## DETERMINING TRUE COSTS: FORMULATING A

 TRANSPORTATION BUDGET
## How many rides?

- Roland drives his client, Bob, from the day program to an appointment and then to the Wal-Mart. While at Wal-Mart he gets a call that another caseworker, Janice, and her client, Jose, are stuck at their first stop, the hospital with a broken down car and are seeking a ride. Roland and Bob go to the hospital where they find the two waiting by the broken down van. Janice and Jose board the van and the four head back to the day program.
- How many rides does Janice report?
- How many rides does Roald report?


## OBJECTIVES

- Identify budget elements from your organization's budget that may be attributed to Transit/Transportation provision including direct and indirect costs;
- Determine proportionate share of organizational budget line items related to transit/transportation.
- Develop a transit/transportation budget.
- Using variable and fixed costs, determine the true cost of a mile and an hour of transit/transportation service.
- Establish the full cost of your transportation services. Outcome: Save money and increase access.
- Know full extent of what you can apply for with 5310 application. Outcome: Increased funding potential.
- Establish your performance measures. Outcome: Better planning data and improved performance.
- Know what your rides cost. Outcome: Ability to sell rides without losing money and increased


## Coordinate

 funding potential.
## 2 CFR 200 - Supercircular replaces A-87 and A-122

- Circular 9070.1 G FTA - Guidance for 5310 Program
- Circular 5010.1E FTA - Guidance for Grant

Management

- AZDOT 5310 Program and Application Guide
- TCRP Report 144 Sharing the Cost of Human Services Transportation


## Total Cost = Direct + Indirect

- Direct costs are costs that can be identified specifically with a particular cost objective and may be charged directly to a grant, contracts, or to other programs. All direct costs, even for project administration activities, must be adequately supported with proper documentation. For example, all labor charges must be supported with T\&A records.
- Indirect costs are costs incurred for a common or joint purpose benefiting more than one cost objective. Indirect costs must be supported by an approved Cost Allocation Plan (CAP) and/or Indirect Cost Rate Proposal. 5010.1 D (5)(a)
- Variable costs are those that CHANGE with the amount of service provided. These expenses typically include driver wages, fuel costs, and maintenance costs. The more miles and hours of service provided by the transportation service, the greater the costs of that service.
- Fixed costs are those that DO NOT CHANGE according to the amount of service provided. In most systems, this means that modest changes in the numbers of hours or miles of service will not result in corresponding changes to the fixed costs. Fixed costs typically include such items as administrative salaries and facility depreciation.


## FOUR STEPS TOWARD BUDGET SUCCESS

- ONE

Identify all the costs you have for transportation both direct and indirect.

- TWO

Lay out your transportation budget using all costs that can reasonably be attributed to transportation.

- THREE

Determine eligibility and allowability with OMB, FTA, and AZDOT.

- FOUR

Identify your cost per hour and mile for performance evaluation and sale of rides.

## Step 1: Mark it up

- Using your organization's budget, mark each line item that may have a transportation cost included.
- Use one color for Direct Expenses, one for Indirect and one for Need More Information.
- If it's potentially both, use both markers.
- Go back and correctly mark those you needed more information on.

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## Step 2: Use Step 2 worksheet to determine what will be in your transportation budget

- Using the Step 2 spreadsheet (copy is in back of your workbook), start penciling in costs to your worksheet.
- Identify the cost as either direct or indirect for purposes of the transportation budget.
- Calculate the proportional share of line items where costs are shared.
- Make notes about how you made the calculation so if you have to justify it, you will remember how you did it.


## Establishing a Basis for allocation

- You can use the Direct Allocation Method described in 2 CFR 200 Appendix IV (B)(4) whereby joint or shared costs are prorated individually as direct costs.
- What is left are considered indirect costs.
- Otherwise, you need an approved indirect cost allocation plan.
- Your choice of establishing a base should be done in consultation with your accounting department and must be documentable and used consistently between programs.

