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Cost Allocation Meets Coordination Module 1

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>> Welcome, everybody, thanks for joining us. You'll notice that you have joined on mute and you'll stay on mute. We'll get started in just a couple minutes. We're still admitting some people from the waiting room. Thank you. We're going to get started in about another minute. We have a few people still joining, thank you. Thanks for joining us. If you can click on the three dots in the upper right‑hand corner and rename yourself, that will help us know who is here.

We will get started in about another minute. Welcome, everybody. Thank you for joining us for the first module in the Cost Allocation Meets Coordination course. My name is Carrie Diamond. This is ‑‑ like I had said, the first of three modules. They build on each other. And Module 2 will be next Wednesday and Module 3 the following Wednesday after that. You'll receive the connection information the day before.

This is being recorded so I'm going to start the recording now. Thank you for joining us again for the first module in the Cost Allocation Meets Coordination course. Right now, everybody should be on mute and stay on mute for the duration. We will have opportunities to participate in polls throughout the session, as well as answering by chat. If you can open up the chat function you'll see and be able to respond by chat.

In the second and third session, there will be breakout rooms that you'll participate in, so if you are joining via a computer that does not have a microphone, if you could join on telephone on those, that would be helpful to join in the conversation in the breakout rooms.

Today's class and all three of these classes will be captioned. So if you would like to turn on the captioning at the bottom there is a closed caption option. And there is a link for the external transcript in the chat function and that will be available as well. And afterwards, all three of these will be on the website, on the NADTC website where you had registered.

So I'm pleased to present our guest presenter today, carol Wright Kenderdine who is with Easterseals who will be leading us in this first class. So welcome, Carol, thank you for joining us and I turn this over to you.

>> Thanks, Carrie I really appreciate it. Hi, everyone, we're excited you're joining us for this cost allocation mini course. We think it's important that everyone understands the true cost of what the service is that they're providing. We're hoping this will be helpful to you. Please feel free during the time we're together this morning to enter your questions into chat. Carrie will be monitoring that. If you have questions as we go along she'll let me know the questions are there and she'll interrupt me and let me know what your question is and I'll be glad to answer it as we go. Don't feel you have to wait till the end of the presentation today to ask your question.

I want to tell you just a little bit about NADTC. The National Aging and Disability Transportation Center is a federally funded assistance center. Our mission is really to promote the availability and accessibility of transportation options for older adults, people with disabilities, their caregivers and the communities in which they live. So we want to make sure the services are available to people where they are, when they need them and to help the communities be able to provide those services so that they are available for people to meet their quality of life needs, as well as the urgent services that people need just to be able to stay in their own homes, stay in their own communities for as long as possible.

We have a number of major objectives. One is that we want to provide person‑centered technical assistance and information. That means that we have a telephone number that you can call and you can talk to an actual person about the issues that you're having. And so on our very last slide, you will be given an 800 number and that tells you exactly how to reach us and you can talk to a person who will talk to you about your specific needs. It doesn't have to be just generic advice, but stuff that applies directly to you.

We provide training opportunities like this. All of our training opportunities are free. And if you happen to miss a training but you would like to see what has been available, as Carrie said, this one is going to be recorded. We make those recordings available for you to go back and be able to watch even if you might have missed the original training itself.

We try to focus on a lot of communication and outreach to our stakeholders. We have a monthly E‑news we put out. We try not to burden people with a lot of information coming into their inboxes because they know they get filled up pretty fast. But making sure that information is available to you about what's going on in the field. So you can go to our website, which is www.nadtc.org and you can sign up for our E‑news. It will give you information about grant opportunities. It will tell you other things that are going on in terms of opportunities for training, opportunities that may be provided by other technical assistance centers, not just our own. Funding opportunities. And just keep you up to date in issues that affect older adults and people with disabilities in terms of accessible transportation.

We're always looking for opportunities to help agencies be able to better coordinate their services and to form partnerships. Because of that we have just put a new landing page on our website that is specifically geared toward community engagement and partnerships through coordination. So if you're interested in that, the new resources are online now and we encourage you to go there.

We do invest in community solutions by doing grants. We have one set of grants, those are just getting underway now. If you're interested in seeing what those projects are going to be doing, you can follow them on our website. You can also look back and see what our past grantees have been able to do with money that they've received through the National Aging and Disability Transportation Center.

That's a little background on us. The resources are always free and please feel free to use us as one of your resources.

In terms of this particular course, this is session one. We're going to be covering the basics of cost allocation. We're going to demonstrate how to use a cost allocation model and how to apply that model for things like being able to do budget forecasting and even how to set your fares.

Carrie told you that we were going to have you do polls. And this is your first poll. So it should come up and pop up on your screen. If it doesn't, you may have a pop up blocker and so if you want to disable that, then the poll will come up for you. And the first question is, what is the main reason you signed up for this course? Choose the correct answer and we'll give you just a few minutes and then Carrie will reveal the result.

>> Looks like we have about half voting and more coming in. We'll give it just a few more seconds. And we'll close in 5 seconds. There's a few who haven't voted. All right. Thank you for voting. Here are the results.

>> Okay, and the majority say I have never done cost allocation and I want to know how to use it. That's really a common response when we teach this class. And it's an easy process, but it's one that many people just are not familiar with. So we want to make it as easy and painless for you as possible. And so hopefully through the kinds of things you're going to learn during these modules, you will feel much more comfortable with this process.

If, however, during the course of doing this you're having some issues, make sure that you reach out to us and we'd be glad to work with you on your familiar numbers so that we can show you effectively how to use this model.

Okay. Go ahead, there's a small X in the upper right‑hand corner and you can X out of this poll and we'll move forward with the next slide.

We like to have an idea of where you feel you are in your knowledge in terms of things that really go ‑‑ factors that go into cost allocation. And so the next set of polling will give you an opportunity to do a self‑reflection and a self‑assessment. Go ahead and answer these four questions. You can scroll down as you finish the first three for the fourth question.

>> We will revisit these at the end as well. Not going through them now, but see if your answers change throughout the course. We have about half of people who have completed all four questions. Give it just a couple more minutes ‑‑ seconds I should say.

>> You might want to record what you put down for your answer and see if your answer changes by the time you get to the end of today's module.

>> All right. So I'll end the polling and share those results with you.

>> You can compare what you thought your answer would be to what the majority of people said. So the majority for the first one selected false. The majority for the second one selected true. The majority for the third one selected true. And scrolling down, the majority for the fourth selected false. So you can compare your answer to that. Again, record what your answer was so you can see where you're at when you get to the end of today's module. Thanks, and you can X out of this poll.

As we talk about cost allocation, it's really good to just review what is it. Cost allocation really is a financial planning technique. It talks about all the commitment that your agency has in terms of the use of time. All of the staff who are part of providing that service, money. So both your federal funds that come in as well as your local funds and any state funds you might have as well. Other resources, whether it be equipment or supplies that go into providing a particular service. And then what it costs to administrate the program. So anything that ends up being an expense for you in any way all has a commitment toward that project and it must be part of your cost allocation process.

