Implementation Of The Tallahassee Transportation Management Association (TMA): Phase III

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IMPLEMENTATION OF THE
TALLAHASSEE
TRANSPORTATION MANAGEMENT ASSOCIATION
(TMA)

PHASE III

Final Report

INTRODUCTION

This project was a continuation of the cooperative effort, begun under a previous contract, between the Center for Urban Transportation Research (CUTR), Florida Department of Transportation (FDOT), and Florida State University (FSU) to initiate the Tallahassee TMA demonstration project. FSU, as the project manager, assumed the lead role and provided the major effort to complete the tasks as described in its agreement with the State. FSU also arranged for the contractual participation of CUTR. CUTR served as a resource and provided technical assistance to FSU as appropriate to the $7,500 budget.

PROJECT DESCRIPTION

Work efforts during this phase of the project focused on TMA internal operations. These tasks commenced July 1, 1992, and ended June 30, 1993. Specific actions are detailed below.

Task 1: Provide Technical Expertise in the Development of TMA Organizational Structure

The technical expertise provided under this task included assistance with the development of the TMA organizational structure, membership dues, and changes to legal documents, such as bylaws. In order to complete this task, the work effort included weekly correspondence or telephone contact with the Executive Director of the TMA regarding status of projects, marketing and work plans, and day-to-day activities. In addition, almost bi-weekly contact was made to provide the Board and staff with current news clippings, publications, and other materials as related to organizational structure and TMA activities in general.

Following the resignation of the TMA Executive Director in May, telephone contact was maintained with the Florida Institute for Marketing Alternative Transportation (FIMAT) Executive Director. Assistance was offered in the recruitment for this and other available positions.

Appendix A contains a copy of suggested funding strategies for the TMA as well as suggested changes to the bylaws to support membership dues. This document was submitted at the request of the Executive Director in March 1993. An annual meeting is scheduled for July 1993. The bylaws changes will be considered at that meeting.
Task 2: Provide Artistic and Technical Services

Under the contract for the previous year, CUTR provided graphic design and editorial services to produce marketing and promotional materials. Assistance was provided to the staff in securing magnetic and camera-ready copies of the TMA logo and selection of stock for the printing of brochures and newsletters.

Technical assistance was also provided to the staff in the form of research and information for newsletter articles, such as employee tax benefits, telecommuting, and other TDM general information. There was considerable overlap between this task and other on-going projects with FDOT, such as TDM Certification and Training Program and the TMA Clearinghouse. Efforts were made to share information and exchange ideas with the TMA staff as related to the TMA and these two projects. For example, CUTR staff acted as a liaison at times between Marty Bishop, Coordinator of the Department of Management Service's Telecommuting Project, and the TMA.

Task 3: Develop Budget

Technical assistance was provided to the TMA staff in the development of a program budget to include all elements, such as the marketing, TDM programs, staffing, and overhead. This assistance was used by the TMA in developing is budget for continued funding as a demonstration project. Consideration was also given to future seed funding and beyond.

The information in Appendix B was made available to the Executive Director. The section on Public and Not-for-Profit Budgeting provides a good typology of budgeting for the public and nonprofit sectors. Although all items may not be relevant, it points out some of the idiosyncrasies of budgeting for such entities. The same observations can be made of the section on Basic Budgeting.

Task 4: Provide Support and Assistance to RideShare® and DigiMap® Software

The work effort under this task involved interaction with the Executive Director and Florida State University students regarding the use of the software. Prior to this contract year, the TMA began using MapInfo® as the software mapping program. CUTR staff compared the Tallahassee TMA's experience with this program with that of Bay Area Commuter Services (BACS). The TMA's personal computer hardware and software procurement procedures and specifications were also useful to BACS.
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This task also overlapped with work on the two FDOT projects previously mentioned. It should aid future development of commuter assistance projects in the state.

