
For the sake of brevity, a number of simplifying assumptions about ambulance service in Anytown have been made. The importance of the Case Study is not the facts presented about Anytown and its ambulance service, but the concepts and techniques of costing, which it illustrates.

ANYTOWN AMBULANCE SERVICE, A CASE STUDY

STEP 1: DECIDING WHAT TO STUDY

Assume that you are a town official in Anytown, a community of 3,000 people. The Board of Selectmen has asked you for answers to three questions about the town's ambulance service.

1. What is the full cost of providing ambulance service in Anytown?
2. How much of the full cost of the service is covered by revenue from fees being charged?
3. A private ambulance service has offered to take over Anytown's emergency ambulance service for \$150,000 per year. Would Anytown save money if it accepted this offer?

STEP 2: GETTING ORGANIZED

The Board of Selectmen has organized a group of local officials to conduct the study, including the town manager, Accountant, treasurer/collector, and fire chief. This group has decided to look at cost figures for FY1, the latest year for which complete data are available; where necessary, FY1 figures will be adjusted for estimated changes in current or future costs.

The following facts about the current ambulance service have been collected:

- Service Provided: 24-hour emergency ambulance service; 655 runs made in FY1
- Organization: part of the fire department.
- Location: Anytown's fire Station; service provided to local hospital only.
- Personnel: 3 EMTs who are also trained as firefighters.
- Fee: \$120 per run (fee was set to match the base rate determined by Medicare and Blue Cross). The policy of the Board of Selectmen has been that ambulance fees should cover 25% of total costs of the service.

STEP 3: COLLECTING COST INFORMATION

Most resources used to provide this service are provided by the fire department, where the service is located. A few other town departments also provide resources:

- Treasurer/Finance Office: bills and collects fees. On average, 70% of fees billed are collected over an 18 month period.
- Town accountant: handles payroll, benefits, and insurance.
- Building Department: cleans and maintains fire station.

A number of different **Worksheets** have been used to collect cost information on the ambulance service. They show each cost, the account where the cost is found, and how it is calculated.

Worksheet I	<i>Direct and Indirect Service Inputs</i>
Worksheet IIA	<i>FYI Personnel Costs</i>
Worksheet IIB	<i>FYI Equipment and Supply Costs</i>
Worksheet IIC	<i>FYI Facility Costs</i>
Worksheet IID	<i>FYI Other Costs</i>
Worksheet III	<i>Summary of Total Costs</i>

WORKSHEET I: DIRECT AND INDIRECT SERVICE INPUTS

	Direct Inputs	Indirect Inputs
Personnel	Salaries and Wages Holiday, Overtime Pay Fringe Benefits Supervision by fire chief	Pensions
Equipment & Supplies	Ambulance Maintenance Vehicle Supplies Ambulance Insurance Communication Equipment Service-Related Supplies	
Facilities		Capital Plant & Outlay Utilities Building Insurance Maintenance
Other	Training	Treasurer/Finance Office: Billing & Fee Collection, Salaries & Wages Town Accountant: Administration of Payroll, Benefits & Insurance

WORKSHEET IIA: FY1 PERSONNEL COSTS

Type of Cost Name of account where cost is found	Direct Cost		Indirect Cost	
	Calculation	FY1 Cost	Calculation	FY1 Cost
1. Salaries & Wages • Permanent positions • Temp. Positions	Each EMT has a different salary; total is \$162,752	\$162,752 (1a)		\$ 0 (1b)
2. Additional pay • Overtime • Other	Sum of payments is \$3,820	3,820 (2a)		0 (2b)
3. Fringe Benefits	Benefits for 3 EMTs total \$29,295	29,295 (3a)		0 (3b)
4. Supervision • Salaries & Wages • Fringe benefits	Fire chief estimates 15% of his time is spent supervising ambulance personnel. Chief's yearly salary and fringe benefits total \$42,900. 15% of \$42,900 = \$6,435.	6,435 (4a)		0 (4b)
5. Pensions		0 (5a)	Pension costs for ambulance service (5b) are apportioned based on the proportion of ambulance-related salaries (\$162,752, Line a) to the salaries of all town employees participating that GROUP in the retirement system (\$4,285,800). This ratio, 3.8%, is then applied to the FY1 pension appropriation of \$600,000. 3.8% of \$600,000	22,785
6. Other Personnel Costs		0 (6a)		0 (6b)
7. Total Personnel		\$ 202,302 (7a)		\$ 22,785 (7b)
8. Grand Total, Personnel Costs (Line 7a + Line 7b)				\$ 225,087 (8)