You want to estimate your operating expenses for the various services, routes, and maybe even different client groups that you serve. It doesn't necessarily set the price for the service, but it lets you understand what the cost is for each of your services. And it usually doesn't include capital costs.

Allowable depreciation case may only provide the local share of the capital grant used to procure the asset. We usually leave out the depreciation costs entirely when we're doing our cost allocation model.

Cost allocation needs to be logical. That means anyone who looks at it can figure out what formula you use to figure it out. It needs to be defensible so that when you go to explain it to someone else, it's easy for you to explain why you put the categories together that you did and why the amount makes sense. It has to be consistent. So between services you do it the same way, between routes you do it the same way, between client groups you do it the same way so that everyone sees that there is fairness in the way your system is doing its cost allocation. And it needs to be done in writing so that there really is a clarity to what is being done and that it is open and available for everyone who needs to see it to be able to determine exactly how you got to the numbers that you did.

You know there are no universal rules for classifying a specific cost as direct or indirect. But the test is the degree to which you apply it with accuracy and consistency. We'll be talking about as we go through the different processes today. And so when you do that and you can be consistent, then it's really easy to justify exactly the processes you used in your cost allocation method.

Your method should not vary from year to year either. That means they're going to also be consistent from one year to the next.

So look at this statement and see what you think in terms of what it says. The cost of your fare ‑‑ excuse me, the cost of your ride is the fare charged as the customer boards the vehicle. So what do you think? Type your responses into the chat box. Do your fares equal the cost of the trip?

>> We have a response no. Anyone else want to weigh in on this? A couple more noes. Someone it stated it's much more involved.

>> Absolutely. Because if I tell you that the cost of my service is $2 a ride, does that sound reasonable? Would it be true? So what am I missing? Okay, when we say if your fare is $2 a ride or $1.50 a ride or $5 a ride, depending on the service that you're providing, okay, there are a lot of people out there who believe that that's ‑‑ that they're paying the full cost of what that ride is. But those of us who are providing those rides know that there are many other things that go into the cost of that ride and that that isn't the full cost. That we receive other subsidies that add in to help us defray the cost of that ride so that we don't have to charge a fare that reflects the true cost of the ride.

In fact, most of our rides would be really cost prohibitive for most of our passengers if we had to charge the full cost.

So let's look at putting things into context. In this case, I want to give you an illustration. Do these two trips cost the same? The first trip is a trip from Stevens Point Wisconsin to Wausau, Wisconsin, which is 34.3 miles. It takes 34 minutes and you get from one place to the other via Interstate 39.

The second trip is from Grafton, Wisconsin, to Oak Creek, Wisconsin. It's about the exact same length, 34.5 miles. It takes longer, it's 45 minutes and it, too, is via an interstate highway, I‑43 but this one goes through downtown Milwaukee.

So would the two trips cost the same amount of money? Think about that and answer in the chat box. Why do you think the trips would cost the same, or why you think the trips would not be the same costs?

>> We have a few people weighing in that the costs will cost different.

>> Okay.

>> Why?

>> Somebody had noted that for a taxi, it would be due to the meter. So related to the time, drivers are paid by the hour. The time difference alone equals more money. More time, more gas. Time is factor as well as fuel. So thank you for your responses.

>> So ride costs we know vary not only by distance, okay, but by time. And so that's why you can't just add up and divide and say we went this many miles. Oftentimes what we do when we're going to charge for services is we say you get so much a mile. Okay. But it doesn't take into account another really important factor and that's hours.

We know we have two different factors that influence what our rides cost, and that's the amount of miles and the amount of hours. Not all trips cost the same, even in the same kind of service. And definitely it is different whether you have paid drivers or if you have volunteer drivers. If you have vouchers or any other variation of the kind of service delivery that you're doing.

A simple cost per mile or a cost per hour calculation might be okay if you're doing system‑wide reporting for some reason. Okay. Whether it's for the national transit database report or you're reporting it for overall and you're averaging out for your entire system. But it's not accurate when you want to figure out just a portion of your service or you're going to try to decide what your rates should be for a particular kind of service. And that's why we're going to be talking a lot today about the importance of hours and miles in doing your calculations.

We're going to start out with some of the real basics. The first basic is your chart of accounts. Your chart of accounts is a complete listing of all the account titles for all the revenue sources that you have and all the expenses that you have for your entire organization, and especially if you have more than one service. Maybe you're an aging services program and you're a transportation program. Breaking those out as different categories, or maybe you just provide transportation, but you still have all your revenue accounts as one thing, all of your expense accounts as another and it's a chart of accounts.

A chart of accounts is really just a tool and it ensures all of our revenue and costs are being able to be reflected when we do a cost allocation model. We're going to be talking about subsidies, we're be talking about how much money we get in from other sources. And we're going to be talking about expenses and so what it actually costs for us to produce that service. And where we get that information is through our chart of accounts and the related pieces of information that your agency does in terms of its revenue and expense report.

Another basic that we want to talk about is three different ways of looking at all of our expenses. Each of these is just a separate viewpoint of all the expenses that happen for the agency. So the first one is our capital versus our operating costs. One way that we can look at our expenses for the agency is we have capital costs and we have operating costs. And the total of the capital plus the operating costs are the total expenses for running the agency.

Another variable way to look at things is just looking at our fixed costs versus our variable costs. The fixed costs plus the variable costs equal the total costs for operating our system. The third perspective we can have is our direct costs versus our indirect costs. So let's look at those independently.

We all know that our capital costs are the expenses that are really associated with our long‑term acquisitions and/or our leases of physical assets such as vans, buses, garages, and facilities. And each state has its own requirements for what constitutes a capital cost. It might be based on the amount of money that's spent on that item, or it may be based on the useful life of an item or a combination of those two factors. But once it's decided on what is a capital cost, we all know that that is one category of our expenses.

We also have operating costs. The best way to look at operating costs is to think of them as expenses that can be consumed within one fiscal year. They're the expenses that help you to operate your transit system. It's things like labor, your staff benefits, any materials you have to purchase to have the program operate, your insurance, your supplies, your fuel, your maintenance costs. So most of the costs that you have for your agency, it might not be the high dollar amount because we know capital is really expensive. But the majority of items that you have that fill in for different costs that your agency incurs over the course of the year are your operating costs. Nevertheless your capital cost plus your operating cost is one perspective of looking at the total cost you have for your agency.

Second way to look at costs are looking at your fixed costs versus your variable costs. So fixed costs are those which do not vary with the amount of services provided. So no matter how many buses you have out there or no matter how many routes you have, some of those costs are going to stay the same.

For example, you're going to have an agency director no matter how many buses you have. Okay. You're going to have that person no matter if you end the route or you add a route. So it's going to be one of your fixed costs.

