

Activity-Based Cost Analysis Overview Presentation

Executive Committee
June 28, 2018

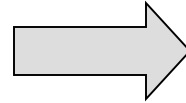
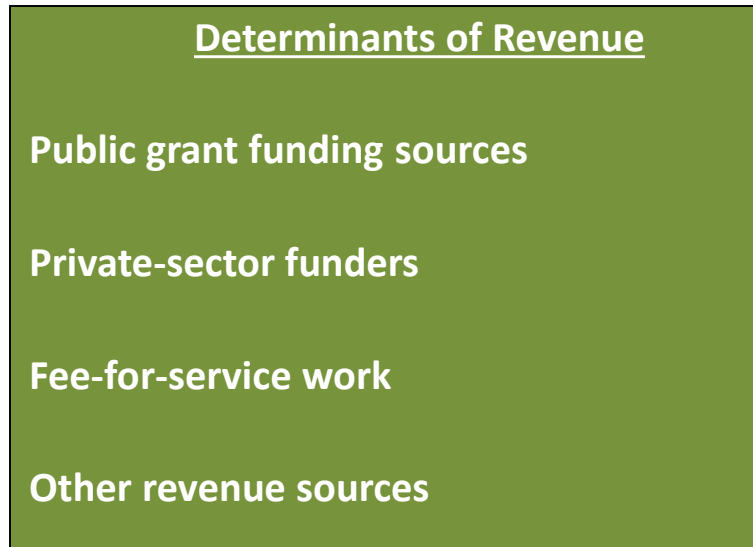


Mid-Ohio Regional
Planning Commission

Purpose & Benefits of Activity-Based Costing Analysis

- The purpose of the Activity-Based Costing Analysis is to determine the true costs associated with each of EAQ's programs and services. The study incorporates all the department's costs.
- The resulting data will allow us to make informed decisions about possible changes to program emphasis, departmental organization, and services to the community.
- A secondary benefit is a better understanding of all activities that go into each of the programs and services offered & how staff spends their time.

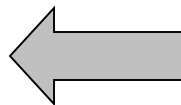
Determinants of Revenue Are Not Aligned with Determinants of Cost



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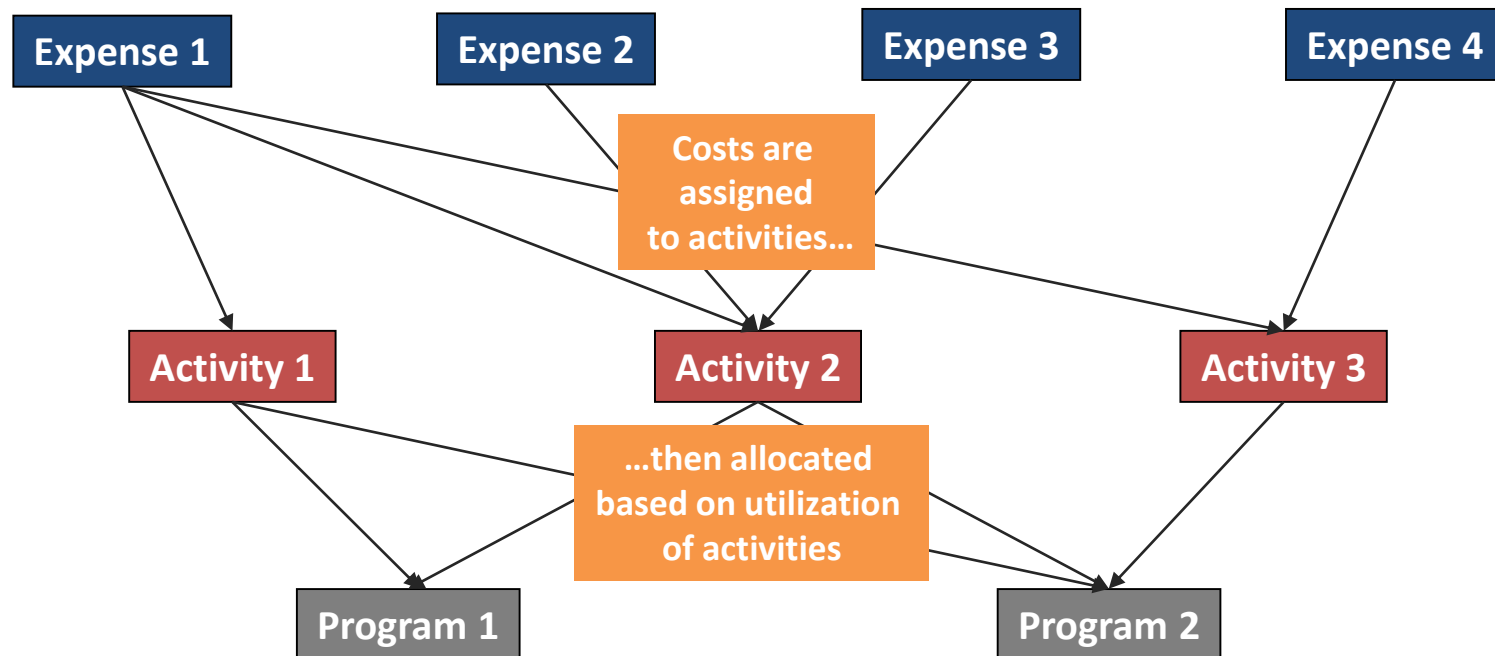


