



# Fully Allocated Cost Model

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# What is the Fully Allocated Cost Model?

- A standard method for collecting expenses as a foundation for billing rates

## Why does NCDOT want you to use the FAC model?

- Using this model or something like it shows that you understand your expenses and you can use them to plan for financial security

## How does your rate compare to others?

- That's not the point. There are many reasons why rates may be higher or lower.

## What is the best rate to have?

- The one that provides financial stability

# Should I change my funding contracts to match the output of the model?

- Not necessarily. The model returns a general rate based on all of your trips. It is usually more expensive to provide service to some contracts over others and your rates may reflect this difference.

# How can I use this to determine the rate I should charge for each contract?

- As a guide only. Further math combined with some policy goals and assumptions is necessary to determine specific rates.
- Ideally, you will have the actual service consumption (passenger miles?) by contract and can use this to determine the proportion of service consumed by each agency.

# Running the Model

- Use actual data from the previous year or projected data
  - Even better, run the model using both methods to see the difference in rates
- Operate Multiple Modes (Deviated Fixed Route, Fixed Route, Demand Response, and/or Brokered)?
  - Allocate your expenses and subsidies for each mode so the total equals the total expenses and subsidies
  - Run the model for each mode

# Expenses

- Fill out expenses by category
- Budget should be set up using G-Codes
- Fixed = administrative, does not vary by number of miles or hours
- Hours = mostly personnel
- Miles = mostly vehicles
- **G821 to G882= decreases to overall expenses (revenues?)**
  - But, not contract revenues or fares
- **G821 is where you enter local funds in excess of the required local match**

# In-Kind Services

- Services provided to you that you do not pay for
  - Examples: rent, utilities, maintenance, legal representation,
- Ask finance director for Indirect Cost Study
- Does not impact your billing rates
- But, useful to have because:
  - May be used as a match for some grants
  - Helps you identify your true cost of service



# OpStats

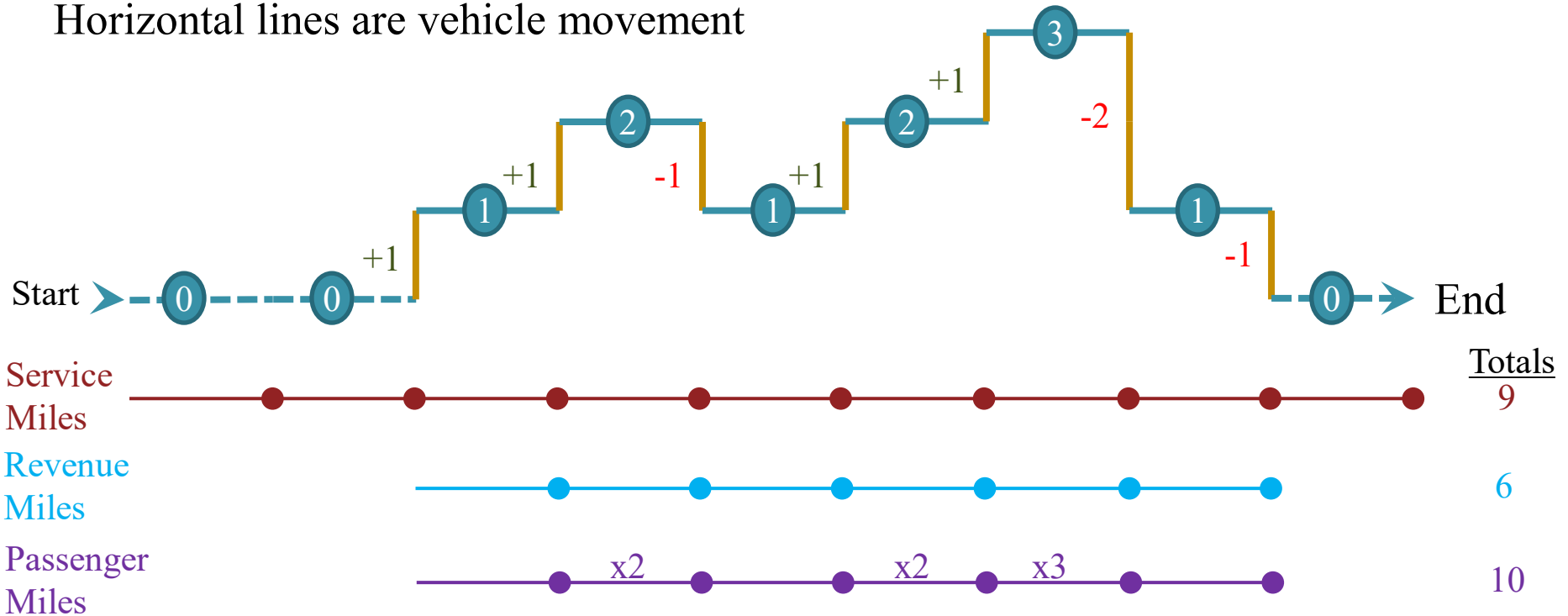
- Be consistent with what you used for **Expenses** (actual or projected, mode)
- Type of miles does not change the rates, but does change the interpretation
- Charge for services using different **methods** (passenger mile and service hour)?
  - Enter new data in the Operating Statistics tab