Your variable costs are those which do change with the amount of service provided. If you add a route, okay, you're adding a vehicle, you're adding a driver, your adding more fuel costs, you're probably adding more insurance costs. You're certainly adding more maintenance costs. Those are variable costs and things that do change whenever you add or change some services.

So for most demand response services or long distance fixed route services, the fixed expenses are your general administration costs and your variable costs are ones that are related to the two variables we talked about earlier, miles and hours. It's important that you're able to distinguish these because sometimes there are things that you can't do about your fixed costs. They're going to be there no matter what you decide to do with changing up your service.

What you do control, your variable cost. You determine how many drivers you have, how many buses are out, whether or not you keep a route or eliminate a route. And so that is the factor that you can control. Your fixed costs plus your variable costs, though, equal the total costs of looking at your program. And it's just another perspective.

Finally, the third way of looking at your costs overall for your agency is to examine which of your costs are direct costs and which of your costs are indirect costs. The best way to define this is to say that your direct costs are those which can be associated one‑on‑one with a given service. So a direct cost would be your driver labor, it would be your fuel, it would be your maintenance costs. It would include maintenance wages. It would include fringe benefits for your staff. It would include contracted maintenance if you don't do your own maintenance in house but you take the buses out for service. It would include fuel and lubricants consumed, your tires, your purchase transportation, if you pay someone else to provide a certain portion of your transportation routes. All of those are direct costs to your agency.

Your indirect costs on the other hand are those which support common or joint programs or purposes. Shared costs include things like utilities, your administrative costs. It might be your accounting, your HR department, your telephone, any mailing that you do. Your equipment that maintains the building. Your facilities. Your personnel programs that are beyond HR. Your cost of maintaining the parking lot, for instance, whatever that happens to be. These are costs that support whether or not it's your transit program or you're a multiservice program and so you have aging service and transit services in the same building and so you have to split those costs between two or more other programs. Those are indirect costs that go to support the entire program that you have operating for your particular agency.

And, again, our direct costs plus our indirect costs equal our total costs. When we're going to do cost allocation, many times we're looking at the allocation between our direct cost and indirect costs. Again, like I talked about earlier, there aren't any universal rules for classifying a specific cost as direct or indirect. Some are very obvious. Some absolutely fall into one category or the other. But the test for those things that you're not sure which category they should fall into is the degree in ease in which it can be assigned with a high degree of accuracy and consistency. Remember, we want this to be the same year after year and program to program, service to service.

If you go back to that earlier definition on the previous slide, you want to see if this is something that goes directly to a particular service or if it supports joint effort. Most of the time once you get into a routine of doing that, you'll be able to figure that out, but you're going to want to be keeping notes and very clearly writing down which category you put it into. So you do it the same way and are very consistent year after year.

Again, another note on depreciation. In the majority of the cases, transit and transportation agencies likely receive capital assistance for most of the purchases you make on capital equipment. Whether you get money through Section 5307, 5310, 5311 or you receive money through the human service agencies, whether it's older Americans act fund or other types of funding you might have. You are purchasing equipment that has been subsidized by other Federal or state even maybe agency.

So you are using those revenues that constitute probably the bulk of your purchase. If you're talking about some of the FTA funds, it's paying for at least 80% of your purchase. And so then we just eliminate depreciation as we're figuring it out. Many times the local share is a subsidy funded source as well.

If you're looking for some more information on that, a good source for going to receiving more information, if you're familiar with the Transit cooperative Research Program, they have a report that's called sharing cost of human service transportation and it goes into a lot more detail on how you would divide out these costs and I would really point you in that direction if that's something you want. Gets, it's TCRP Report 144. You go to TRB.org. Type in transit cooperative research program or TCRP and put in report 144 and you can download it for free.

Other notes on depreciation. The office of management and budget, AMB, circulars A‑87 and A‑122 exclude the cost of depreciation on allowable expense. They're going to tell you you can't use depreciation if it's a federally funded asset. Language in both of these circulars are identical. It says the computation of depreciation or uses of allowances exclude the cost of land, any portion of the cost of buildings and equipment borne by or donated by the federal government, irrespective of where the title was originally vested or where it presently resides. And any cost of the buildings and equipment contributed by or for the government unit or a related donor organization in satisfaction of a matching requirement.

If you got your local match because someone gave you a building and you were able to use that as your local match, then it can't be depreciated either. Most of the time we just ignore the depreciation factor when we're doing our cost allocation. When you have your auditor come in, if they're used to doing any kind of audit at all that has to do with federal funding they're used to knowing exactly how this works.

Let's give you an opportunity to see how your listening skills have been going so far. We talked about this already. I want you to fill it in in the chat box. Which of your costs are those costs which can be associated on a one to one basis with a given service? We talked about all of the different kinds of costs, capital, operating, fixed, variable, direct, and indirect. So which of those costs are the ones which can be associated on a one to one basis with a given service? Go ahead and fill it in in the chat box.

>> We have several people already responding with direct costs and it's pretty unanimous at this point.

>> Then we have really good listeners. I'll really proud of you, it is direct costs. You passed your first test, that's wonderful. Let's go on and talk about what you came here to discuss and learn about and that's the cost allocation model.

When determining your agency's proportionate share when you're trying to understand exactly what your costs are, there are lots of different reasons that you are going to put together a cost allocation model to you. Once you learn to do this I think you'll use it on a permanent basis. We'll talk about those more specifically as we move forward.

You need to get all of your cost and service data together. So what you want is your balance sheet, you're going to want your expenses and you're going to want your revenues. So you're wanting to be able to look at where your money comes from, all the different revenues your agency takes in, and specifically you're going to want to have all the expense categories that you have for your agency. Some of you are multiservice providers, so your expense categories are going to be divided amongst different kinds of programs. Some of you only provide one kind of program. So all your expenses are going to fall into one bucket.

Obviously, it's a lot easier when everyone falls into one, but it's even more important you learn about cost allocation when you have multiple buckets of programs. In my previous life, I was a transit director for a multiservice agency. And so I directed all the aging services programs for an area. I directed all the transit programs for an area. And we received money from the older Americans act, we received federal transit dollars, we received state dollars. So we had federal dollars for my aging program, state dollars for my aging program, county dollars for my aging program. Then we are fund raising dollars we had to use to provide additional match for each of those.

We had to make sure that we kept both programs separate, but we had some shared costs. I was the director of both programs. We had an accountant that looked over both programs. We had a receptionist to serve both programs. There were a number of different things that overlapped between the two. So cost allocation became really important. We also had a volunteer program. It was a third aspect. My volunteer program was volunteer drivers for transportation, but we also had volunteers who took out our home delivered meals. Okay. So you can see that we had a number of different programs going all at ones that all had to be tracked separately.