SUMMARY

This project, between CUTR and FSU, continued the development of the Capital City (Tallahassee) TMA. The technical assistance, support, and resources provided by CUTR continued the partnership of the institutions, the cooperative agreement between the two and the State, the advancement of the Capital City Transportation Management Association and has served to enhance the work effort of other FDOT projects.

Although the two universities do not have an agreement for a fourth year, it is anticipated that there will be continued cooperation on this project through the TMA Clearinghouse project and through other related work. Future cooperation may include the exchange of information on the new software being developed by BACS, evaluation and monitoring, technical assistance to new TMA staff, and so on.
FUNDING STRATEGIES FOR CAPITOL CITY TMA

* Membership Dues
  ○ Base on number of employee
  ○ Begin conservatively -- what market will bear -- $1-2/employee
  ○ Attach a value to dues
  - Provide brochure describing services members receive
    - TDM plans
    - ETC training/TA
    - Free ridematching services, etc.
  - Provide certificate of membership
  - Membership entitles eligibility for election to BOD
  ○ Amend bylaws to reflect dues structure and membership classes
  ○ (Note proposed amendment to number of board members)

* Local Funds
  ○ TMAs/TMOs in the Tampa area have been successful in securing dollars from the county and city. The governments basically feel that the organizations are a "good thing" and little effort has been needed to sell the idea
  ○ Explore possibility of city and county funding -- contact both transportation departments

* Amendment attached.
Beyond membership dues
- TMA institutional means of improving level-of-service (LOS)
- May not be necessary to sell idea; TMA recommended in comp plan

- State Funds

- FDOT: Clarify status of TMA -- demonstration project, when will seed funding begin?
- Seed funding to begin within next 18 months, begin securing in-kind service commitments, at least, immediately
- Explore possibility of special project or partial regional commuter service program funding from district
  - TMA operates more like regional commuter service program, e.g., rideshare matching, larger service area, strong county/multi-county link
  - Increased responsibilities should equal increased state support

- Begin exploring grants from various state agencies. Remember the TMA has services and the skills of staff to sell to the agencies and their clients beyond their membership dues. Dues entitle the agencies to certain services for their staff, however, a number of state agencies have a client base that significantly impacts or has the potential to impact travel demand. The opportunity to shift these travelers to alternative modes is not covered by dues, however, the TMA should be willing to lend its expert services for a nominal fee.

- DCA, specifically Florida Energy Office (FEO): beginning with baseline information, track number of carpools, vanpools, and other alternative mode shifts and calculate Btus saved annually

- DER: beginning with baseline information, track number of carpools, vanpools, and other alternative mode shifts and calculate amount of nitrogen oxides (NOx) and hydrocarbons offset annually

- Other state agencies, such as Department of Education, Department of Health and Rehabilitative Services (HRS), Department of Labor, and DCA, again, through the Community Services Block Grant Program may have an interest in providing small grants to the TMA to aid in service delivery by
coordinating transportation for clients or developing TDM plans for sites where parking is a problem.

- Department of Education has funding for pupil transportation and may be interested in small grant to study more efficient routes or demonstration project using alternative modes

- HRS has tons of money through the Welfare Reform Act, JOBS program to transport Aid to Families with Dependent Children (AFDC) mothers to jobs, job training, and education. These entrants to the workforce should be encouraged not to become SOV users. HRS should be interested in ridematching and vanpooling. Good opportunity for demonstration project or small continuing grant

- Department of Labor has funds for transportation through various programs which aid people to find jobs or to attend job training. These funds can be matched with local or other federal dollars to fund vanpools or other mode shifts (bicycles, for one)

- Finally, DCA has funding for CAP agencies (These are nonprofit organizations which provide various community services. They tend to have a broad missions which include economic development, low income house energy assistance (LIHEAP), Headstart Programs, etc.) It may be possible to work directly with DCA to do some type of demonstration project with the local CAP agency in the area of more efficient use of agency vehicles through ridematching

- FAMU/FSU: These are of particular interest. I've seen the "Red and Gold" shuttle of sorts, however... The opportunity is great, but so is the challenge. Most of the universities in the state system make a lot of money from parking tickets and fear any innovation which would decrease this source of revenue.