# Service, Revenue, and Passenger Miles/Hours

## Passengers on Vehicle by Segment

Vertical lines are passenger activity

Horizontal lines are vehicle movement

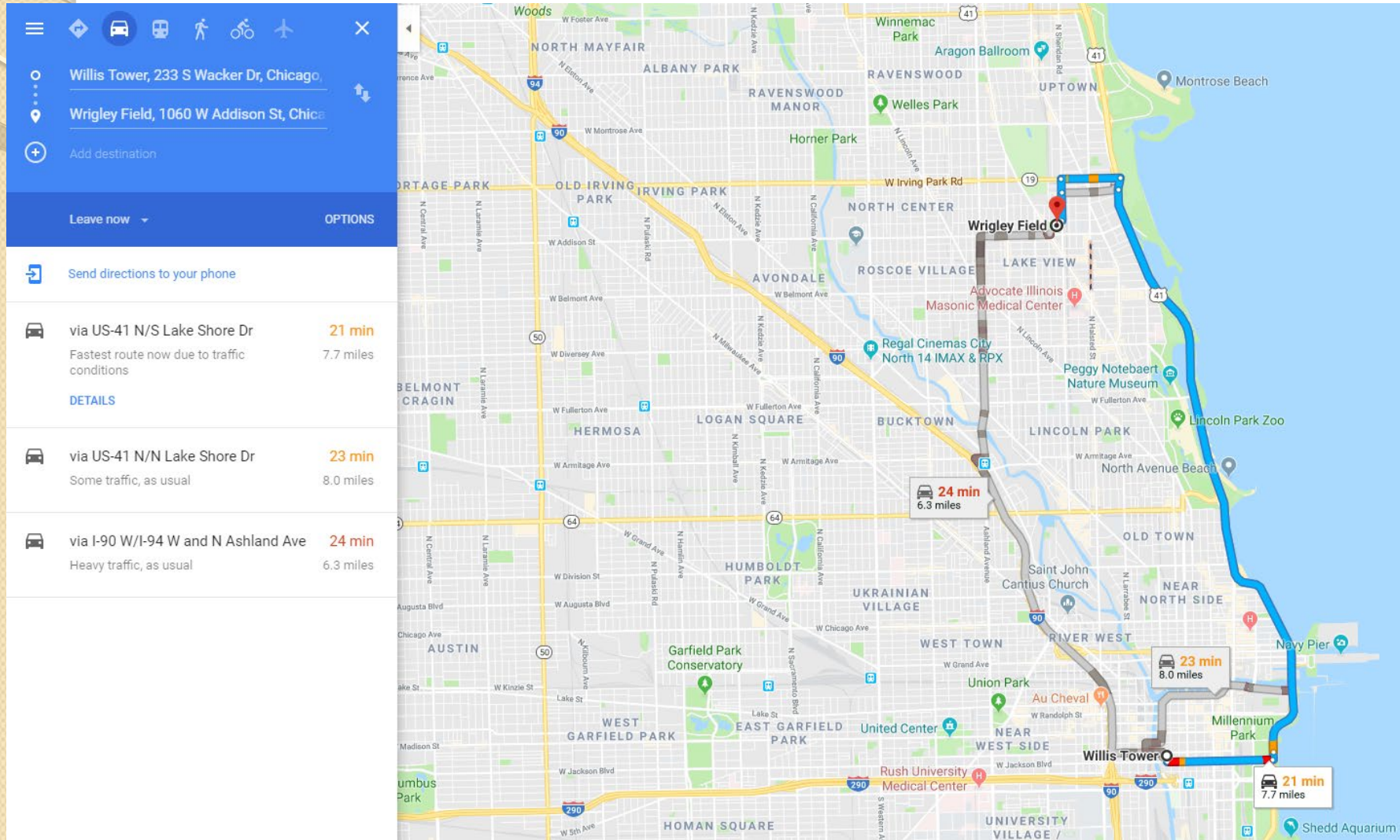


Service Miles/Hour- pullout to pull in

Revenue Miles/Hours- first pickup to last drop off

Passenger Miles/Hours- number of miles/hours each passenger travels on the transit vehicle (simplified)

# Direct Miles/Taxi Miles



# Grant and Reserve Info

- CTP grant reduces the price for all trips
- Assumes the rate must generate the local match unless you discount this in Expenses (G821)
- Program and Capital Reserve allow you to build reserves
- Use the Capital Reserve worksheet to predict needs, or type in estimated amount
- ROAP, 5310 and similar funds should be treated as contracts if you handle them like contracts

# Vehicle Worksheet

- Subform you can use to estimate the Capital reserve
- Determines per mile cost, translates to annual cost and adds this to total expenses

# Costs and Rates

- Red header show summary statistics from previous worksheets
- Green header shows rates by type **WITH** grants discounted- most will use this section
- Blue header shows rates by type **WITHOUT** grants discounted

# Costs and Rates

- Per mile and hour rates assign fixed costs proportionally to the mile and hour rates
- Per mile/hour/passenger rate assigns fixed charges to passengers and variable charges to how they vary
- Where is zone rate?
  - Cannot determine zone rates with just this information, need distance and trip counts by zone

# Interpreting

- Hours and miles refers to the type of miles/hour on the OpStats worksheet
- These are the rates you would use if you needed to recover all of your expenses based on the operating statistics
- Average rates
  - Use the rates as a starting point
  - It is not necessary to charge all contracts the same rate
  - If you can't charge for no shows or wait time, increase the rates or add an administrative charge
  - Passenger trip rates may need to have wide variations by funding source



# Interpreting

- Rate seem to high?
  - Did you include the excess local funds as negative expenses in G821 and other revenues that reduce the overall cost of service (not contract revenue)?
  - Are your operating statistics correct?
- Rate seem too low?
  - Did you include all of your expenses?
  - Are your operating statistics correct?



# Fully Allocated Rate Model

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