Cost allocation was really critical. So once we assembled all of our cost and service data, now we have to be able to assign cost figures to categories so that we can explain how the costs vary from service to service. Then we're going to calculate average unit costs and especially now we're going to concentrate for today on our transit programs. So we're going to look at how those average unit costs can be used to determine the cost of a specific route or a particular service and we're going to be look at our cost per mile, cost per hour, and how we can relate that to a cost per trip or a cost for some specific service that we want to pull out separately.

If that seems confusing to you, it's because it's an overview of what we're going to try to teach you yet today.

What kind of data are you required to have? You need to have 12 months of your actual expenses. It's usually good to have 12 months for a year that is just been completed. Doesn't do you any good to go back three years previous to this. It doesn't do you much good to have only a partial year completed. Because we have too many variables that happen within a year. Take 2020, for example, if you were going to use your expenses based on 2020, we know that they'd be skewed. This is a year of COVID‑19. This is a year like no other that your agency has probably ever experienced. So if we were going to take the data for the first nine months of 2020, our first nine months of 2020 would look significantly different than our first nine months of 2019. We really want to go back to 2019 and look at a full year's worth of data.

Now, some of you operate on a January to December basis, some of you go from July 1 until June 30th. Some of you go from October 1 to September 30th. Whatever you do, you want a 12 month picture, but you want 12 months of what we would consider normal operations. However far you have to go back to do that, you want to have 12 months of continuous operations that are pre‑COVID‑19.

The same goes for your service data. You want to look at the exact same period for service data that you look at for your financial statistics. Again, we know our service data has been really skewed for this year, so whatever fiscal year you're looking at we want it to be a year that was completed prior to March of 2019 where our lives really changed. And so look at whatever fiscal year period your year has that would not include any of the COVID‑19 details.

When we look for service data, the things that are going to be most important for you to look at are going to be your vehicle miles, your vehicle hours, and your one‑way passenger trips. Those are the data we're trying to collect at that point. Okay.

If you wanted a model to provide a proposed service, you're going to look at projected data. Okay. And we'll be talking about forecasting toward the end of today's model. We're going to look at how you use the information that you get to be able to project into the future for your budgeting purposes.

If you're also doing other kinds of budgeting, again, we're going to do projected data. But if you want to estimate your revenue profit or loss on an existing past contract, we're going to use current actual or historical data. We want to use data that is prior to COVID‑19. Okay. If we're doing current budgeting, okay, again, for this exercise that we're working on for this particular course, we're going to look at budget data that doesn't include COVID‑19 so that we can see where we would be in a normal year. But once you learn this technique you're going to be able to apply it to years like we have right now as well.

>> Excuse me, Carol? There's a question. So other people experience things like disasters or other disruptions. How would you suggest they pull their 12 months when they have disasters such as hurricanes?

>> Okay. That's a really great question. Because it isn't ‑‑ it's obviously not only COVID‑19, right? Some of us live in parts of the country where we've had some other major disasters. You're going to want to pull your average data. So for instance with COVID‑19 and that hit this year and maybe last year you were part of a major hurricane. Then you're going to want to go back in your data and if you had had a solid year within the last three years, and only three years, that has not had a major disaster, you can go with any time within that three‑year period.

However if you can't find a period that hasn't had a disaster, then disasters are your normal. Now you're going to want to average so that you're going to want to look at a three‑year period and start looking at averages. If you typically have one year that's really devastating and the next year that's not quite as devastating and then you have something else, you're going to want to do three‑year averages. Because we're not going to talk about that on today's class, I would be really happy to work with you on that and show you how you could do that with your particular data. Okay.

Any other questions?

>> None at this point, thanks, Carol.

>> Okay. My e‑mail address is cwright@easterseals.com. I'd be glad to set up a time to talk to you. That's a little bit out of the norm and we won't be discussing that like I said today but I would be glad to set up a time to show you how you would average out those specifics.

Now we're going to get into the meat of what it really is to cost allocate. And so we're going to teach you how to apply a unit cost model to doing cost allocation for your agency. I'm going to go through all the directions first, and then I'm going to actually show it to you on some slides. So don't be worried if you ‑‑ if this gets confusing. Once you see it on actual numbers it's going to make a lot more sense. We'll come back and go through these directions again.

Let's look at step by step what we're going to do and then I'll show you how to apply it. Step number one is to decide what factors we're going to use to allocate costs. We've already discussed this earlier today and that is we're going to talk about miles and we're going to talk about hours. Those are the two factors that we're going to use. We're going to use those factors. Now we're going to directly charge as many expenses as possible, either into miles or hours.

We also know we're going to have general administrative expenses because we talked about there are some expenses that are out there that are going to be there no matter what and those are your generalized admin expenses. And those are much more easy to identify and we're going to pull those out as fixed costs as well.

Now, for step two, for each expense item we're going to determine which of the allocations best explains the variance of the cost of the item. So for instance, you have to decide if this is rides or miles. Rides ‑‑ excuse me hours or miles. So if it is fuel and maintenance, that's more closely related to distance traveled. That's going to be a miles expense. Fuel. Maintenance of a vehicle. You know, the more fuel you use, the further you've traveled. Those we're going to put into the miles related expenses.

Hours are going to be things like driver's wages. Dispatcher wages. Things that go into specific things that are tied to the number of hours of service that we're providing. Then we're going to divide those shared expenses depending on how the resources are being used. It might be if you're a multiservice provider, okay, it might be percent of time spent by staff. If for instance you have an accountant and they are doing your aging services program and your transit program, you might divide it 50/50 or you might do it on some other basis but you're going to do it by a percentage of time spent for that particular staff. Same with your receptionist, same with your agency director.

Sometimes it is done based on percentage of budget. You're going to have an allocation and you're going to stick with the same allocation and formula each time. If you're a multiservice provider you're going to look at the amount of space maybe that a program uses. So for instance, if your aging program takes up the bulk of the space in your building, then you're going to assign it three quarters of the building expenses and transit is going to take one quarter of the building expenses. Okay. But you're going to figure that out and then every time you take building expenses you're going to do it the exact same way.

Some of these might be arbitrary decisions, but the most important thing is they're going to be consistent decisions.

The next thing we're going to do, we're going to calculate the unit cost factors for your miles related expenses and we're going to do the same for your hour related expenses. We're going to also have your fixed expenses as a percentage of your total vehicle expenses and we'll show you how that works. We're going to calculate the total cost of any route or service by determining the number of miles traveled and the number of hours. This is kind of a formula of how we're going to do it. It's much easier if you have an example to go by so you have something to follow.

Let's look at this cost allocation example. To total expenses for this small transit agency are $423,500. In a year, they travel 190,000 miles. They operate 12,500 hour and they operate six vehicles. That's what we know about the total agency. What you want to know is how much does it cost me to operate my Dial‑a‑Ride van? My Dial‑a‑Ride van is one portion of my total service. But I want to figure out how much it costs.