WORKSHEET IIB: FY1 EQUIPMENT & SUPPLY COSTS

Type of Cost Name of account where cost is found	Direct Cost		Indirect Cost	
	Calculation	FY1 Cost	Calculation	FY1 Cost
1. Equipment capital cost • Capital Items • Principal & interest payments	Ambulance was bought 2 years ago for \$40,000 and is expected to last 5 years. $\$40,000 \div 5 = \$8,000$	\$ 8,000 (1a)		\$ 0 (1b)
2. Equipment & Maintenance • Repairs & Maintenance	4 repairs in FY1: \$252, \$635, \$228, and \$430. Total of 4 bills = \$1,545	1,545 (2a)		0 (2b)
3. Equipment Supplies	1,883 gallons of gasoline used at average price of \$1.08/gallon. 26 quarts of oil used at \$1.00/quart. $1,883 \times \$1.08 = \$2,034$ and $26 \times \$1.00 = \26 . Sum is \$2,060	2,060 (3a)		0 (3b)
4. Equipment Insurance • Insurance premiums	Town accountant maintains policy; \$1,100 premium.	1,100 (4a)		0 (4b)
5. Service-related Supplies	Blankets \$95, oxygen \$900, medical supplies \$250. Total of 3 items is \$1,245	1,245 (5a)		0 (5b)
6. Other equipment & supply costs	Fire department has \$750 yearly contract to maintain communication equipment for ambulance service.	750 (6a)		0 (6b)
Total Equipment & Supplies		\$ 14,700 (7a)		\$ 0 (7b)
7. Grand Total, Equipment & Supply Costs (Line 7a + Line 7b)				\$ 14,700 (8)

WORKSHEET IIC: FY1 FACILITY COSTS

Type of Cost Name of account where cost is found	Direct Cost Calculation	FY1 Cost	Indirect Cost Calculation	FY1 Cost
1.Capital Plant &Outlay ³ • Land • Buildings • Improvements		\$0 (1a)	Anytown makes \$100,000 principal payments on the fire station; FY1 interest costs are \$20,000. Building has 90,000 square feet, of which ambulance service uses 25%. $\$100,000 + \$20,000 = \$120,000 \times 25\% = \$30,000$	\$ 30,000 (1b)
2.Utilities • Energy (heat &electricity • Non-energy (telephone and water)		0 (2a)	Utility charges for fire station total \$1,740: \$502 electricity, \$926 heat, \$312 telephone, no water costs are charged to ambulance service because fire department is responsible for essentially all water usage in the fire station. Ambulance service is allocated 25% of the utility charges. $\$1,740 \times 25\% = \$435.$	435 (2b)
3.Building Insurance • Insurance premiums		0 (3a)	Cost of 2-year policy is \$11,290; 25% of annual cost is allocated to ambulance service. $\$11,290 \div 2 = \$5,645 \times 25\% = \$1,411$	1,411 (3b)
4. Building Maintenance • Building Repairs and Maintenance • Custodial & Housekeeping • Groundskeeping		0 (4a)	Central building department estimates 210 hours spent on fire station, at hourly cost of \$6.90. \$235 spent on cleaning supplies. 25% of costs are allocated to ambulance service. $210 \times \$6.90 = \$1,449$; $\$1,449 + \$235 = \$1,684$ (total maintenance cost) $\times 25\% = \$421$	421 (4b)
5.Other Facility Costs		0 (5a)		0 (5b)
6.Total Facility		\$ 0 (6a)		\$ 32,267 (6b)
7.Grand Total, Facility Costs (Line 6a + Line 6b)				\$ 32,267 (7)

³ Capital plant includes assets (building, streets, and major equipment) used and paid for over a number of years. Capital outlay includes assets used longer than one year, but purchased in one year.

