

*Municipal Waste Management Association  
Fall Summit 2009*

# Full Cost Accounting

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# What is Full Cost Accounting (FCA)?

- A management tool that recognizes the *full costs* of all resources used or committed to programs or services

# Cost Components of FCA

- **Direct Costs (Operational)**
  - Personnel (Salaries & Benefits)
  - Fuel, Repairs, & Supplies
- **Indirect or Overhead Costs**
  - Essential services provided by internal functions
    - Legal, Accounting, HR, Technology Mgt., City Clerk, etc.
- **Depreciation**
  - Annualizes the cost of capital outlay and spreads it out over the life of the asset (Buildings, Vehicles, Equipment)
- **Amortization of Future Costs**
  - Landfill Closing Costs / Long-term care
  - Vehicle Replacement

# Benefits of FCA

- Identifies the *true cost* of a solid waste program (collection, disposal, recycling) by customer category (commercial, residential)
- Establish rates and user fees that are sufficient to recover the *full cost* of services
- Can help control costs by accurately identifying all the costs of a particular service
- Ensures fiscal accountability and provides justification of rates and user fees to customers and elected officials
- More accurately compare cost of City service to possible private providers
- Can benefit the General Fund
  - Admin. Fee (reimburse GF for indirect costs provided by GF programs)
  - Reduce/eliminate subsidy to support solid waste operation
- Complete and accurate cost information fosters better decision

# What is involved

- Extracting direct cost data from existing accounting software
- Establish Cost Allocation Model (Excel)
- Establish an Administrative Fee (indirect cost/overhead)
- Identify all capital assets; calculate depreciate expense
- Identify all future costs (landfill closure, long-term care, vehicle replacement); calculate amortization
- Establish an Enterprise Fund
  - Suggested by not required
- Staff time to establish and update model annually
  - City of Orlando: approx. 20-25 hrs. annually
- Support from operational managers

# Cost Allocation Model

CITY OF ORLANDO, FLORIDA  
FULL COST ACCOUNTING  
SOLID WASTE MANAGEMENT  
FISCAL YEAR 2007-2008

Description	Prog #	COMMERCIAL					RESIDENTIAL					Franchise Operations	Indirect Cost Categories	Total All Programs	Line No.
		Collection	Disposal	Recycling	Indirect	Total Commercial	Collection	Disposal	Recycling	Indirect	Total Residential				
1 Administration	361	0	0	0	0	0	0	0	0	0	0	84,669	980,288	1,064,957	1
2 Services & Billings	362	0	0	0	0	0	0	0	0	0	0	0	0	0	2
3 Container Maintenance	363	0	0	0	0	0	0	0	0	0	0	0	0	0	3
4 Community Programs	364	0	0	0	0	0	0	0	0	0	0	0	0	0	4
5 Commercial Collection & Transportation	365	4,544,310	2,948,214	0	0	7,492,524	0	0	0	0	0	0	0	7,492,524	5
6 Residential & Recycling	366	0	0	0	0	0	5,873,473	1,961,012	2,680,678	0	10,515,163	0	0	10,515,163	6
7 Amortization-Universal Refuse Containers	366	0	0	0	0	0	488,874	0	0	0	488,874	0	0	488,874	7
8 Amortization-Trucks	366	0	0	0	0	0	467,316	0	0	0	467,316	0	0	467,316	8
9 Customer Service & Logistics	367	0	0	0	0	0	0	0	0	0	0	0	0	0	9
10															10
11 Sub-Total		4,544,310	2,948,214	0	0	7,492,524	6,829,663	1,961,012	2,680,678	0	11,471,353	84,669	980,288	20,028,834	11
12 Allocate Category Indirect		0	0	0	0	0	0	0	0	0	0	0	0	0	12
13 Reimbursement From CRA	364	0	0	0	0	0	0	0	0	0	0	0	0	0	13
14 Reimbursement Franchise Exp.	361	(80,000)	0	0	0	(80,000)	0	0	0	0	0	0	0	(80,000)	14
15 Reclassify Franchise Operations	361	84,669	0	0	0	84,669	0	0	0	0	0	(84,669)	0	0	15
16															16
17 Total Program Expenses		4,548,979	2,948,214	0	0	7,497,193	6,829,663	1,961,012	2,680,678	0	11,471,353	0	980,288	19,948,834	17
18															18
19 NON-DEPARTMENTAL	977														19
20 Services and Supplies		0	0	0	0	0	0	0	0	0	0	0	122,595	122,595	20
21 WorkCapitalized Adjustment		0	0	0	0	0	0	0	0	0	0	0	0	0	21
22 Adm Svcs, Ins., & Other		689,474	446,851	0	0	1,136,325	1,353,061	388,506	531,083	0	2,272,650	0	422,064	3,831,039	22
23 Depreciation		40,968	0	0	0	40,968	0	0	0	0	0	0	57,901	98,869	23
24 Operating Transfers Out		0	0	0	0	0	0	0	0	0	0	0	0	0	24
25															25
26 Total Non-Departmental		730,442	446,851	0	0	1,177,293	1,353,061	388,506	531,083	0	2,272,650	0	602,560	4,052,503	26
27															27
28 Costs before non-category indirect		5,279,421	3,395,065	0	0	8,674,486	8,182,724	2,349,518	3,211,761	0	13,744,003	0	1,582,848	24,001,337	28
29															29
30 Allocation of indirect costs		372,751	239,707	0	0	612,458	577,738	165,887	226,765	0	970,390	0	(1,582,848)	0	30
31															31
32 Total Allocated Costs		5,652,172	3,634,772	0	0	9,286,944	8,760,462	2,515,405	3,438,526	0	14,714,393	0	0	24,001,337	32
													Reimburse	80,000	33
													Capital Lease interest revenue	7,164	34
														50,000	
													OUC Contribution		35
													Equipment-Program 977	1,959	36
													Project 6222	1,500,000	37
													Amortization	(956,190)	38
													Total Fund 426 Expenses	24,684,270	39

# Summary

- FCA will help you determine the *full cost* of your solid waste services, by program, and by customer.
- FCA can help ensure solid waste gets its fair share, & a reasonable budget allocation within the General Fund
- FCA cost can be the first step to adopting a more business-like approach to solid waste management & becoming a self-sustaining operation
- FCA can lead to the establishment of an Enterprise Fund, intended for business-like