I know my total vehicle miles for the Dial‑a‑Ride van are 20,000, and my total vehicle hours are 2,000. This is the kind of statistics that we already keep and we know.

So the first way that we would normally do this is we would figure it out by our cost per mile or cost per hour. And we do this all the time, right, for reports we do and we do it system wide. So we know that this particular system has a budget of $423,500. That's what it costs to operate the system. We know that they traveled 190,000 miles. For a whole system, if we take the total cost divided by the total miles, we know that their system cost per mile is $2.23, correct? And we do this all the time and submit it as a report. My cost per mile is $2.23.

So if I wanted to figure out Dial‑a‑Ride, I know that Dial‑a‑Ride went 20,000 miles, so I could take $2.23 times 20,000 and I could tell you that my Dial‑a‑Ride costs $44,600. Let's look at the cost per hour. The system cost per hour takes the same budget of $423,500 and divides by the number of hours that the system operated which was 12,500. When we do that division, it comes out to $33.88 per hour. Again, we do this all the time in reporting.

So if I wanted to figure out what Dial‑a‑Ride costs, I could do it by the hour and say, well, I operate it for 2,000 hours. If my system wide cost is $33.80, Dial‑a‑Ride costs us $677.60. I want to know what Dial‑a‑Ride costs me. Did it cost me $44,600 or did it cost me $67,760? Of course there's a difference. Why is there a difference? Because we can't just go by miles, we can't just go by hours, we have to go by some combination of the two because we know just like we showed with that example of the trip that was one trip in Wisconsin versus another trip in Wisconsin and they were about the same distance, but they didn't cost the same and you could tell they didn't cost the same because one took longer.

We can't just go by miles or just by hours. We have to figure out a way to go by a combination. And that's what this cost allocation model will do for you. So this method didn't work for us, right? Not when we wanted to figure out one part of the system. It's okay if we wanted to look at the whole system and know what our costs per hour and costs her mile is, but not when we wanted to break it out into a piece.

So what we want to teach you is a fully allocated cost allocation model. And it's called a unit cost model or a fully allocated cost model. The two most common are vehicle miles and vehicle hours. We already agreed to that.

If we want to use this model we want to calculate the total cost of any route or service by determining the number of miles and the number of hours. So we're going to take the unit costs of the mileage related expenses, all the things we put in that category and we're going to take that times the number of miles and we're going to add it to the unit cost of all the hours related expenses minus the number of hours and then we have to figure out what did those fixed expenses cost us? Because we know we still had to have that director and secretary and electricity and telephones and all those other kind of things so we're going to add a percentage of that in and now we'll know what the annual cost is for that particular route.

When we apply this model we're going to decide the factors we're going to use, which is rides ‑‑ miles and hours. Then for each item we're going to decide if it fits more in hours or miles. Then we're going to assign those costs. First you're going to have a sheet that looks just like this. When we have each expense item, we're going to determine which allocation variables best explain the cost for the item. So driver wages are more per hours. Fuel and oil are miles, but our vehicle insurance is probably a fixed cost. Our mechanic wages and fringe are based on miles. Tires and tubes, contracted maintenance, all of that depends on how many miles we put on our vehicle.

Dispatch, the labor has to do with vehicle hours. But things like the telephone and computer and copier costs are going to be fixed costs. All of our administrative costs are going to be fixed. And as you can tell, this is a very abbreviated form which you would be using as the form that shows all the expenses for your agency. Every expense. And you would be putting it into a column that has your total costs, deciding which go to hours, which go to miles, and which go to fixed costs.

Now that we've done that we're going to assign expense items to those things. We'll then calculate the unit cost factors for each of the different categories. And then determine the percent of our vehicle expenses that are fixed or overhead. So let's look at what we did. We took that agency's budget that was $423,500 and now instead of having just the Xs, we put in what the dollar amounts are for each of those areas. And everywhere there was an X, we took the actual amount and put it in that column.

So for instance, driver wages and fringe, there was an X under vehicle hours. Now it takes that full amount and puts it in that column, $220,000. Dispatch labor both in the same column. $20,000. So in this case, the total vehicle hours expenses were $240,000. We did the same thing for the vehicle miles. Everywhere there was an X we transferred over the total cost into that column. And now we know that the vehicle mile costs were $88,000.

We did the same thing for the fixed costs. The insurance, the telephone, the computer, and all the administrative costs. And we know that those costs added up to $95,500. What were our annual operating statistics? We know that the agency traveled 12,500 hours and went 190,000 miles. When we divide that up, we see it's $19.20 an hour and 46 cents a mile. So now our fixed cost factor is what percentage of the fixed costs is a portion of just the variable costs for the vehicles. Okay. So we did the percentage. Okay.

So we said what percentage ‑‑ if you added 240,000 and 88,000 together, okay, what percentage ‑‑ if you took that divided it into 95,500, you would get 29%. So of my total fixed costs, 29% of my fixed costs go back to my vehicle costs. For my whole agency, of the $423,500, my fixed costs are 22.5%.

If I want to figure out an individual route or service calculation, now what I'm going to do is I'm going to take the unit cost of the mileage related expenses times the number of miles and my hours related expenses times the number of hours, times my fixed vehicle cost percentage and it's going to give me my cost per route or service. Again, these are the statistics for the agency and for Dial‑a‑Ride.

We're going to figure out what it costs to operate that Dial‑a‑Ride van. So the system cost per mile based on the mileage related expenses from that chart were 46 cents a mile. The system cost per hour based on hours related expenses were $19.20 per hour. So we took 46 cents times 20,000 miles, which is the Dial‑a‑Ride number of miles and it came out to $9,200. We added it to our hours related expense, which is $19.20 times our Dial‑a‑Ride hours of 2,000, which came out to $38,400. Our total then was $47,600. And we took it times 29%, which is the proportion of the fixed costs to our vehicle expenses, which added on an additional $13,804. And the total cost for our Dial‑a‑Ride service is $61,404.

Now when we want to know what the Dial‑a‑Ride expense is, we know exactly what the Dial‑a‑Ride expense is. Okay.

So this was our simple yet imprecise method. You see it falls in between the two, but which one is it closer to? It's closer to the cost per hour because your wages are always going to dictate the most amount of your costs. Unless you have some really, really expensive maintenance bills for a particular reason, it's your hour costs that are usually going to dictate. If you had to sometimes guess which one you wanted to go with you always want to go with your hours costs. But this formula lets you be much more precise. And you now know that Dial‑a‑Ride costs you $61,404.

Is that going to come out to the penny? No. But it sure beats having to add up all those mileage reports, add up every hour that any driver put in driving a Dial‑a‑Ride route, every hour that a dispatcher put in for all of its routes and then taking that times just the number of hours the Dial‑a‑Ride was on the road, okay, and you're just as precise as the things that you would do if you did it that way. But this way you have a method to use so that you can check on Dial‑a‑Ride. You can check on your dialysis routes. You can check on a particular other type of service that you have.

