

# POLICY ON SERVICE CENTERS

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## Policy

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### Policy Statement

Service Centers are established to provide goods and services for the convenience of their University customers. The Centers are expected to offer goods or services that are unique, convenient or not readily available from external sources. The Centers may not be subject to external market forces so initial approval and an ongoing review is needed. The rates charged by the Center to federal grants and contracts should not exceed reasonable market rates available in the community.

Any University department intending to establish a service center must submit a written request, approved by the departmental executive officer, to the & RQWUROOHU¶V 2IILFH IRU UHYLHZ 7KH VDOH RI JRRGV I consistent with the University's mission and the normal activities of the college/department associated with the organization. In addition, existing service FHQWHUV VKRXOG SURYLGH D ZULWWHQ SXUSR VH VWDWH during the initial review of their rate calculation.



## Property Control & Surplus Office

Upon receipt of the equipment inventory schedule from the service center director, verify the bar code number to an inventory number in the university fixed asset system. Provide the appropriate depreciation charge amounts to the Center director for the listed equipment.

Forward the reconciled equipment inventory schedule to the Executive Director Research Administration and the Controller ¶ V 2 I d r Exclusion from the

X Q L Y H U V L W \ ¶ V G H S U H F L D W L R Q L Q W K H L Q G L U H F W F R V W  
Identify items of equipment that were purchased from federal funds.

Review and approve the rate calculation for all new Service Centers for accuracy and consistency with applicable policies and procedures.

Review existing service centers revenues annually to verify that those with

x

Capital Usage Factors: Apart from interest and depreciation, the cost of purchasing capital assets cannot be included in the calculation of the billing rates. Federal guidelines do not allow the purchase cost of equipment to be charged directly to the service center. It is appropriate to include depreciation on the capital assets in the rates. The appropriate depreciation charge will be provided by the Property Control & Surplus Office based on the equipment inventory schedule prepared to establish the Service Center. The annual depreciation charges will recover the original cost of the asset over its useful life



## Establishing Capital Reserve Funds

x As noted above, federal guidelines do not allow the purchase cost of equipment to be charged directly to the service center. However, depreciation on service center assets may be charged to the service center. Purchase of equipment must be funded from other sources including equipment reserves, gift funds or other unrestricted funds sources.

x If the annual equipment depreciation charges do not provide adequate funding for purchasing equipment, then service centers may request a loan to fund start-up costs for service center equipment. This loan from the equipment reserve account would be repaid out of depreciation charges  
LQFOXGHG LQ WKH &HQWHU¶V UDWHV WKURXJKRXW WK  
new object code line will be created to track the build-up of depreciation reserve.

x Expenditures made using funds loaned from the equipment reserve account are res <0051>-6 <0046004F>-6 <0058>14 <0047>-a47s50052>14 <0058>-6 <0u4(e)-6 (q)-6s  
x





More detailed information regarding these cost components will be available from

## Appendix A

Sample Rate Calculation for Service Center  
 Store Room Example  
 Fiscal Years 20XX

	<u>FY-20XX</u>	
Cost of materials resold	200,000	
<u>Operating expenses: *</u>		
Salaries and wages	50,000	
Fringe benefits	12,000	
Maintenance agreements	-	
Supplies	10,000	
Freight or shipping	-	
Materials	-	
Other contractual services	-	
Equipment depreciation **	5,000	
Other _____		
\$ G M X V W P H Q W I R U 3 U L R U < H D U V ¶ 2 S H U D W L R Q V		
Deduct surplus or add deficit	-	
Total operating expenses	<u>77,000</u>	
Calculation of necessary mark- up	<u>Total expenses</u> = % mark-up on cost	
	Cost of materials	
	<u>77,000</u> = 38.5%	
	200,000	

Sample Rate Calculation for Service Center  
 Equipment Rental or Use  
 Fiscal Years 20X

An activity that provides equipment or instruments for rental or use can develop a rate for an p

The next step is to calculate per-day general operating expenses:

Projected General Operating Expenses:

Salaries	25,000
Employee Benefits	5,000
Supplies Expense	3,000
General Equipment Depreciation	2,000
Total Operating Expense	<u>35,000</u>

\$ G M X V W P H Q W I R U 3 U L R U < H D U V ¶ 2 S H U D W L R Q V ±	
Deduct Surplus or Add Deficit	<u>0</u>
Total	<u>35,000</u>
Estimated Days Usage	5,000
Operating Expense per Day	\$7.00

Sample Rate Calculation for Service Center  
 Labor Center  
 Fiscal Years 20XX

For an activity, such as a machine shop, whose service center rates are composed of charges for labor and materials, the labor rate is an hourly rate calculated as follows:

Projected Operating Expenses:

Salaries	\$ 100,000
Employee Benefits	25,000
Supplies Expense	6,000
Equipment Depreciation	8,000
Other _____	<u>                    </u>
Total Operating Expense	<u>139,000</u>

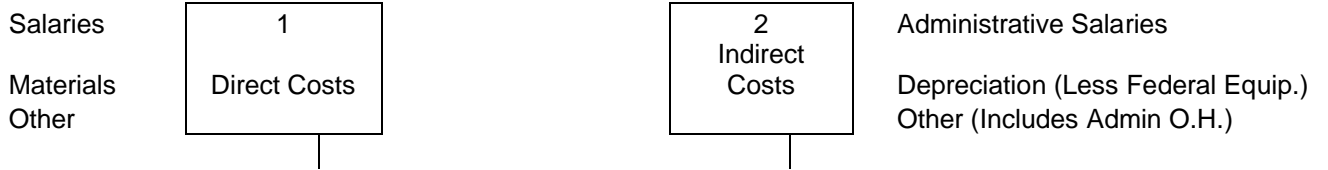
\$ G M X V W P H Q W I R U 3 U L R U < H D U V ¶ 2 S H U D W L R Q V ±	
Deduct Surplus or Add Deficit-	<u>-</u>
Subtotal	139,000

Less Materials Mark-Up Recovery (1)		<u>5,000</u>
	Total	\$ 134,000
Estimated Productive Hours (Appendix A)		4,976
Hourly Labor Rate (\$134,000 / 4,976)		\$ <u>26.93</u>
(1) Materials Mark-Up Recovery:		
Cost of Materials		\$ 50,000
Mark-Up Percentage		<u>10%</u>
	Recovery	<u>\$ 5,000</u>

Sample Rate Calculation for Service Center  
Calculation of Productive Hours  
Fiscal Years 20XX

The estimation of productive hours used in calculating service rates is determined b\$t D838 i3

Service Centers  
Rate Calculation Flow Diagram



2 0.5 125 re f\* 348.4 595.17 0.5 0.5 re f\* 348.4 595.10C097595.17 22.75 0.5