

Overhead Costs Explained

Administrative and overhead costs for nonprofit organizations are commonly misunderstood. These costs cover the basics of running an organization, such as managing boards of directors and paying for general operating insurance. For nonprofits, overhead also often includes fundraising.

Because many nonprofit organizations are small, staff — including the executive director — may need to dedicate their time to a mix of programmatic efforts and administrative. When budgeting, these costs are typically allocated to program versus administrative categories based on the amount of time the staff spend on those activities.

The three leading rating agencies for nonprofit organizations give the highest scores to nonprofit organizations with overhead costs (administration+fundraising) less than 35% — with programmatic costs accounting for at least [two-thirds of the budget](#). The ESDA exceeds these best practices.

In developing its budget and work plan, the Everett Station District Alliance (ESDA), used the state's leading consultant for business improvement areas (BIAs), and research the budgets and programs of effective BIAs in the region.

Based on this research and much discussion, the ESDA's overall budget allocates 10% to administrative costs. Likewise, the executive director (paid \$80,000 per year in salary) is expected to spend 90% of his time on programmatic efforts, and 10% on administrative efforts. A part-time program manager will also assist with administration.

This is better than other business improvement associations (BIAs) in the region. Here are comparable BIAs and their overhead costs:

- [Downtown Everett Association: 15%](#)
- [U District: 18%](#)
- [Ballard: 10%*](#)
- Chinatown-Int'l District: 12%
- [SODO: 24%](#)
- [Tacoma BIA: 11%](#)

** Ballard BIA's budget states additional overhead and staffing costs are also baked into its program budget line items, so its actual overhead is much higher than 10%. This may be the case for other BIAs as well.*

In New York City, there are 74 business improvement districts. For those BIDs with a budget between \$250,000 and \$1,000,000, their [average overhead costs are 37%](#), according to the city's latest annual analysis. If you are interested in learning more about other BIAs, the City of Seattle has an [annual report](#) that compares the budgets and programs of its ten BIAs.

The Everett Station District has nearly twice the acreage as the Downtown Everett BIA (DEA), provides a major service that the DEA does not (safety patrols with district ambassadors), and has a smaller organizational budget. The ESDA Board believes it has put together a work plan and budget that keeps overhead costs appropriately low while delivering a high level of service.

If you have additional questions about the ESDA's budget and work plan, please contact Brock Howell, Executive Director, at 206-856-4788 or brock@everettstationdistrict.com.