I know that this seems a little bit convoluted when you're looking at other people's numbers. One of the things you're going to be doing is putting your own numbers into a spreadsheet like this and then it will make perfect sense to you. Because you're using your own numbers to look at. This was a simplified version but it's someone else's numbers. Okay. If you have this in front of you and then you have your own numbers, it's going to make perfect sense.

Why is the cost per hour more accurate? Well, it's more accurate because, again, the wages. If you were to do this for a volunteer driver program, you would do it the exact same way. Where this is going to be the most helpful for you is if you have a volunteer driver program that is a part of your program and you have volunteer drivers and then you have others. Otherwise your volunteer program is going to be the same as a regular whole program. If all you do is operate volunteer drivers, you don't need to necessarily cost allocate out because you would know your rides and you would know your hours and you would know your miles.

But it would be really important to know if you had volunteer drivers as part of your program and you have paid drivers as another part. You would take your volunteer program out and do it very similarly as you would just for your Dial‑a‑Ride program that we just did.

So here's a poll. Will there be vehicle hour and mile expenses with a volunteer driver program?

>> We have people voting. Keep voting, we'll keep this open for a few more seconds. We have several yeses, some unsures. About half the people are voting, so we'll give it about ten more seconds if you could vote. Or respond to the poll. All right. So those two voted.

>> The majority of the people said yes. Okay. We know that volunteer hours are not necessarily paid hours, but they're hours expended in service to providing rides for individuals. Correct? So we want to account for that. And, also, we have miles. Whether you reimburse those miles or you don't reimburse those miles we do have miles dedicated to the program. Let's go on and answer the next poll question. X out of that one, please.

We have a second poll question, is the cost per mile the reimbursement you give to your volunteer drivers?

>> We'll keep this open for another 15 seconds or so. People are a little quicker to answer this one. All right, we'll close polling.

>> Okay. And so tell me for those of you who answered no, tell me your rationale in the chat box for why the cost per mile is not the reimbursement to give your drivers?

>> People are probably typing right now. We have one response, the cost her mile is more than just what you give your drivers ‑‑

>> It is, it is. Obviously. Because your costs for a volunteer program add up to more than just your hours that they put in or just the miles they put in. Because you have fixed costs that are all a part of operating your volunteer program. And your costs per what those drivers are, there should be a value attached in terms of knowing what the cost is for providing the service. And not just saying, well, we pay our drivers 14.5 cents a mile or we pay our drivers 57.5 cents a mile. Okay. So that's what it costs us. No, because you have other costs that go into it because you have administrative costs for doing that program as well.

Okay. I'm a little concerned about the time for this, so I'm going to just not work through the whole formula for this volunteer driver program, but just to show you that you do it the same way that we just did it for the Dial‑a‑Ride program. Other than if you have only a volunteer program, okay, it would be just doing it based on your whole transit program but making sure that you understand that your volunteer program has fixed costs attached to it as well.

And if you have it as part of your whole program, you need to know that your volunteer program has costs that need to pull out some of those administrative type things as well as just the fact that you're paying them some mileage. So it isn't just what you pay the drivers, but the fact that you have administration that needs to be attached to that program as well.

So I would ask that you go through this example for the volunteer driver program and look at how it works as well. Some of you have volunteer programs and you might want to know how does this apply to me. So in this example, we have a volunteer expenses of $159,750. The volunteers traveled 272,000 miles. They had 3700 hour of volunteer time. And none of the vehicles were owned by the agency.

So we want to know what it costs to operate the volunteer driver program. Again, we have the statistics. Again, we needed to put it into a spreadsheet. But notice it isn't just hours and miles that we have to take into account. But that we also have to figure out our fixed costs. And these fixed costs are going to be important when we determine the cost of the program.

So it may only cost us 46 cents a mile and it may cost us then $4.49 an hour because of what go s into the hours program but we know we have to add 12.8% onto that because of the fixed costs that are a part of the volunteer program as well. And that's the fixed costs as part of these variable costs.

So the formula, the volunteer drivers were 272,000 miles and 3700 hours. The miles related expenses were 46 cents. The hours related expenses were $4.49 and the fixed costs as part of the vehicle expense was 12.8%. And we figure that out according to this formula, the cost of that volunteer driver program was $159,739. However, if you just went by mileage, you would think that it was $125,000. Because that was the mileage paid. Do you see the difference? So that's why it's important to know what your volunteer program could cost you.

When we apply the model, the model is relatively simple. Don't make it more complicated than it is. It's much easier if you use your numbers and look at your expense sheet. Don't go by those few categories that are on this list. You take all of your expenses that are in your expense categories. Every single one of them. Whatever they are. You might have 35. You might have 55 in your list and you're going to assign it to rides ‑‑ excuse me. I keep saying that. I apologize. You're going to assign it to miles, you're going to assign it to hours or you're going to assign it to fixed. But then you're going to do the formula the exact same way.

Make sure it's inclusive of all costs. Provide the opportunity to distribute your costs among customers based on actual costs per services received. And if you're going to do that to figure out what the costs of a particular service is, okay, then you're going to have to agree on an approach if you're going to start splitting costs and say this is what your share of this would be. You're going to need to create a standardized definition of how you're going to collect your data. You're going to have to use that standardized chart of accounts so that everybody agrees that these are cost categories that are legitimate. And then develop a procedure for recording, reporting, and analyzing all nonfinancial data as well so that you know how much time it's taking for you to assist clients, for instance, if you have a particular service.

This model is really flexible and it can be used to analyze various categories of total costs, so make sure that you see how it can be used for your particular program and not these two particular examples.

It's important that you're ready to evaluate your costs at least annually. But you update if your agency experiences any major changes that are listed here. If you add or reduce modes of service, you merge with another agency. It's not very often this would happen but if you adopt a new chart of accounts. If you have a restructure of your agency's organization. If you change the nature of the agency's operations.

So maybe you've been a multiservice provider and now you're going to be a single service provider. Or maybe you've been a single service provider and now you're going to be a multiagency provider.

If you have a major initiative, so you take on a new program and it changes the kinds of modes of service you do. A friend of mine, her transit system just became the taxi operator for their small community. So that certainly made change in what they were doing as an operation and usage of their costs. Okay.

Or perhaps you start contracting for service. Then it becomes really important that you understand this data and the costs so that you know what you should be paying for service based on what you have had for your expenses in the past and help you evaluate what other people want to charge you for those services.

Vice versa, if you are going to start doing a contracted service for someone else, you have that idea of what that charge should be, and it may be based on the exact cost or it may be based on cost plus where you have a margin for being able to have a small amount of profit as well. FTA recommends in their cost allocation hand book that you evaluate and update the cost allocation model as you go along. So they have that as part of their resource directly and so if you go to FTA's website and you type in FTA cost allocation hand book, they have lots of good resources there for you as well.