  - Work with Departments of Parking Services and appropriate Vice Presidents. Change name to Department of Transportation
  - Work to ensure that universities budgets include line item for shuttle with funds from increase in student activity fee
  - Departments of Transportation become responsible for shuttle

6
Parking still is a source of revenue for departments, but should be restructured

- Core parking and core parking violations more expensive than peripheral
- Sell bike decals to pay for racks, showers, etc. Decal sales also buy assistance in recovery in case of theft.

- Shuttles can provide jobs for students as drivers, dispatchers, schedulers, etc.
- Universities should coordinate with TalTran as described below

○ TalTran

- Despite its current operations, there is lots of opportunity. TalTran can get money for Universities shuttle system at 80/20 federal-local match ratio
  - can assist shuttle system operations and planning
  - can provide maintenance for shuttles

- TalTran can purchase vans for vanpools at 80/20
- Piggyback on TalTran's National Transportation Week activities
- Seek small grant from TalTran to provide marketing services

○ MPO/Federal Funds

- Since population less than 200k, not a congestion management area; hence MPO has no Congestion Management Air Quality (CMAQ) Improvement Program funds. However,...
- Federal Surface Transportation Program funds available through the state to the MPO that can be used for TMA
- Federal Transit Administration (FTA) has direct funds for demonstration grants through the Office of Mobility Enhancement.
  - Other funds available through ISTEA under Sections 3, 9, 16, and 18
    - Section 3 is for capital purchases and usually goes to the
state or the Section 9 agency, TalTran

* Sections 9 is operating funds for TalTran. Section 9 agencies do not like to give up these funds. The one exception is usually marketing.

* Section 16 is for capital purchases, usually vehicles, for elderly and disabled services. The Section 16 designated agency has to be a nonprofit agency. The agency which employees the TD Commission's Community Transportation Coordinator is probably the designated agency. Although you probably will never be able to get any of the funds unless you want to develop commuter vanpools for the elderly or disabled, the designated recipient that is the recipient could be interested in your ridematching services which are not free. (The recipient agency has to have operating funds for the vehicles in order to get the capital funds.)

* Section 18 funds are for nonurbanized areas (populations less than 50K). Big Bend Transit is the Section 18 provider in your area and Ted Waters is good to work with. He may be interested in marketing services. Your ridematching capabilities also may assist him with routing and scheduling. In most states, Section 18 funds are split into three pots with the following match ratios

\[ \begin{align*} + & \text{ Administration - 80/20} \\ + & \text{ Operating - 50/50} \\ + & \text{ Capital - 80/20} \end{align*} \]

- Administration funds could be used to buy marketing or ridematching services
- Operating, forget about it
- Capital funds can be used the same as Section 9, vehicle purchases for vanpools, related equipment, etc.

- Federal Highway Administration (FHWA) funds are more plentiful than
those of FTA. They also have direct funding of demonstration projects. Other sources of FHWA funds can be FDOT through the central office or the district and the MPO.

- Don't forget you've got good friends at EPA. Also the Federal Department of Energy is a soft touch right now.

- Federal Aviation Administration (FAA) has funding for surface to air transportation. This may be sticky because the rental car agencies make so much money in Tallahassee. The opportunity is there though to maybe do something with TalTran and FAA when the legislature is in session or with the universities and FAA during football and basketball seasons.

