University of Kentucky
Service Centers and Recharge Operations

Rate and Budget Development Template Training

Research Financial Services and University Budget Office
Objectives for today

• WHY – are we following this process
• WHAT – is a service center, recharge operation, what to consider before starting, and what are some best practices
• WHO – is responsible for what
• WHEN – are the deadlines for submission
• HOW – to complete the actual Rate Sheet template
Our other objective is to **prevent** this!

I HAVE NO IDEA

WHAT I'M DOING
Why are we going thru this process?

- The goal is to provide a framework for the fiscal operations of service centers and recharge operations in order to ensure compliance with Cost Accounting Standards (CAS), Uniform Guidance (2 CRF Part 200), and University Business Procedures (Appendix IV BPM).

- These guidelines help us determine what can be included in the service center rate calculation, for example expenses must be:
  - Consistent- the cost must be treated the same in any like circumstance.
  - Allocable- assignable to the specific activity
  - Reasonable- ordinary and necessary for operation
  - Allowable- must be necessary and reasonable with consistent treatment
Federal Regulations – Uniform Guidance - 2CRF200

- Subpart E – Cost Principles (200.468 Specialized Service Facilities)
  - Costs of such services, when material, must be charged directly to applicable awards based on actual usage
  - Does not discriminate between activities under Federal awards and other activities
  - Is designed to recover only the aggregate costs of the services
**WHAT is a Service Center or Recharge Operation?**

- Service Centers and Recharge operations are departmental units that provide services/products to primarily internal users for a fee, with the goal of breaking even.

<table>
<thead>
<tr>
<th></th>
<th>Recharge Operation</th>
<th>Minor Service Center</th>
<th>Major Service Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Direct Costs</td>
<td>Under $50,000</td>
<td>$50,000 to $500,000</td>
<td>Greater than $500,000</td>
</tr>
<tr>
<td>Requires Service Center Account</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Direct Costs for Rate Calculation</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Equipment Depreciation For Rate Calculation</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
What is the Rate Sheet Template?

• A tool developed by RFS/UBO for two purposes:
  1. To capture all the data needed to determine the true cost of service/product and if the proposed rate to recover these costs is allowable, reasonable and allocable.
  2. A budgeting tool that allows for proper budget allocation based on the rate calculation
Basic Questions to Consider before Starting a Service Center

1. Should I be a service center?

2. Do you want to make a profit?
   - YES: Determine if you have a unique service or product primarily for Internal Customers (Business Plan)
     - YES: Can you clearly determine costs to provide service/product
       - YES: Are you able to identify a measurable Billable Unit for the service/product
         - YES: Go thru Service Center Rate Process
         - NO: Service Center is NOT the right model
     - NO: Service Center is NOT the right model
   - NO: Service Center is NOT the right model
How to get Started with Calculating Rates

1. Develop Business Plan
2. Measure Usage/Volume
3. Determine Personnel/Operating Costs
4. Allocate Costs
5. Calculate the Rate
Calculating Rates

Develop a Business Plan

• Multiple Areas will be involved in establishing a New Service Center
  • Start planning several months ahead

Business Plan –
• Determine what Service you will Provide
• Who is your Customer Base
  • Who will purchase the Service/Product
  • Estimate Demand/Volume
  • Are they Primarily Internal Users or External Users?
• How do you plan to break-even?
• Does this business model fit with the mission of the Department, College, and University?

Internal User:
1) Billing to UK Account #
2) UK Unit

External User:
1) No UK Acct #
2) Industry
3) Personal Users
Calculating Rates

- Goal is to determine a measurable unit that allocates costs equitably among all users

- Measure Usage/Volume

- Option 1: Charge Per Test
- Option 2: Charge Per Hour
More on Usage/Volume

Volume Projection of Units

- **Measurable** unit that you will provide to your customer
  - Example 1: 1 hour of microscope time
  - Example 2: 1 fat hairy rat
  - Example 3: 1 Visa preparation fee

- Estimated TOTAL units for each service for the fiscal year will be needed
  - Should be able to back this up with actual data/usage from prior years.
Best Practices for Measuring Usage

• Keep a “usage log” to track billable units

• Usage logs should track
  – Account/Project number or user
  – Service performed or product sold
  – Rate charged
  – Date of Service/Sale

• Usage Logs are also extremely beneficial with billing reconciliations and providing justification for billables if needed.
Calculating Rates

• BUILD A BUDGET – DIRECT COSTS
  – Personnel Cost - Who is working on the product/service and how much
  – Operating Costs – Non-labor costs needed to provide the product or service
  – Depreciation (if allowable) - Depreciation of equipment used to provide the product or service
  – Deficit Carryforward - Surplus/Loss balance from previous year
Unallowable Costs

• There are several costs that are unallowable for inclusion in the rates (per service center policy in Appendix 4 of the BPM). Such items include but are not limited to:
  • Alcoholic Beverages
  • Bad Debts
  • Commencement or Convocation Costs
  • Contingency Provisions
  • Contributions, donations or remembrances
  • Entertainment
  • Fines and Penalties
  • Goods or services for personal use of employees
  • Personal use of an institution furnished vehicle
  • Public Relations
  • Student Activity Costs
  • Travel-First Class
Unallowable Costs

- During FY 2017, RFS reviewed expenses that were used in rate calculations.