Cost allocation can be used for a lot of things. One of the things that is really helpful for is being able to forecast. So for instance, if you want to look ahead and you not only want to look at where you're at right now, but you're forecasting for where you want to be next year, or we work on business plans with other agencies and we ask them to look three to five years in advance. In your cost allocation model, it's really helpful to you because you can look at where you were last year, where you are currently, and then by using those models you can forecast where you think you're going to be next year, the year after, and out to approximately five years.

Now, the further you get out, the less accurate you'll be. But you can find that you can be fairly accurate out to three years from where you are today.

Many of you haven't changed fares for a long time. Your fares have remained the same. If you want to do fare setting, then it's important that you understand what your costs are. You also have to be able to understand what your subsidies are from other sources to figure out then the difference between your subsidies that you get and your costs to know what those fares really should be. Many of you fall short on what your fares are because you haven't done that cost allocation model to really know what your costs are per service.

Your cost on a fixed route are very different than your cost on a Dial‑a‑Ride. Your costs for a route to a nearby hub for grocery shopping and you have to go 100 miles one way and 100 miles back are very different than your in‑town service. So by being able to cost allocate by service, it can help you set those fares.

Same for contract rates. Maybe you have a contract for doing services for a local nursing home or assisted living. Maybe you provide services to a group home or maybe you provide services to work programs. Maybe you provide services for a daycare or maybe you provide services for a recreation center. When you set those contract rates, it is really helpful if you have a way to cost allocate and figure out what those services cost you so that when you're setting a number you aren't just picking a number out of thin air or you aren't just using your overall agency costs on the cost per mile and cost per hour.

You may have subsidies for some parts of your service and no subsidies for other parts. And that really makes a difference on what you would charge as well. You also have capitated rates. And so when you're knowing your costs and what you can accept for payment on those capitated rates becomes critical. When you're also looking at capitated rates ‑‑ and we won't get very far into that now but you may have further discussions on it later ‑‑ don't just talk about the price that someone needs to pay for your services, but also be prepared to talk about the value that you provide with the services that you give.

Make sure that in all of this, whether we're talking about fare setting or contract rates or capitated rates, that you really learn to negotiate and hone those negotiating skills by having the right information at your fingertips so that you really can feel confident in what you're saying and knowing what your true costs are.

When you forecast costs implications it requires you understand your variable costs. Those are the costs that will change if the service change is implemented. Remember you are not going to have the cost savings you might anticipate you'll have by eliminating a route because your fixed costs are not going to change. That's why this fixed cost column becomes really critical.

The cost allocation model can be modified to estimate the costs of service changes by omitting the fixed cost factor. Okay. So we want to make sure that as we're doing it we take into consideration that those fixed costs will still be there. The same way as if you add a service route, you may not change your fixed route, your fixed costs. So your fixed costs are probably going to stay the same, even if you add another service.

So then you're getting more bang for your buck because those costs stay the same.

When we're going to look at cost change, it's the hours related expenses times the hours of operation, plus the miles related expenses times the miles. If you want to find the cost of eliminating one route of a fixed route service that traveled 33,000 miles in 2400 hours based on our earlier example of the same expenses, we would take $19.20 per hour times 2400 hours, that adds up to $46,080. We take 46 cents a mile times 33,000 miles, that adds up to $151.80. So the cost change, if we eliminated that fixed route, would be $61,260. That's what we would save.

Remember, we didn't have to put the fixed factor in because, remember, our fixed part would probably not change. But now we know that if we eliminate this route, this is our cost savings. Now, there are all other implications you want to take into consideration. You know, what's the impact on people if you end this fixed route? But if you're strictly looking at it from a dollars and cents point of view this tells you now what your cost savings would be. Okay.

It's really a good model to be able to use so that you know how to judge what's going on with your various kinds of services. Always when you're doing forecasting, make sure that you record your assumptions. You think you're going to remember what you were thinking of when you did this, but believe me, it might only take six weeks and you can't remember. Let alone when you're looking at the next year's budget or two or three years down the line. So make sure that you have your procedures down, that you are consistent, and that you record all your assumptions.

When you set your fares, you need to know your cost of ride per service, your federal and state subsidy per ride and make sure that you take the cost of your ride and you take away the subsidies that you've put in and that can include your local as well. That will help you determine what that fare should be.

You may or may not charge that fare depending on what you think the market will allow, but at least it gives you an idea of what that fare actually should be.

Another way of determining fares is by determining a reasonable or required fee recovery. In some states, D.O.T.s are saying you will have a 12% fare recovery rate. They will say what is your cost per ride service and we expect that you have a fare recovery rate for that service of 7%, 12%, 15%. And then figuring it out from there and that's how you should determine what your fare set would be.

Don't forget that you have other local money as well that goes into helping to subsidize what you do. Okay. So it's not just your federal and not just your state. Many of you have county mill available to you to use as local match. Some of you have fund raising dollars. Some of you have donations from other organizations. Okay. And sometimes one set of funding will help toward one service, but it won't help toward another. So it doesn't have to be the same local match that goes into every service that you have. It can be allocated to different services because it's your local money and you make those determinations, or you can allocate it all across the board.

We'll go on with the fare recovery ratio. Fares can be based on a fare recovery ratio. If you want to determine the appropriate fare you're going to multiply the ratio by the average cost per trip for the type of service. This is how it would work. The Dial‑a‑Ride cost her year is $61,404. You gave 6,532 rides. The cost per ride was $9.40. If the fare recovery ratio is 15%, then the expectation would be that you would have to have $1.41 that would come in for that fare recovery.

If someone said you have to have at least 15% come in, you would have to charge at least $1.41 per ride. If you're charging $1.25 you are not meeting your fare recovery ratio. This is how you would determine what that is. $7.99, which is what's left over from that $1.41 would have to be covered by your subsidy. That would be your federal dollars, state dollars, and local match.

If however you don't have a fare recovery ratio that you have to meet, then this is just good information to know. For instance, you might say we charge $1.25. You can figure it out backwards and say what is my fare ratio if my cost is $9.40 for this ride. Okay. I can take $9.40 into $1.25 and that would tell you so that you would have an idea of what your ratio is. It just gives you a good idea of what percentage people are actually paying of the whole trip.

Like I told you, many people think they pay the whole amount. Wouldn't it be interesting for them to know that they were paying 12% of the total costs of the trip. The rest was being subsidized by someone else.

If you're thinking about changing your fares we know this is a process that really involves politics as well as economics. You can't just decide out of the blue that it's time we're going to change our fares, we haven't change it for 15 years, maybe it's about time. It has to be well‑thought out. We don't want to change our fares frequently. Most of you don't have a problem with that. Most of the time you haven't changed for a long time. But it's really important you're transparent with what's going on.