* Transit Store: This is the one big idea that I am ready to do as a joint proposal.

  o Services:

    - Sell matchlists
    - Provide transit system maps, schedules, and transit marketing
    - Rent space to the environmental groups to display/sell memberships/paraphernalia
    - Provide/sell/rent supplies, goods, services (e.g., lockers, patchkits, suitability maps, etc.) to cyclists, pedestrians
    - Promote the TMA/sell paraphernalia with TMA's logo
    - Sell general paraphernalia which promotes TDM, good earth theme

  o Hook

    - Source of campus work study jobs
    - Good FIMAT project
      
      ▪ Links College of Business with tangible economic pursuit and transportation
      ▪ Strategically place store in order to give FIMAT exposure

    - Could give high profile to TMA within community

  o Other benefits
- I need to write another proposal
- Gary would like this
- CUTR TDM Unit wants to do a transit store
- Tally TMA should take a leadership role in the state -- always the innovator
- I like the idea

* Private Foundations
  
  ○ Check FSU Library for foundation information; specifically oil companies, i.e. Exxon, Amoco, etc. Also Ford and others
  
  ○ Some of the above ideas could be funded by private foundations
  
  ○ Ditto for state or local foundations
ATTACHMENTS

ARTICLE IV - MEMBERS

Section 1 - Classes of Members

The Corporation shall have five (5) classes of membership, established as follows:

(a) Regular Members - Four (4) classes of regular voting members with qualifications as described below:

<table>
<thead>
<tr>
<th>Class of Membership</th>
<th>Number of Employees</th>
<th>Number of Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>1-50</td>
<td>1</td>
</tr>
<tr>
<td>Mid-size</td>
<td>51-250</td>
<td>3</td>
</tr>
<tr>
<td>Large</td>
<td>251-1000</td>
<td>4</td>
</tr>
<tr>
<td>Ex-Large</td>
<td>1000+</td>
<td>5</td>
</tr>
</tbody>
</table>

Section 4 - Dues

Dues of $________ annually, per employee has been established by the Board of Directors for each organization seeking membership in the Capital City TMA. Dues shall be invoiced on or before June 1 and payable by July 1 of each year. Prospective new members may make application as described in "Article IV, Section 3 - Admission of Members," above.

ARTICLE III - BOARD OF DIRECTORS

Section 1 - Number

The Corporation shall have (Fill in this blank if the number is to change or leave at six) initial Directors and collectively they shall be known as the Board of Directors. The

* Note: Changes noted in shaded areas. Deletions struck through through.
number may be changed by amendment of these Bylaws, or, by respect of these Bylaws and adoption of new Bylaws, as provided in these Bylaws; however, there shall never be less than three Directors, as stated in the Articles of Incorporation.
APPENDIX B

PUBLIC AND NOT-FOR PROFIT BUDGETING

The Budget Execution Process

Essential Elements of a Management Control System

1. Responsibility must be assigned in advance.
2. Policies must be set to guide decisions and to handle contingencies if something goes wrong.
3. Information systems must send a steady stream of information on progress to responsible officials.
4. Relevant performance standards must exist against which information on progress can be compared.
5. Responsible officials must compare progress information to performance standards.
6. There must be a means by which appropriate corrective action can be taken when necessary.

Agency Accountability Tools

Legality

1. Line-item budget
2. Budgetary and encumbrance account and reporting
3. Funds systems and the segregation of monies
4. Allotment systems
5. Personnel approvals and position controls
6. Requisition and purchase order systems
7. Clearance of contracts, equipment purchases, and other large expenditures
8. Travel controls
9. Financial and compliance audits
10. Budget transfers and amendment procedures
11. Reversions to Treasury
12. Preaudit
Operational

1. Organizational and methods studies
2. Workload standards and staffing ratios
3. Production reporting
4. Centralized purchasing
5. Forms control
6. OMB can withhold funds to promote efficiency
7. Performance budgeting
8. Performance audits
9. Cost accounting
10. Preaudits
11. Competitive bids
12. Management by objectives
13. Performance monitoring

Policy Conformance

1. Appropriation provisos
2. Reduce future appropriations to noncomplying agencies
3. Exert pressures for removing certain officials from their positions
4. Telephone calls from key legislators
5. Letters of interest
6. Directives contained in hearings, committee language, reports, and floor debates
7. Justification book
8. Authorizations

