

**Attachment C – Revenue and Cost Allocation Procedures  
For the City of Kansas City, Missouri**

**I. FOR SERVICE EXISTING AS OF DECEMBER 31, 1997**

The procedure to be used in determining passengers, direct operating expenses, indirect operating expenses, farebox revenue, and estimated loss for transit service shall be as follows:

**A. Passengers and Revenue** – The number of passengers and the amount of revenue reported will be derived from electronic farebox reports.

1. Revenue figures are computed as follows:

- a. Total Fare Revenue is the total farebox revenue plus pass sales prorata.
- b. Pass Sales Prorata for a line is the Pass Sales Revenue multiplied by a pass utilization factor as determined by data from electronic fareboxes.

2. Passenger types – definitions

- a. Intra-city passenger – a passenger boarding and alighting in the same jurisdiction.
- b. Inter-city passenger – a passenger who boards in one jurisdiction and alights in another.

3. Computation of inter-city and intra-city passengers

- a. Intra-city passengers for each subsidizing jurisdiction will be determined by multiplying total passengers by the appropriate intra-city passenger's ratio as determined by periodic activity checks. An intra-city passenger ratio is the ratio of passengers who both board and alight a bus within that community to total route passengers on the line.
- b. Inter-city passengers for the route will be determined by subtracting the intra-city passengers from the total route passengers.

**B. Direct Operation Expenses** – Each route shall be charged direct labor and benefits on the basis of scheduled pay hours (including allowances, spread, guarantee, and overtime) multiplied by the standard operator hourly rate including the cost of all fringe benefits. Each route shall be charged fuel and tire expense in the proportion of route miles to total system miles.

**C. Indirect Operating Expenses** – Indirect-operating expenses shall be allocated to each route on the ratio of route miles to total system miles. Indirect operating expenses include all expenses except direct labor and fuel and tire expense, such as maintenance cost, vanpool operations, administrative and overhead expense, etc.

**D. Estimated Net Income or Loss – Intra-City Routes** – Estimated net income or loss for each route shall be calculated by subtracting total fare revenue for each route from the total operating expenses for each route.

**E. Allocation of Net Income or Loss on Inter-City Routes**

1. Suburban Express Routes

- a. A suburban express route is a route or portion of a route that is designed to serve inter-city passengers and suburban community inter-city passengers, and does not serve Kansas City, Missouri, intra-city passengers.
- b. Net income or net losses of inter-city routes shall be prorated among the subsidizing jurisdictions by calculating the net loss per passenger (total operating expense less total fare revenue) and then multiplying the net loss per passenger by the number of passengers boarding in each jurisdiction.

2. Local Service Inter-City Routes

- a. A local service inter-city route is a route designed to serve Kansas City, Missouri, intra-city passengers, as well as inter-city passengers and suburban community intra-city passengers.
- b. Revenue shall be credited among subsidizing jurisdictions by assigning intra-city passenger revenue to the jurisdiction in which the trips are made. Inter-city passenger revenue shall be assigned by calculating the revenue per inter-city passenger and then by multiplying the revenue per inter-city passenger by the number of inter-city passengers boarding in each jurisdiction.
- c. Operating costs shall be allocated among subsidizing jurisdictions as follows:
  - (1). Direct labor costs shall be allocated on the basis of standard operator hourly rate multiplied by the actual time operated in each jurisdiction.
  - (2). Fuel and tire expense in the proportion of miles in each jurisdiction to total system miles.
  - (3). Indirect operating expense in the proportion of miles in each jurisdiction to total system miles.

- d. The Net Income for Loss for each jurisdiction is calculated as the sum of direct labor cost, fuel and tire expense, and indirect operating expense, less passenger revenue credit.

**F. Enclave Communities** – Local service inter-city routes operating from a part of Kansas City, Missouri, through another jurisdiction and into another portion of Kansas City, Missouri will be treated differently for the allocation of Net Income or Loss. The Net Income or Loss for the intermediate (enclave) jurisdiction will be based on 50% of the calculated cost of that jurisdiction per Item “E.” The remaining 50% of the calculated cost within the intermediate jurisdiction will be allocated to Kansas City, Missouri.

## **II. FOR SERVICE IMPLEMENTED AFTER DECEMBER 31, 1997**

Service implemented after December 31, 1997, that is above the service level that exists as of December 31, 1997 will be allocated costs as stated in other sections of this Appendix, except for Indirect Operating Expenses. Indirect Operating Expenses shall be allocated to such service based on 45 percent of the ratio of route miles to total system miles for each type of bus. Indirect Operating Expenses include all expenses except direct labor and fuel and tire expense; such as maintenance cost, vanpool operations, administrative and overhead expense, etc.

## **III. CAPITAL EXPENSE**

Each jurisdiction will be charged capital expense, prorated on community miles to system miles, to be used for the acquisition of buses, facilities and other equipment. The capital charge may be used for the purchase of vans for vanpool operation that will facilitate in providing a regional transit system. Such vanpool operations must provide service to or from the City that is reasonable when compared to the amount of the City’s capital contribution for the vans.