So one of the things that you can do is use that fare recovery ratio and be able to say to people, we need to up our fares. Our true cost of this ride is X amount of dollars. From that we get this amount of money from the state. This amount of money from the feds. This amount of money comes from our local people. Right now you are paying 10% of the total cost of this ride. We're asking you to pay 12% and up your contribution by 2% and that's what this will do. And roll it out over the course of six weeks or two months or three months and making sure that you are really educating your riders as to what's going on so that it doesn't just appear out of the blue, but that they actually understand that they really haven't been paying the toll for the total costs of that ride up to this point.

When you decide to do a fare increase you have to factor in the amount that your ridership or demand may drop as the fare increases. Most of the time it rebounds depending on how much the fare goes up. And it's different from every transportation system but what we do know is the more we educate people on the up front side, the less ridership drop we have.

Factors then that include other reasons why people ride or don't ride when a fare changes is the type and quality of service available from your system. If they really value the service that you provide for them, they're apt to keep riding, even if the fare continues. It might dependent on your local economic conditions. Right now we know there are an awful a lot of people who are out of work because of COVID‑19. This would not be the time to increase your fares because we know that we're in an economic slump. Okay. But you need to know what the economic conditions are for your particular area.

You also should know what are the alternative transportation options for people in your area. You know, have you done a survey of your people who ride your buses? Do they have the opportunity to have rides from family and friends and neighbors? How many of them drive their own vehicle but use you for convenience or use you during certain months of the year? Would other public or private transportation options exist in your area, and how do you compare price wise to those other options? All of that go s into decision making when it comes to fare increases.

Whatever you do for a rate setting model, all your costs should be reported with a standard chart of accounts. You need to have those projected miles and hours like we've discussed. You should take into account your subsidies that you get or income from other sources. You want to make sure that you know how to compute your cost per hour and the cost per mile by each service. You want to account for other factors that affect pricing.

It is how much time does it take for passengers to board? How much time does it take for you to do tie down and securement? If you're a paratransit service versus a fixed route service. All of those factors really add into decision making in terms of different kinds of service and routes.

You may also want to consider alternate different kinds of rate structures or fares. Some agencies have flat fares, which are the same rate for all trips regardless of the distance traveled, the time of day, or the amount of assistance provided. So that might be in town transit or anywhere in the geographic area of coverage. Most of the time that's a limited area.

You might have distance based fares. And that's fares that are established according to distance traveled with charges per mile or per zone. So what you've done is you've set up a parameter around in parts of your service area. If you're within city limits, it's one charge. If you're so many miles outside of city limits it's another charge. Depending on the side of your service area. You might have travel from a rural area to a distant hub city. That is one charge. But if you had different cities you're picking up in all along the way, there's a different price per city depending on how close they are to that hub.

You may have services that charge an hourly rate, and that's based on cost per hour of service. These can sometimes be subscription services that people sign up for in advance and you're providing these rides on a regular basis. Many times these might be rides to a community where you're taking people to another community for work rides, so they're commuter type trips. They may be trips to take a group of people to colleges or to other kinds of education programs. So you may set it up on something that is different than a per mile basis. It might be that the driver might have to wait in a particular location. So hourly rates are more advantageous.

You might be doing an hours and time based rates. If you have more of a concierge service you might offer a fare for curb to curb service. But if you have people that would like door to door service, you offer that at a different fare. What I would caution you about is to be aware of what the ADA says. If you have a curb to curb service and there's a person with a disability who asks for door to door, you need to provide that door to door service at the same cost. Be very careful if you're setting up a concierge service that you don't violate the ADA.

Most of the time this is for extra services if you are a ‑‑ have a fixed rate and a pair of transits but you decide you want to offer a completely separate service in addition to those two federally subsidized services. That would be based on more of a service based fare.

Okay. In summary, a comprehensive cost accounting system includes all your costs incurred in all services renders. Your process needs to be reasonable, it needs to be consistent, and it needs to be defensible. It's important that you understand it is more than just about rides, miles or hours, but really about a combination of all of that in the provision of a contract so you can get a sense of the actual cost to the organization to deliver a service.

Make sure you that you determine your reasons that you have for allocating your costs and be ready to use them when you're trying to set up partnerships with other agencies or if you're going to apply for funding or you're going to be educating decision makers, all of these are good reasons for knowing the cost allocation model and being able to describe specifically what's happening at your agency.

Use this cost allocation model when you want to do forecasting for budgeting, as much as up to three years out. When you want to set fares or contract rates or if you're working with capitated rates. Make sure that you understand all the factors that go into setting fares, but it's much more than just determining what your costs are. But there are other factors that have to be considered before you decide what those fares should be.

Now is your opportunity to do the self‑assessment again and see where you're at with your answers. The same four questions that you answered earlier today.

>> We'll give just a few seconds and then after that we will give you the responses to this and wrap it up for ‑‑ with information on next week's class. We'll keep this open just a few more seconds. All right. So we'll end polling now and share the results.

>> Okay, so let's go through these. The cost of a ride depends only on the number of miles driven. Obviously the answer to that is false. Okay. Two, variable costs include miles and driver benefits. The answer to that is false. Third, cost allocation can be used today create your fare structure, absolutely true. And the fourth one if we scroll down, cost allocation has no use in contracting and that is false. So you did not do bad on that one. Hopefully that the information that you were given in this session today will give you some better information on how to do your cost allocation.

I do want to encourage you to look at your own numbers. I'm going to turn it over to Carrie and she's going to tell you how you can do that.

>> Thank you, Carol. So in the e‑mail that you received yesterday with the connection information, there was the worksheet that Carol had gone over. And you can modify that and put in your own numbers and service numbers for 2019 or the last year that had been a regular service in that worksheet and work through your own numbers. There will be office hours available if you have questions. So e‑mail me at cdiamond@easterseals.com. There will be about 15 minute blocks within these three days that I can provide some assistance to you if you're having ‑‑ if you have some questions about filling out the cost allocation worksheet.

So, Carol, if you want to go to the information about next week, next week Wednesday at the same time we will have Module 2, reasons to allocate your costs and how it can be a tool for coordination. We'll go through some of that including the Federal Transit Administration guidance that they've released on coordination and how that relates to cost allocation and a special introduction of the coordinating council on access and mobility by Daniel Nelson.

We appreciate you sticking with us. We are a little over time this week. Next week, we will make sure that we remain within the hour and a half that we've allotted and we really want to thank Carol for leading us in this discussion today and our cost allocation model for module 1. Thank you very much for joining us. Thank you Carol for instructing us today. We appreciate it.

>> Thanks and thanks to Julia our captioner, we appreciate it. This is how you reimburse NADTC on our website and our toll free number. I apologize for going over, thanks for those of you who hung in there for the whole thing. If you have questions, feel free to get ahold of us and we'll be glad to help you in any way we can. Thanks.

>> Thank you, we'll end the webinar now.

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