Program Accomplishments

1. Program budgeting
2. Visits to departments by oversight committees
3. Outcome evaluations
4. Cost-benefit analysis
5. Cost-effectiveness analysis
6. Fix responsibility for each program to a specific office
7. Management by objectives
8. Performance monitoring
Agency Auditing Process

Audit - an examination of records or other search for evidence that is conducted by an independent authority for the purpose of supporting an opinion on:

a. the adequacy and reliability of information control systems;
b. the efficiency and effectiveness of programs and operations;
c. the faithfulness of administrative adherence to prescribed rules and policies; and/or,
d. the fairness of financial statements and performance reports.
1. Genie Stowers, *Public and Not-for-Profit Budgeting*, University of Alabama at Birmingham, Spring 1990 and G. Grizzle, Florida State University, Department of Public Administration.
BASIC BUDGETING

Budgeting - the allocation of scarce resources among different purposes so as to achieve greater return.

Components of Budgeting

Financial Management System

1. Budgeting - plans for how organization to develop;
2. Accounting - keep track of how expenditures made; compare to budget;

Feedback Loop

3. Performance Measurements - measure performance of employees; subjective measurements, generally;
4. Auditing - looks at all of the above to judge if done correctly.

Knowledge of theory enables you to understand overall context/perspective

The process is a needs assessment. A planning and management tool.

NOT-FOR PROFITS

Many Funding Sources

Board of Directors
  Appointed
  (Members appoint other members)

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Staff

Volunteers

Co-production - service provided by volunteers

REVENUE SOURCES
(Uncertain Environment)

Charges for services

Fund-raising

Governments
  (Federal, State, Local)

Grants

Taxes
  (Earmarked or Set-asides)

Licenses and permits
  (Impact fees)

OTHER REVENUE

Interest Earnings
Rents
Contributions
Sale of Excess Property
Royalties
REVENUE PROJECTION METHODS

Proportionate-Change Method

Each source of revenue must be projected on its own. The proportionate-change method can be used if the revenue has been used for the past few years and if records have been kept indicating past experiences.

EXAMPLE OF PROPORTIONATE-CHANGE METHOD

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue: Advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY A</td>
<td>$23,000</td>
</tr>
<tr>
<td>FY B</td>
<td>$24,300</td>
</tr>
<tr>
<td>FY C</td>
<td>$27,300</td>
</tr>
<tr>
<td>FY D</td>
<td>$30,000</td>
</tr>
<tr>
<td>FY E</td>
<td>$34,300</td>
</tr>
<tr>
<td>FY F (present year)</td>
<td>$38,800</td>
</tr>
</tbody>
</table>

Step 1.

Find the difference in collections between each year. For example, the difference between FY B and FY C is

\[
\begin{align*}
\text{FY C} & \quad \text{FY B} \\
$27,300 & \quad $24,300 \\
\hline
\text{Difference} & \quad $3,000
\end{align*}
\]

Step 2.

To find the percentage change, divide the difference by the first year's collections. For example:

\[
\frac{3,000}{24,300} = 0.1234 \text{ or } 12.34\%
\]
Steps 3 and 4.

Repeat steps 1 and for the other yearly pairs. Total the percentage changes, rounding to the closest percent.

<table>
<thead>
<tr>
<th>Year</th>
<th>Collections ($)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY A</td>
<td>23,000</td>
<td>5.65</td>
</tr>
<tr>
<td>FY B</td>
<td>24,300</td>
<td>12.34</td>
</tr>
<tr>
<td>FY C</td>
<td>27,300</td>
<td>10.99</td>
</tr>
<tr>
<td>FY D</td>
<td>30,300</td>
<td>13.20</td>
</tr>
<tr>
<td>FY E</td>
<td>34,300</td>
<td>13.11</td>
</tr>
<tr>
<td>FY F</td>
<td>38,800</td>
<td></td>
</tr>
</tbody>
</table>

Total Change 55.29

Step 5.