WORKSHEET IID: FY1 OTHER COSTS

Type of Cost Name of account where cost is found	Direct Cost		Indirect Cost	
	Calculation	FY1 Cost	Calculation	FY1 Cost
1. Assessments • County • State • Other		\$0 (1a)		\$ 0 (1b)
2. Education • Training • Tuition reimbursement • Dues & subscriptions	EMT refresher course; trainer was paid \$1,150	1,150 (2a)		0 (2b)
3. Travel • Instate • Out of state		0 (3a)		0 (3b)
4. Indirect Operating Costs		0 (4a)	Pool of indirect operating costs includes billing and collection of fees by treasurer/collector and administration of payroll, benefits, and insurance by town accountant. Pooled costs of these departments include all direct costs plus their share of indirect costs. Pooled costs are \$112,530 treasurer/collector + \$98,760 town accountant = \$211,290. Cost pool is allocated to services according to each service's share of the town's total direct personnel cost. Ambulance service's total direct personnel cost of \$202,302 (Line 7a, Worksheet IIA) is 2.5% of town's total direct personnel costs. Therefore, ambulance service is allocated 2.5% of indirect operating cost pool. 2.5% of \$211,290 = 5,282	5,282 (4b)
5. Indirect Admin Costs		0 (5a)	Anytown has chosen not to allocate indirect administrative costs	0 (5b)
6. Other Costs		0 (6a)		0 (6b)
7. Total Other		\$ 1,150 (7a)		\$ 5,282 (7b)
8. Grand Total, Other Costs (Line 7a + Line 7b)				\$ 6,432 (8)

WORKSHEET III: SUMMARY OF TOTAL COSTS

	Direct Costs	Indirect Costs	Sum of Direct & Indirect Costs
1. Total Personnel Costs (Line 7a, 7b,8 Worksheet II A)	\$ 202,302 (1a)	\$22,785 (1b)	\$ 225,087 (1c)
2. Total Equipment & Supply Costs (Lines 7a, 7b, 8, Worksheet II B)	14,700 (2a)	0 (2b)	14,700 (2c)
3. Total Facility Costs (Lines 6a, 6b, 7, Worksheet II C)	0 (3a)	32,267 (3b)	32,267 (3c)
4. Total Other Costs(Lines 7a, 7b,8, Worksheet II D)	1,150 (4a)	5,282 (4b)	6,432 (4c)
5. Total Costs	\$ 218,152 (5a)	\$ 60,334 (5b)	\$ 278,486 (5c)
6. Less Revenues from fees 655 runs x \$120 fee/run = \$78,600 \$78,600 x 70% (average collection rate) = \$55,020			\$ 55,060 (6)
7. Net Cost Full Cost (Line 5c) – Revenue from fees (Line 6)			\$ 223,466 (7)

USING COST INFORMATION

Based on the cost information collected above, we can answer the questions raised by the Board of Selectmen.

1. What is the full cost of providing ambulance service to Anytown?

For FY1, all direct costs plus a reasonable portion of indirect costs total \$278,486 (**Line 5c, Worksheet III**). When fee revenue of \$55,020 (**Line 6, Worksheet III**) is deducted, the net cost of service is \$223,466 (**Line 7, Worksheet III**).

2. How much of the cost of the service is covered by the fee being charged?

There are a number of ways to analyze this relationship between costs and fees. Here, we want to look at the percentage of total costs covered by fees:

- Fee Revenue: \$55,020 (**Line 6, Worksheet III**)
- Full Cost: \$278,486 (**Line 5C, Worksheet III**)
- Percentage of Total Costs Covered by Fees: **19.8%** ($\$55,020 \div \$278,486$)

The policy set by Anytown's Board of Selectmen has been that ambulance fees should cover 25% of total costs of the service. Whether the fee should be raised, or the policy changed is a choice the Board of Selectmen can make based on the information provided by the costing exercise.

3. Would Anytown save money by contracting out its ambulance service for \$150,000 per year, beginning in FY3? (Anytown would continue to set the fee at \$120/run. The private contractor would bill and keep all revenues from fees.)

To answer this question, we need to determine Anytown's avoidable costs, that is, cost savings if Anytown halts provision of ambulance service by town employees. These avoidable costs are then compared with the new costs to Anytown if it accepts the private contract. Three steps are necessary to make this comparison:

First Step: Estimate the FY3 cost of ambulance service if provided by town employees, using the following information about cost and service trends in Anytown:

- a. Personnel costs are estimated to rise 5.5 percent per year from FY1 to FY3.
- b. Some costs are not expected to change over the FY1-3 period; these include building debt service equipment capital costs, the guaranteed maintenance contract on ambulance communication equipment, and training.
- c. All other costs are estimated to rise by 4% per year from FY1 to FY3.
- d. The number of ambulance runs is rising by about 30 each year. In FY3, 715 runs are projected, a 9 percent increase over the 655 runs made in FY1. Costs which will rise proportionally with this increase in service are equipment maintenance, equipment, and service-related supplies.

The **Exhibits** on the following pages calculate projected FY3 costs.

