



# Transit Newsletter

Volume 8, Issue 1

December 2011

## Cost Allocation - Introduction

Following is a summary of the information Carol Wright presented information to the transit providers November 16-17. **Please refer to the class handouts or contact the transit office for more details.**

The reason we need **Financial Management** is that it tells us the true costs of the system, allows us to manage the system effectively and assists in planning for changes

Performing a **cost analysis** is critical in knowing the cost of both total services and individual services.

An **Income statement** is the first step in this financial management. It is a summary of the revenue and expenses of an agency for a specified time.

We must **Manage Expenses** appropriately. This includes

- expend project funds according to regulations
- develop appropriate cost allocation plans
- develop a multi-year financial plan
- Conduct an **annual audit**. Either an A-133 or a simple audit, depending on needs.
  - A-133 is required when expending >\$500,000 from all federal sources. This **INCLUDES** DHS funds.

Agencies should anticipate cost overruns and have adequate **cash reserves** to cover such overruns.

Required **documentation** includes retention of original vendor receipts, invoices, bills, statements, contracts, agreements, payroll records, and time sheets.

- **If an employee is covered by more than one type of work, distribution of wages must be supported by a Personal Activity Report or similar documentation.**
  - This report can be a timesheet or log maintained by an employee that accounts for 100% of their work time.
  - It then identifies the amount of effort by percentage of time spent on multiple programs.

At this point, a cost allocation plan must be developed.

DTA has received the list of training needs and will be scheduling training as needed. Linda Freeman will be the training coordinator.

## Congrats Pat



South Central Transit Network in Valley City had a ribbon cutting ceremony this month and was able to move into their new building. It has room for 14 vehicles and a wash bay that will accommodate even the highest vehicles. They have one very small office, a restroom and a storage room. One of the most exciting things is the geothermal floor heat which we expect will heat the building very cost effectively.



## Congrats Darrell

Souris Basin Transportation was also able to move into their building last month. More information will follow in the next newsletter.

## Welcome Patrick!



Patrick Joyce joins us as a Transportation Management Officer. He comes to us from the North Dakota Army National Guard where he was Substance Abuse/Drug Demand Reduction Administrator.

## Preventative Maintenance Plans are past due.

December 30: **Cost Allocation Plans Due** December 30<sup>th</sup> or with your Q2 claim for payment

January 20: July thru December DBE reports due

January 25: Quarterly meeting. 11:00 at Comfort Suites

February 10: January DBE report Due

**February 15: Request for Additional Funds Due**

February 15: all Q2 claims for payment incl. capital due.

**April 1: Applications Due**

Early April: Spring meeting hosted in Bismarck by NDDOT

Plan ahead: September 22 -26 – Brookings, SD. DTA fall conference, Expo and Roadeo

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## Cost Allocation – Full Cost Accounting

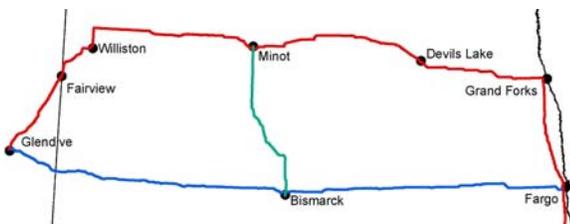
The first step when developing a cost allocation plan is to determine direct versus indirect costs.

- Direct costs are those which can be associated with a specific service (fuel, driver labor, maintenance cost)
- Indirect costs are those costs which support more than one program
  - General administration
  - Administration salaries
  - Payroll preparation
  - Human resources
  - Administration office space
  - Accounting and personnel services
  - Cost of operating and maintaining facilities
  - Telephone
  - Mailing/postage (unless tracked per program)
  - Office equipment
  - Office supplies
  - Other overhead costs

### **Indirect costs must be divided among funding sources in a reasonable way.**

- There must be a logical decision process in which the indirect costs are divided between programs.
- % of time or % of space may be considered when determining the cost split.
- OMB A-122 provides guidance on cost distribution.

## New Fargo to Williston to Glendive



- Jefferson Lines runs the red route daily and continues south and east from Fargo
- Rimrock Trailways runs the blue line and continues west from Glendive to Billings.
- New Town Bus Lines runs from Minot to Bismarck

Each company makes many stops along the route, so just because your town isn't labeled doesn't mean they can't stop there. Just call and ask.

## Cost Allocation – Budget Process

**With application due dates coming up April 1<sup>st</sup>, it is time to work on the July 2012 - June 2013 budget.**

The budget process assists you in making business decisions.

A budget allows you to make comparisons between actual operating costs vs. expected costs of operating and take corrective action.

Budget preparation includes

- Evaluate the previous year's budget
- Analyze goals and objectives
- Evaluate routes/operations/staffing
- Factor in wages/benefit increases
- Determine projected growth
- Estimate revenue/expenses by service
- Estimate federal, state, and other funding
- Estimate passenger revenues
- Estimate local match required (& excess)

Completing the Budget process includes

- Documenting major assumptions
- Preparing a formal budget
- Having the budget approved by board

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Patrick Joyce, 328-2442, [Pljoyce@nd.gov](mailto:Pljoyce@nd.gov)

### **Accidents/incidents - Any of us.**

**Kim** - Team Leader, Buildings, Coordination, Title VI, vehicles, RTAP, training, Pre-authorizations for repair, special requests

**Dawn** - Applications, Contracts, Reports, Policies, special requests, NTD

**Becky** – Coordination, **DBE**

**Patrick** – Claims for payment, NTD reporting

**FREE resources:** Take a look at [nationalrtap.org/](http://nationalrtap.org/) to find FREE access to a **website builder**, and "**procurement pro**", a program to help create contracts which include the required federal clauses plus much, much more.