The most conservative estimate for the next year's revenue results from averaging the present change for the given six fiscal years. First determine the number of changes. The example shows five (5). To determine the average, take the total percent change (55%) and divide it be the number of percent changes (5)

\[
\frac{55}{5} = 11\%
\]

With this information, the revenue for FY G can now be projected. Multiply the revenue for FY F ($38,800) by the average percentage change (11%)

\[
\text{\$38,800} \times 0.11 = \text{\$4,268}
\]

The product ($4,268 is the expected increase for FY G over the total collection received in FY F. The total revenue from this source for the upcoming year are estimated to be

\[
\text{\$38,800} \text{ (collected in FY F)} + \text{4,268} \text{ (increase expected)} = \text{\$43,068 (total advertising revenue expected for FY G)}
\]
EXAMPLE OF LEAST SQUARE TREND METHOD

Calculation of a trend-line lets the analyst better estimate future revenues, but the trend-line should serve only as the basis for making revenue projections.

Step 1.

Identify the central year. When there are an odd number of years, the middle year is the central year.

<table>
<thead>
<tr>
<th>Fiscal Year (FY)</th>
<th>Years from Central Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY A</td>
<td>0</td>
</tr>
<tr>
<td>FY B</td>
<td>0</td>
</tr>
<tr>
<td>FY C</td>
<td>0</td>
</tr>
<tr>
<td>FY D</td>
<td>0</td>
</tr>
<tr>
<td>FY E</td>
<td>0</td>
</tr>
</tbody>
</table>

Step 2.

Calculate the value of cross-products [(B) X (C)] and years squared (C)^2.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Collections (A)</th>
<th>Years from Central Year (C)</th>
<th>Cross Products (B)x(C)</th>
<th>Years Squared (C)x(C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY A</td>
<td>$142,800</td>
<td>-2</td>
<td>-285.6</td>
<td>4</td>
</tr>
<tr>
<td>FY B</td>
<td>105,800</td>
<td>-1</td>
<td>-105.8</td>
<td>1</td>
</tr>
<tr>
<td>FY C</td>
<td>166,500</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>FY D</td>
<td>173,000</td>
<td>+1</td>
<td>+173.0</td>
<td>1</td>
</tr>
<tr>
<td>FY E</td>
<td>213,900</td>
<td>+2</td>
<td>+427.8</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>$802,000</td>
<td>0</td>
<td>+209.4</td>
<td>10</td>
</tr>
</tbody>
</table>

Step 3.

Calculate the slope.

\[
\text{Slope} = \frac{\text{cross-product total}}{\text{years squared total}} = \frac{+209.4}{10} = +20.9
\]
Step 4.

Calculate the level in the central year.

\[
\text{Level in central year} = \frac{\text{total collections}}{\text{number of years}} = \frac{802.0}{5} = 160.40
\]

Step 5.

After calculating the level in the central year and the slope, you can compute the values of the trend-line for each fiscal year in the past series and project the trend-line to future years.
CAPITAL BUDGETING

Items of Value > One Year

Match time horizons with value of money

3 - 5 Year Planning
BUDGET PREPARATION

Decide Format

Expenditures/Revenue Histories
(Revenue earmarked; intergovernmental, grants, taxes, etc.)

Deadlines to meet/Hearings to Attend/Presentations

Personnel Issues, Performance

Capital Budgets

User Charges

Grants Management

Cutback Management

Policy/Budget Enactment

Approval Process

Money Authorized/Appropriated

Deal with Politics of Budgeting

Budget Execution

(Set up Funds)

(Accounting System)

Administrative Controls

Financial Statements

(Procedure to Change Budget)

(Changes Approved before Expenditures)
COST ALLOCATION

I. Cost allocation sets forth a standardized way to compile the costs of operation and uses this information, in conjunction with the resource variables (hours, miles), for the purpose of evaluation, budgeting and bidding.