- Exhibit I A *Projected FY3 Personnel Costs*
- Exhibit I B *Projected FY3 Equipment and Supply Costs*
- Exhibit I C *Projected FY3 Facility Costs*
- Exhibit I D *Projected FY3 Other Costs*
- Exhibit II *Projected FY3 Total Costs*

Second Step: Determine FY3 costs which are avoidable. These avoidable costs represent the savings Anytown would achieve if it halted provision of ambulance service by town employees.

- Exhibit III A *FY3 Avoidable Personnel Costs*
- Exhibit III B *FY3 Avoidable Equipment and Supply Costs*
- Exhibit III C *FY3 Avoidable Facility Costs*
- Exhibit III D *FY3 Avoidable Other Costs*
- Exhibit IV *Total FY3 Avoidable Costs*

Third Step: Compare avoidable costs with the new cost to Anytown of accepting the private contract. The new cost of accepting the contract includes both the amount of the contract and the foregone revenues from ambulance fees which Anytown would no longer receive. If the savings to Anytown (its avoidable costs) are **less** than the new cost of accepting the private contract, then the contract **does not** offer net savings to Anytown. On the other hand, if savings (avoidable costs) are **greater** than the cost of accepting the private contract, then the contract **does** save money for Anytown.

This comparison is calculated in **Exhibit V**:

- Exhibit V *Net Additional Cost to Anytown if
Private Contract is Accepted*

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EXHIBIT I A: PROJECTED FY3 PERSONNEL COSTS

FY1	Direct Cost		Indirect Cost	
	Adjusted for FY3	Projected FY3 Cost	Adjusted for FY3	Projected FY3 Cost
1.Salaries & Wages \$162,752 (Line 1a, Worksheet IIA)	Up 5.5%/year \$162,752 x 1.055 x 1.055	\$188,147 (1a)		\$ 0 (1b)
2.Additional Pay \$3,820 (Line 2a, Worksheet IIA)	Up 5.5%/year \$3,820 x 1.055 x 1.055	4,252(2a)		0 (2b)
3.Fringe Benefits \$29,295 (Line 3a, Worksheet IIA)	Up 5.5%/year \$29,295 x 1.055 x 1.055	32,606 (3a)		0 (3b)
4.Supervision \$6,435 (Line 4a, Worksheet IIA)	Up 5.5%/year \$6,435 x 1.055 x 1.055	7,162 (4a)		0 (4b)
5.Pensions \$22,785 (Line 5b, Worksheet IIA)		0 (5a)	Up 5.5%/year \$22,785 x 1.055 x 1.055	25,360 (5b)
6.Other Personnel Costs		0 (6a)		0 (6b)
7.Total Personnel		\$ 225,167 (7a)		\$ 25,360 (7b)
8.Grand Total, Personnel Costs (Line 7a + Line 7b)				\$ 250,527 (8)

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EXHIBIT I B: PROJECTED FY3 EQUIPMENT & SUPPLY COSTS

FY1	Direct Cost		Indirect Cost	
	Adjusted for FY3	Projected FY3 Cost	Adjusted for FY3	Projected FY3 Cost
1. Equipment capital costs \$8,000 (Line 1a, Worksheet IIB)	Unchanged	\$8,000 (1a)		\$ 0 (1b)
2. Equipment & Maintenance \$1,545 (Line 2a, Worksheet IIB)	Up 9% due to increase in service; up 4%/year due to inflation. \$1,545 x 1.09 x 1.04 x 1.04	1,821 (2a)		0 (2b)
3. Equipment Supplies \$2,060 (Line 3a, Worksheet IIB)	Up 9% due to increase in service; up 4%/year due to inflation. \$2,060 x 1.09 x 1.04 x 1.04	2,429 (3a)		0 (3b)
4. Equipment Insurance \$1,100 (Line 4a, Worksheet IIB)	Up 4%/year \$1,100 x 1.04 x 1.04	1,190 (4a)		0 (4b)
5. Service-related Supplies \$1,245 (Line 5a, Worksheet IIB)	Up 9% due to increase in service; up 4%/year due to inflation. \$1,245 x 1.09 x 1.04 x 1.04	1,468 (5a)		0 (5b)
6. Other Equipment & Supply Costs \$750 (Line 6a, Worksheet IIB)	Unchanged because costs of maintenance contract are guaranteed	750 (6a)		0 (6b)
7. Total Equipment & Supplies		\$ 15,658 (7a)		\$ 0 (7b)
8. Grand Total, Equipment & Supplies (Line 7a + Line 7b)				\$ 15,658 (8)

