Ditch Company. \$60,000.	1	\$60,000	\$60,000		\$50,000	\$10,000	\$60,000
Construction - Revegetation	Seeding will be done by the landowner and is estimated at \$300 for seeds and supplies. Willow cuttings will be done by watershed group volunteers and cut from a local source. Estimated cost for purchase and planting of similar willows \$500.	1	\$800	\$800		\$0	\$800	\$800
Contingency	Contingency is based on 10% for engineering costs due to unforeseen permitting issues and 25% material and construction costs.			\$31,800		\$31,800	\$0	\$31,800
TOTAL ACTIVITY				\$201,800		\$155,800	\$46,000	\$201,800
TOTAL PROJECT				\$218,550		\$162,550	\$56,000	\$218,550

Table 2 – EXAMPLE 2 BUDGET NARRATIVE IN TABLE FORMAT

Task Name and Description	Justification	Units	Unit Cost	Total		ARPA Grant	Match Amount	Total Task Cost
ADMINISTRATION								
Grant Administration	Administration will be provided by the Town Clerk and Mayor. Tasks include: tracking project costs, reviewing and approving progress reports, reviewing, paying and turning in reimbursement requests, entering and tracking expenses and warrants, participating in project calls. Associated costs will not be charged or tracked to the ARPA grant or match.	0	\$0	\$0		\$0	\$0	\$0
Legal Fees	Legal fees for a site title opinion and right-of-way permits, will be provided by the City Attorney at an estimate of \$150/hour x 100 hours = \$15,000	100	\$150	\$15,000		\$0	\$15,000	\$15,000
Audit	Audit costs estimated at \$3,000 based on two past audits, adjusted for 5% inflation. Auditor will be selected based on a limited solicitation for services. Audit costs will be covered by the City.	1	\$3,000	\$3,000		\$0	\$3,000	\$3,000
TOTAL ADMINISTRATION	-			\$18,000		\$0	\$18,000	\$18,000
ACTIVITY								
Engineering Project Management and Grant Administration	Grant Administration contracted engineering firm. Tasks include: tracking project costs, compiling progress reports, reviewing, paying and turning in reimbursement requests, entering and tracking expenses, participating in project calls. Engineering Firm estimate: \$55/hour x 500 hours = \$27,500. Engineering Project Management is included in the Engineering Design and Construction Oversight costs in the PER. Administration will be charged to the ARPA Grant.	500	\$55	\$27,500		\$27,500	\$0	\$27,500
Engineering Design	Engineering services include completion of preliminary designs, permitting and preparing plans and specifications to DEQ for review. See the attached PER for cost estimates, those costs were increased by 2.5% to adjust for inflation. Costs will be split between the ARPA grant and the match funding.	102.50%	\$75,000	\$76,875		\$50,000	\$26,875	\$76,875

Task Name and Description	Justification	Units	Unit Cost	Total		ARPA Grant	Match Amount	Total Task Cost
Engineering Construction Oversight	Owners Representative and ensure construction activities meet plans and specifications. Write and finalize the construction completion report and as-built surveys. See the attached PER for cost estimates, those costs were increased by 2.5% to adjust for inflation. Costs will be split between the ARPA grant and the match funding.	102.50%	\$75,000	\$76,875		\$50,000	\$26,875	\$76,875
Construction	Construction costs include all ancillary costs including mobilization, replacement of 2,500 linear feet of AC main with PVC, replacement of 2,500 feet of service with PVC, grading and repair of road surfaces and 3 manholes. Engineers Estimate is included in the attached PER and adjusted by 2.5% to adjust for inflation. Costs will be split between the ARPA grant and the match funding.	102.50%	\$1,500,000	\$1,537,500		\$850,000	\$687,500	\$1,537,500
Contingency	Contingency is based on 20% of construction materials and work and is specified in the PER. Costs will be split between the ARPA grant and match funding.	20%	\$1,537,500	\$307,500		\$150,000	\$157,500	\$307,500
TOTAL ACTIVITY				\$2,026,250		\$1,127,500	\$898,750	\$2,026,250
TOTAL PROJECT				\$2,044,250		\$1,127,500	\$916,750	\$2,044,250