| Your budget line item | Organizational Budget (OB) Amount | Direct or Indirect | $\begin{array}{\|l} \hline \text { Transportation } \\ \text { Budget (TB) } \\ \text { Amount } \\ \hline \end{array}$ | Notes |
| :---: | :---: | :---: | :---: | :---: |
| Personnel |  |  |  |  |
| Directors/Manager s/ HR/Finance Create a line item for each person |  | Direct (actual cost or portion of joint costs) Or Indirect | A percentage or <br> portion that can <br> be tracked or <br> documented as <br> related to <br> transportation <br> or an <br> appropriate <br> portion of joint <br> costs | This should be limited only to time directly related to transportation such as review of reports, attendance at TAC or Coordination meetings, hiring, evaluation, financial management, bookkeeping, etc. <br> If you have an indirect cost rate that accounts for all their time, do not allocate a direct portion. |
| Drivers Salaries and Wages dedicated (hired to drive) |  | Direct | Full amount |  |


| Step Three - Identifying Eligible Costs for FTA and AZDOT |  |  |  |  |
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|  |  |  |  |  |
| Budget Item Description | Transportation <br> Budget | AZDOT <br> Allowable <br> Enter amount | FTA <br> Allowable <br> Enter <br> amount | Questions/Concerns/Follow <br> up required |
|  |  |  |  |  |
| PERSONNEL |  |  |  |  |
| Personnel - Administrative | $\$$ | - |  |  |
|  | $\$$ | - |  |  |
| Personnel - Operations |  |  |  |  |
|  |  |  |  |  |
| Personnel - Other Non-Maintenance | $\$$ |  |  |  |
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| Fringe Benefits | $\$$ |  |  |  |
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| FACILITIES AND CAPITAL EQUIPMENT |  |  |  |  |
| Administration Facilities |  |  |  |  |
| Depreciation or other cost allocation | $\$$ |  |  |  |

## Step 3: Use Step 3 worksheet to determine

 Eligible and Allowable Costs- Review the FTA and AZDOT Circulars and Program Guides to determine if your cost is eligible and allowable. A cost may be eligible in one circular but not allowed in the ADOT Program Guide.
- Identify line items that you have questions or concerns with.
- Work with ADOT to determine whether a cost will be allowed for purposes of a 5310 application budget. If it is eligible under the FTA rules, you will want to keep the cost for purposes of determine the cost of service.

Step Four - Identifying Variable and Fixed Costs

| Budget Item Description | Transportati on Budget | AZDOT Allowable Enter amount | FTA <br> Allowable Enter amount if different than AZDOT | Variable based on Vehicle Hours | Variable based on Vehicle Miles | Fixed | Comments, Questions, Concerns, Follow up required |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| PERSONNEL |  |  |  |  |  |  |  |
| Personnel - Administrative | - |  |  | \$ |  |  | Some may be fixed |
| Personnel - Operations | $\left.\right\|_{-} ^{P}$ |  |  | - |  |  | Some may be fixed |
| Personnel - Other Non-Maintenance | $\$$ |  |  |  |  |  | Some may be fixed |
| Fringe Benefits | $\left.\right\|_{-} ^{P}$ |  |  | $\$$ |  |  | Some may be fixed |
| FACILITIES AND CAPITAL EQUIPMENT |  |  |  |  |  |  |  |
| Administration Facilities |  |  |  |  |  |  |  |
| Depreciation or other cost allocation | $\$$ |  |  |  |  |  |  |

## Step 4: Use Step 4 Variables worksheet to determine variable and fixed costs

- Gather up your transportation data including annual miles, annual hours, annual trips.
- Assign each line item in your budget to either the hours column, the miles column or the fixed column.


## Unit cost and overhead rate calculations

- Total Variable cost per hour/the total annual hours = Unit cost per hour
- Total Variable cost per mile/the total annual miles = Unit cost per mile
- Fixed costs /(Vehicle Hours Cost + Vehicle Miles Cost) = Overhead Rate


## Performance calculations for a one-program organization:

- Total Annual Cost $=\$ 176,270$
- Total Annual Hours = 4,176

Cost per hour 176,270/4,176 = \$42.21 per hour

- Total Annual Miles = 88,904

Cost per mile 176,270/88,904=\$1.98 per mile

- Total Annual Trips = 20,000

Cost per trip 176,270/20,000=\$8.81 per trip

## Charging equitable share of costs



## Allocation calculations for a multiprogram organization.

- You need to know how many transportation miles and hours each program uses on an annual basis. If you are not keeping this data separately you should start.
- You will need your unit costs for both miles and hours.
- You will need your overhead cost rate \%.
- Using the cost sharing spreadsheet, copy and paste the blank fillable section for each of the programs.
- Enter the required data for each program.
- The total costs to the programs should equal your total transit costs.



## Recap

- Work with AZDOT to have your allocation strategies approved.
- Determine if an approved cost allocation plan is best for you. (if your indirect costs are more than $10 \%$ then yes!)
- If using a Direct Allocation Method make sure your basis is reasonable, documentable and consistent.
- Consider a single application (MM) process to reduce costs and time.
- Don't try and do this in one setting. Get someone who's budget knowledgeable and tackle one section at a time.

QUESTIONS?

## Post workshop questionnaire

Evaluation

