

UNIT COSTS

The slide features a white background with the text 'UNIT COSTS' centered in a bold, black, sans-serif font. On the right side, there is a decorative graphic consisting of several overlapping, semi-transparent green triangles and polygons of various shades, ranging from light lime green to dark forest green. The shapes are arranged in a way that they appear to be layered, creating a sense of depth and movement.

Objectives

- ▶ Understanding what unit cost is
- ▶ Importance of unit cost
- ▶ Determine unit cost by service category
- ▶ Hands-on practice



Defining Unit Cost

► What is unit cost?

- Crucial cost measure in the operational analysis of a company.
- The total expenditure incurred to produce a single unit of a particular product or service.
 - Fixed and Variable costs

How does unit cost apply to our world?

- ▶ Used to determine the cost of delivering one unit of service

~units of service may be the hours of homemaker, respite, adult day care, or chore service; the number of congregate or home-delivered meals; the number of one-way trips.

- ▶ Used to forecast operational budgets by service

Why calculate unit costs?

- ▶ To gain an understanding of the actual costs of providing services
- ▶ Identify trends that may signal changes in resources, productivity, or quality of services
- ▶ Identify cost differences in different geographical areas
- ▶ Provides a benchmark for performance measurement
- ▶ Service planning

Why is it important?

- ▶ Provides information to help improve the efficiency of services
 - ~ identification of service that may be too high/too low; can be examined more closely to determine why
- ▶ Reflects how public money is being spent - Effectiveness of Federal/State/Local funds
- ▶ Provides opportunities to identify differences between providers offering similar services
 - ~why are they different? Geographical and economical differences, characteristics of consumers, etc.

How is Unit Cost of Service Determined?

- ▶ **Define** the Unit of Service to be delivered; clearly understand the unit measurement and definition
- ▶ **Determine** the Units of Service to be delivered (number) [unit measurements]
- ▶ **Compute** all associated costs (expenses)
- ▶ **Calculate**
 - ▶ Total Cost/Total Units = TCU

Summary of Expenses for Twelve Month Period

Line Item	Total Budget	Congregate Meals	Home-Del. Meals	Transportation
Total Personnel	\$ 161,636	\$ 57,104	\$ 50,669	\$ 53,863
Total Fringe Benefits	\$ 37,176	\$ 13,134	\$ 11,654	\$ 12,388
Total Travel	\$ 20,996	\$ 467	\$ 3,056	\$ 17,473
Total Maintenance & Repair	\$ 2,844	\$ 1,216	\$ 1,222	\$ 406
Total Supplies	\$ 67,555	\$ 34,096	\$ 33,219	\$ 240
Total Contractual	\$ 29,003	\$ 11,507	\$ 11,895	\$ 5,601
Total Other	\$ 702	\$ 189	\$ 196	\$ 317
GRAND TOTAL	\$ 319,912	\$ 117,713	\$ 111,911	\$ 90,288

Total Units of Service to be Provided		12,850	11,900	8,700
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Total Unit Cost		\$ 9.16	\$ 9.40	\$ 10.38
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Note: Does not include in-kind, non-cash resources

So how was the Unit Cost Determined?


Computation		Total Cost	
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		Total Units	

Congregate	\$117,713	=	\$ 9.16
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	12,850		
Home Del	\$111,911	=	\$ 9.40
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	11,900		
Trans	\$90,288	=	\$ 10.38
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	8,700		

Which Non-Metro AAA document identifies the Unit Cost of Service?

Summary of Budgeted Revenues (SBR)





Any
Questions?