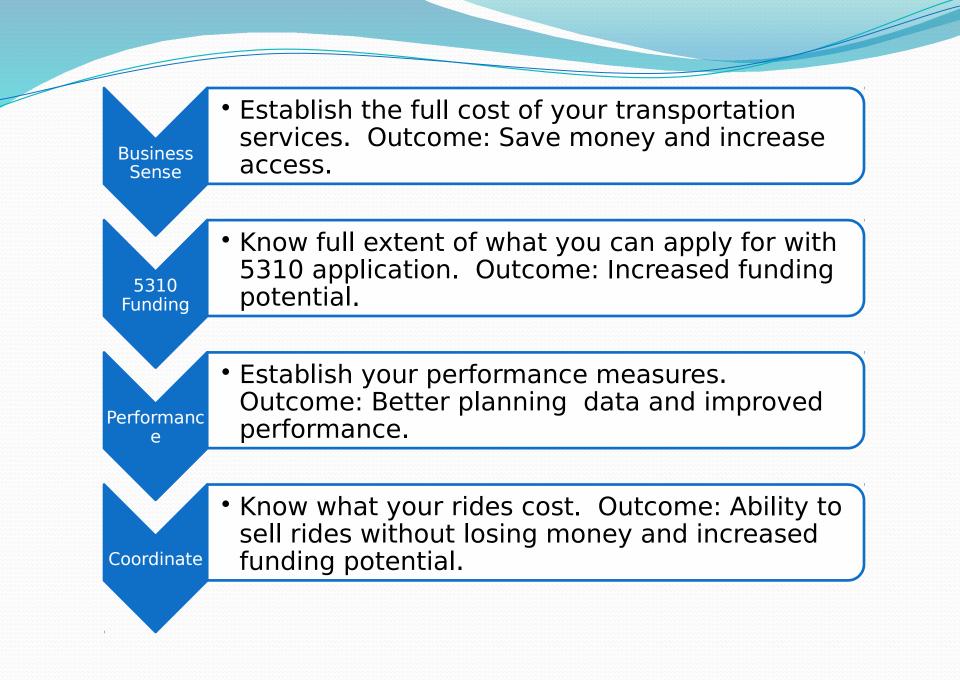
DETERMINING TRUE COSTS: FORMULATING A TRANSPORTATION BUDGET

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.



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.

Step One and Two- Identifying Transportation Costs based in an Organization Budget					
Budget Item Description	Organization Budget	Direct/Indirect	Transportation Budget	Calculation Method Notes	
PERSONNEL					
Personnel - Administrative					
Personnel - Operations					
Personnel - Other Non-Maintenance					
Fringe Benefits					
FACILITIES AND CAPITAL EQUIPMENT					
Administration Facilities					
Depreciation or other cost allocation					
Administration Facilities Support					
Janitorial					
Utilities Other(list separately)					

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

Step Three - Identifying Eligible Costs for FTA and AZDOT					
Budget Item Description	Transportation Budget	AZDOT Allowable Enter amount	FTA Allowable Enter amount	Questions/Concerns/Follow up required	
PERSONNEL					
Personnel - Administrative	\$ -				
Personnel - Operations	\$ -				
Personnel - Other Non-Maintenance	\$ -				
Fringe Benefits	\$ -				
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.

	Ste	p Four - Iden	tifying Variable	e and Fixed Co	osts		
Budget Item Description	Transportati on Budget	AZDOT Allowable Enter amount	FTA 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	\$			\$ -			Some may be fixed
Personnel - Other Non-Maintenance	\$			\$ -			Some may be fixed
Fringe Benefits	\$			\$ -			Some may be fixed
FACILITIES AND CAPITAL EQUIPMENT							
Administration Facilities							
Depreciation or other cost allocation	\$ -					\$ -	

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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

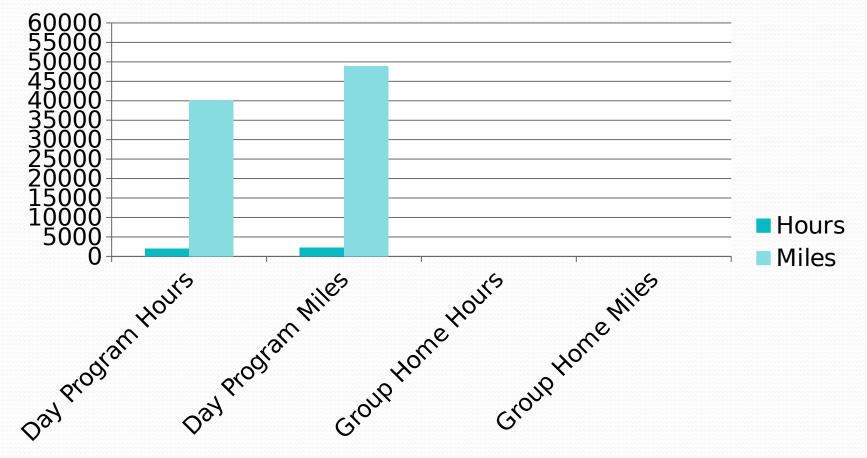
 Cost per hour 176,270/ 4,176 = \$42.21 per hour

 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.

Davi	Program Inputs	Variable Inputs	Outputs				
Day Program	Operating Statistics	Unit Cost	Total Cost				
	2,000	\$ 11.46	\$ 22,922.60				
Hours	40,000	\$ 0.7264	\$ 29,056.00	Hours Cost (Unit Cost * Hours)			
Miles	+0,000	\$ 0.7204	\$ 51,978.60	Miles Cost (Unit Cost * Miles)			
	-		. ,	Total Variable Cost (Hours Cost * Miles Cost)			
Overhe	ad Rate	56.77%	\$ 29,508.25	Fixed Cost (Total Variable Cost * Overhead Rate)			
	Total Cost To Program		\$ 81,486.85	Total Cost (Variable Cost + Fixed Cost)			
C	Program Inputs	Variable Inputs	Outputs				
Group Home	Operating Statistics	Unit Cost	Total Cost				
Hours	2,176	\$ 1.4613	\$ 24,939.79	Hours Cost (Unit Cost * Hours)			
Miles	48,904	\$ 0.7264	\$ 35,523.87	Miles Cost (Unit Cost * Miles)			
			\$ 60,463.65	Total Variable Cost (Hours Cost * Miles Cost)			
Overhe	ad Rate	56.77%	\$ 34,325.22	Fixed Cost (Total Variable Cost * Overhead Rate)			
Total Cost To Program		\$ 94,788.87	Total Cost (Variable Cost + Fixed Cost)				
			,,,				
Organizational Transit Costs		\$ 176,275.72	Check for rounding Differences				
				Should add up to total Transportation Budget			

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