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EXHIBIT I C: PROJECTED FY3 FACILITY COSTS

FY1	Direct Cost		Indirect Cost	
	Adjusted for FY3	Projected FY3 Cost	Adjusted for FY3	Projected FY3 Cost
1. Capital Plant & Outlay \$30,000 (Line 1b, Worksheet IIC)		\$0 (1a)	Unchanged	\$ 30,000 (1b)
2. Utilities \$435 (Line 2b, Worksheet IIC)		0 (2a)	Up 4%/year \$435 x 1.04 x 1.04	470 (2b)
3. Building Insurance \$1,411 (Line 3b, Worksheet IIC)		0 (3a)	Up 4%/year \$1,411 x 1.04 x 1.04	1,526 (3b)
4. Building Maintenance \$421 (Line 4b, Worksheet IIC)		0 (4a)	Since most of this cost is for personnel, 5.5% yearly increase is estimated \$421 x 1.055 x 1.055	469 (4b)
5. Other Facility Costs		0 (5a)		0 (5b)
6. Total Facility Costs		\$ 0 (6a)		\$ 32,465 (6b)
7. Grand Total, Facility Costs (Line 6a + Line 6b)				\$ 32,465 (7)

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EXHIBIT ID: PROJECTED FY3 OTHER COSTS

FY1	Direct Cost		Indirect Cost	
	Adjusted for FY3	Projected FY3 Cost	Adjusted for FY3	Projected FY3 Cost
1. Assessments		\$0 (1a)		\$ 0 (1b)
2. Education \$1,150 (Line 2a, Worksheet IID)		1,150 (2a)		0 (2b)
3. Travel		0 (3a)		0 (3b)
4. Indirect Operating Costs \$5,282 (Line 4b, Worksheet IID)		0 (4a)	Since most of this (4b)cost is for personnel, 5.5% yearly increase is estimated \$5,282 x 1.055 x 1.055	5,879
5. Indirect Administrative Costs		0 (5a)		0 (5b)
6. Other Costs		0 (6a)		0 (6b)
7. Total Other Costs		\$ 1,150 (7a)		\$ 5,879 (7b)
8. Grand Total, Other Costs (Line 7a + Line 7b)				\$ 7,029 (8)

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EXHIBIT II: PROJECTED FY3 TOTAL COSTS

	Direct Costs	Indirect Costs	Sum of Direct & Indirect Costs
1. Total Personnel Costs (Line 7a, 7b,8 Exhibit IA)	\$ 225,167 (1a)	\$25,360 (1b)	\$ 250,527 (1c)
2. Total Equipment & Supply Costs (Lines 7a, 7b, 8, Exhibit IB)	15,658 (2a)	0 (2b)	15,658 (2c)
3. Total Facility Costs (Lines 6a, 6b, 7, Exhibit IC)	0 (3a)	32,465 (3b)	32,465 (3c)
4. Total Other Costs(Lines 7a, 7b,8, Exhibit ID)	1,150 (4a)	5,879 (4b)	7,029 (4c)
5. Total Costs	\$ 241,975 (5a)	\$ 63,704 (5b)	\$ 305,679 (5c)
6. Less Revenues from fees 715 runs estimated for FY3 x \$120 fee/run = \$85,800 \$85,800 x 70% (average collection rate) = \$60,060			\$ 60,060 (6)
7. Net Cost Full Cost (Line 5c) – Revenue from fees (Line 6)			\$ 245,619 (7)

EXHIBIT III: FY3 AVOIDABLE PERSONNEL COSTS⁴

Projected FY3 Cost	Calculation of Avoidable Cost	Avoidable FY3 Cost
1.Salaries & Wages \$181,147 (Line 1a, Exhibit IA)	Termination of 2 EMTs will save \$136,900	\$ 136,900 (1)
2.Additional pay \$4,252 (Line 2a, Exhibit IA)	Termination of 2 EMTs will save \$3,196	3,196 (2)
3.Fringe Benefits \$32,606 (Line 3a, Exhibit IA)	Termination of 2 EMTs will save \$24,470	24,470 (3)
4.Supervision \$7,162 (Line 4a, Exhibit IA)	None is avoidable	0 (4)
5.Pensions \$25,360 (Line 5b, Exhibit IA)	Termination of personnel will reduce pension costs by \$19,166	19,166 (5)
6.Other Personnel Costs	Terminated personnel will be eligible for unemployment compensation; accountant estimates likely payments to be \$7,800. Avoidable costs are reduced by this amount.	- 7,800 (6)
7.Total Avoidable Personnel Costs		\$ 175,932 (7)

⁴ Accepting the contract will result in termination of 2 (or 66 percent) of the 3 EMTs. Because the EMTs are at different levels of the pay scale, savings resulting from the termination will not be precisely 66 percent of the total FY3 personnel costs. Avoidable personnel costs in this Exhibit are estimates.