A. It is a subset of accounting - uses the data gathered in the accounting cycle.

B. Cost accounting redistributes accounting data in a logical manner to help meet the need of looking at the cost and feasibility of individual facets of operations

II. Classifications and terms

A. Capital, Administrative and Operating

1. Capital costs - extend beyond one operating fiscal period; have a useful life of over one year

2. Operating costs - expire within a one year fiscal period

3. Administrative costs - also expire within a one year fiscal period, may be required by grantor to be separated from "operating"

Ex.: utilities, office rent, administrative salaries

B. Fixed and variable

1. Fixed costs - do not change with volume of services, e.g., administrative salaries, rent

2. Variable costs - do change with volume of services, drivers salaries, fuel, vehicle maintenance

C. Direct and Indirect

1. Direct costs - can be related on a one-to-one basis with a given service/project, e.g., drivers salaries, fuel, vehicle depreciation
2. Indirect costs - cannot be related on a one-to-one basis with a given service/project, e.g. administrative salaries, utilities, office rent

D. Fully Allocated and Incremental

1. Fully allocated costs - both direct and indirect allocated totally

2. Incremental costs - costs that are associated with the increase of services or expenses

III. The goal of cost allocation is to determine how much it costs to operate an exiting service/program

A. Uses: distributing costs to individual programs; preparing cost estimates; cost center/program comparisons

B. Developing a Fully Allocated Cost Model

1. Choose resource variables - services (resources can be measured by different units, e.g., hours, miles, number of vehicles

2. Designate Expense Accounts - allocate indirect costs to the transportation subdivision, convert to a standardized account, assign all costs

3. Calculate the Average Unit Cost - using the costs from the assigned expense accounts, divide by the appropriate resource variable

C. Assumptions

1. All costs can be allocated to programs based on the level of service provided

2. Average unit costs can be used to estimate service level cost

D. The one variable model (refer to example)

1. $60,000 / 6,000 hours = $10/hour
2. Use: gross estimate of cost to operate center, in a macro sense, but does not consider program differences

E. The multi-variable model (refer to example)

F. Resource variables: major variables used in transportation programs, hours, miles and number of vehicles

G. The first step is the allocation of any indirect (shared) costs to the transportation function

1. (Refer to example of administrator's salary)

2. Next is the conversion of accounting data to standardized accounts

3. Then create a matrix between expense accounts and the resource variables of hours, miles and vehicles

4. Next calculate the average unit cost; hours, miles and vehicles

5. Formulas for annual and daily total costs are thus derived

   Annual = ($8.46 X H) + ($0.11 X M) + ($18,800.00 X V)

   Daily = ($8.46 X H) + ($0.11 X M) + ($72.31 X V)

6. Now, having a way of determining the value of the services rendered, the above formula may be used in establishing an estimate of individual program costs

7. This is a basic model to demonstrate the method of fully allocated cost in developing the average unit cost of services rendered

8. Publicly-donated services include donated services by a local government. These are allowable for some programs and the value of the services should be recorded in an account

   Privately-donated services include private enterprise or individuals. These may not be allowable; however, if useful, should also be recorded.
9. The above formula can be used to estimate the costs of adding a new contract

IV. Future Year Budgets/Proposals

A. Cost Adjustments

1. Operating/Administrative - costs will need to be adjusted for inflation and/or known cost changes, (e.g., salary increases)

2. Capital - need to be adjusted for the replacement value of existing assets

B. Resource Variables - adjustments for any increase in service hours, miles, or number of vehicles need to be made

C. Preparation of budget

1. Operating/Administrative

   a. after identifying all the operating cost elements, take the current year costs, apply the inflation or known cost increase factors, and calculate the estimated annual costs

      (1) Labor/fringes will usually have an incremental cost increase, if salary increases are not tied to cost of living (inflation) increases

      (2) Management must use the best information at its disposal in calculating increases in costs

2. Capital

   a. After identifying all the capital cost elements, calculate depreciation for all capital assets. Then determine if depreciation will change by the addition and/or retirement of any new/old assets. Calculate the new depreciation figure and use in the new budget period

V. These average budgeted unit costs can be applied to each program to develop a budget that can be negotiated
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3. Ibid., p. 38-40.