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The Cost-Revenue Study Uses Activity-Based Costing to Assess the True Cost of EAQ's Programs and Services

- Cost data is gathered and traced to specific activities, then costs are allocated to programs and services based on their utilization of activities



A Critical Component of Activity-Based Costing Is Allocating 100% of Staff Time to the Activities that Enable the Department to Deliver Each of Its Programs & Services

Allocate *Direct Costs* such as equipment, advertising, or mileage to activities and programs

Allocate *Indirect Costs* such as occupancy and office expenses to activities and programs based on the distribution of staff time

Staff Activity Survey	Program 1	Program 2	Program 3	Program 4	Program 5	Program 6	Program 7	Program 8
Activity A	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y
Activity B	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y
Activity C	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y
Activity D	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y
Activity E	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y
Activity F	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y
Activity G	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y
Activity H	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y
Activity I	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y
Total	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y	\$Y

The fully-loaded cost matrix includes staff, direct, and indirect costs for each activity and program



Program Definitions Drive the Activity-Based Costing Analysis

Program/Service	Description
CDBG Housing Programs	includes Franklin County Home Repair, Housing Advisory Board (HAB), HAB monitoring fees
Locally-Funded Housing Programs	includes home repairs funded through local funds wo federal requirements (Weinland Park, UWCO, PACT, Homeport, Columbus Foundation, COCIC)
WarmChoice	utility funded weatherization services
HWAP	federally-funded weatherization program
AEP-CAP	utility funded baseload and weatherization services
EPP	includes the EPP program focused on baseload
Air Quality	includes air quality program, monitoring,
Local Government Energy Partnership	includes the benchmarking, technical assistance and educational efforts of supporting LGs (funded by AEP, COH, etc)
Alternative Transportation	includes electric vehicle and infrastructure,
Sustainability Advisory Committee	includes administering the committee, implementing the Regional Sustainability Agenda, Sustainable2050, related working groups, event and activities as requested
Policy	includes public policy efforts, legislation, regulatory and Regional Policy Roundtable
Studies / Data / TA	includes fee-for-service or grants for energy expertise; data collection, analysis and reporting of energy-related projects (FCES, Columbus GHG, Rickenbacker, Smart Columbus)
Summit	Summit on Sustainability
Other	MORPC projects and programs from other departments



Study Findings Answer a Wide Range of Questions and Inform Strategic and Operating Decisions

Questions Answered

- How much do the different programs & services we offer really cost?
- How does our program mix align on the cost and revenue sides?
- Which programs generate surplus, which cover costs, and which do we subsidize?
- Which activities are the largest cost drivers for each program?
- Where can we meaningfully impact costs through process improvement & where are efficiency gains nominal/unrealistic?
- Can we identify a breakeven job/project size?

It's important that we understand from the outset what questions we are seeking to answer for the analysis to effectively inform decision-making

Each Organization Reacts Differently to Findings, But Each Makes Decisions that Impact Its Strategy and Operations

Applying the Findings

- There are many potential reactions to the results of the Cost-Revenue Study – ultimately we must reach a balance of mission & values, organizational health, program efficiency, history, and position in the marketplace

- As we turn the analysis into action, the resulting changes may include:
 - Prioritizing the growth of high-potential programs & services
 - Deemphasizing or reevaluating participation in select programs
 - Identifying an acceptable level of subsidy for key mission-aligned programs & from where the supporting revenue stream will come
 - Examining processes to cut costs and redirect staff effort to the most valuable activities

- As it takes on increasingly diverse work, what strategies will best position EAQ for sustainability?



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Aaron Schill

aschill@morpc.org

111 Liberty Street, Suite 100
Columbus, Ohio 43215

Phone: 614.233.4154

www.morpc.org