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EXHIBIT III B: FY3 AVOIDABLE EQUIPMENT & SUPPLY COSTS

Projected FY3 Cost	Calculation of Avoidable Cost	Avoidable FY3 Cost
1. Equipment capital costs \$8,000 (Line 1a, Exhibit IB)	Vehicle can be sold for \$6,000; this amount is an average cost.	\$ 6,000 (1)
2. Equipment & Maintenance \$1,821 (Line 2a, Exhibit IB)	100 percent avoidable	1,821 (2)
3. Equipment Supplies \$2,429 (Line 3a, Exhibit IB)	100 percent avoidable	2,429 (3)
4. Equipment Insurance \$1,190 (Line 4a, Exhibit IB)	100 percent avoidable	1,190 (4)
5. Service-related Supplies \$1,468 (Line 5a, Exhibit IB)	100 percent avoidable	1,468 (5)
6. Other Equipment & Supply Costs \$750 (Line 6a, Exhibit IB)	100 percent avoidable	750 (6)
7. Total Avoidable Equipment & Supply Costs		\$ 13,658 (7)

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EXHIBIT III C: FY3 AVOIDABLE FACILITY COSTS

Projected FY3 Cost	Calculation of Avoidable Cost	Avoidable FY3 Cost
1.Capital Plant & Outlay \$30,000 (Line 1b, Exhibit IC)	None is avoidable	\$ 0 (1)
2.Utilities \$470 (Line 2b, Exhibit IC)	Building department estimates that only 50 percent of the ambulance's share of this cost will be avoided. 50% x \$470	235 (2)
3.Building Insurance \$1,526 (Line 3b, Exhibit IC)	None is avoidable	0 (3)
4.Building Maintenance \$469 (Line 4b, Exhibit IC)	Building department estimates that only 50 percent of the ambulance's share of this cost will be avoided. 50% x \$469	235 (4)
5.Other Facility Costs		0 (5)
6.Total Avoidable Facility Costs		\$ 470 (6)

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EXHIBIT III D: FY3 AVOIDABLE OTHER COSTS

Projected FY3 Cost	Calculation of Avoidable Cost	Avoidable FY3 Cost
1. Assessments		\$ 0 (1)
2. Education \$1,150 (Line 2a, Exhibit ID)	100 percent is avoidable	1,150 (2)
3. Travel		0 (3)
4. Indirect Operating Costs \$5,282 (Line 4b, Exhibit ID)	Because indirect operating costs for ambulance service are a small percentage of the costs in the treasurer/collector's and accountant's offices, their associated costs will not change. Therefore, none of this cost is avoidable.	0 (4)
5. Indirect Administrative Costs		0 (5)
6. Other Costs		0 (6)
7. Total Avoidable Other Costs		\$ 1,150 (7)

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EXHIBIT IV: TOTAL FY3 AVOIDABLE COSTS

1. Total Personnel Costs (Line 7, Exhibit III A)	\$ 175,932 (1)
2. Total Equipment & Supply Costs (Lines 7, Exhibit III B)	13,658 (2)
3. Total Facility Costs (Lines 6, Exhibit III C)	470 (3)
4. Total Other Costs (Lines 7, Exhibit III D)	1,150 (4)
5. Total Avoidable Costs	\$ 191,210 (5)

EXHIBIT V: NET ADDITIONAL COST TO ANYTOWN IF PRIVATE CONTRACT IS
ACCEPTED

1. Cost to Anytown if it halts provision of ambulance service bytown employees	
Cost of contract	\$150,000
Revenue foregone by Anytown (Line 6, Exhibit II)	60,060
Total Cost to Anytown	210,060 (1)
2. Less:	191,210 (2)
Savings to Anytown (Avoidable Costs) if it stops provision of ambulance by town employees (Line 5, Exhibit IV)	
3. Net additional cost to Anytown for contracting out its ambulance service (Line 1- Line 2)	\$ 18,850 (3)

Conclusion: It will be approximately \$18,850 more expensive to Anytown of it contracts out its ambulance service at \$150,000 per year.

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