- It was determined that the CNS Converged Fee could not be included in the rate calculation for any service centers that charge grants.
  - The fee cannot be used in the rate calculation as it is un-allocable to a person.
  - This fee should not post in the service center cost center and should instead post to a departmental cost center.

- All affected service centers were contacted during the FY 2018 renewal rate review.
Questionable Costs

- There are some expenses that are questionable by nature and you should seek guidance from RFS before including in the rate development. Such expenses include but are not limited to:
  - Advertising
  - Travel/Foreign Travel
  - Student Tuition/Scholarships
  - Fundraising/Investment costs
  - Housing or personal living expenses
  - Taxes
  - Any other cost that may be considered an Indirect Cost

- RFS does a quarterly review of actual postings to these categories, you may be asked for documentation and/or to move off the expense via JV.
Calculating Rates

- Allocate Costs identified to individual services or products
  - Should reflect the actual work being done
  - Time-Analysis is an effective tool for allocating labor
- One product or service may not subsidize another
Calculating Rates

Step 1: Total Expense

- Personnel Costs
- Operating Costs
- Depreciation Costs
- Carryforward / Deficit

Total Expenses

Step 2: Calculate Rate

\[ \text{Calculated Rate} = \frac{\text{TOTAL EXPENSES}}{\# \text{ of Units Expected to Sale}} \]
What’s missing from this?

• Did you notice that we have not mentioned…
  “How much you want to charge?”

• Calculated rates are based on **ACTUAL COST**, not “how much you want to charge”

• We don’t get to “proposed rate” until the very end!
Calculated vs. Proposed Rates

• RFS is going to review your “Calculated Rate(s)” to determine if it is allocable, reasonable and captures the true cost of doing business.

• Proposed INTERNAL rate must be = or < calculated rate
• Proposed EXTERNAL rate can include (and we encourage) the current Indirect Rate.

Things to Consider:
• If you charge < calculated rate you may need a subsidy to make up the difference
• If you don’t include Indirect Rate in External rate, you are not recouping your total “cost of business”.

University of Kentucky
Who does What?

Service Center Manager/Business Officer
- Day to day activities of service center; maintain logs/records
- Prepare Rate Calculation Template Annually
- Bill customers accurately and timely; maintain usage logs and control receivables

Research Financial Services (RFS)
- Responsible for the Rate Calculation approval
- Reviews/Approves rate calculation template to ensure compliance with guidelines
- Oversight of expenditures for allowability

University Budget Office (UBO)/Area Fiscal Officer (AFO)
- Responsible for the Budget approval
- Reviews/Approves Initial Budget Setup for New Service Centers
- Reviews /Approves Budget variances created by rate revisions through year

Accounting & Financial Reporting Services (AFRS)
- Posts JV’s for service centers and R&R accounts (with RFS review)
- Oversees E-bars and equipment inventory
- Ensure Reconciliation of Receivables on funds center(auto-bill programs)
Who does What?

**Service Center Manager/Business Officer**
- Reconciliation of service center accounts monthly; completes corrections needed in payroll/JV’s
- Quarterly review of revenue vs. expense balance; act as needed
- Tracks expenses, conducts time analysis and uses other tools to accurately allocate costs

**Research Financial Services (RFS)**
- Monitor service center balances & work with service center mgr on surplus/deficit issues
- Review Service Center JV’s, validate correct rates are being used for billing. Audit of JV’s
- Posts Depreciation monthly to Service Center and R&R accounts

**University Budget Office (UBO)/Area Fiscal Officer (AFO)**
- Works with Service Center Managers to ensure timely entering of budget during budget cycle
- Works with RFS on development/training of rate sheet template
- Work with RFS on the appropriate closeout of service centers

**Accounting & Financial Reporting Services (AFRS)**
- Establishes/Maintains Cost Center and Billing G/L’s
- Posts Transfer JV’s (with RFS review)
- Responsible for Revenue Producing Questionnaire and UBIT review
When to Submit Rate Sheet Template

- Rate Sheets are reviewed at least **Annually**, and will be **due in June** for the following Fiscal Year (exact date determined in year-end calendar)
  - Will need to do an estimate in Early Spring, to generate Budget for entry into PBF.
- Mid-Year Adjustments are due by 12/31 of current year and will be reviewed and evaluated for potential approval in January.
- Priority will be given for complete packets received by the deadline in the RFS office.
- A complete submission should include:
  - Completed Rate Sheet Template - Both Signed and Excel Forms
  - Any additional backup documentation to support rate calculation
  - Location of the activity (including building name and room numbers where activities take place)
  - For NEW Service Centers also include:
    - Business Plan
    - Revenue Producing Questionnaire
    - Create New Cost Center Form
    - Create New G/L Form
What Happens after it’s Submitted?

• Option #1: During Budget Cycle
What Happens after it’s Submitted?

- Option #2: Annual Review or Mid-year Adjustment
Finally the New Rate Sheet!!!
Purpose of the New Rate Sheet

1. To **streamline** the rate calculation process
2. Improve **consistency** in the review/approval of the rate components
3. Create a **clear picture** of the rate calculation and reduce the need for backup documents
4. Ensure **compliance** with governing guidelines
5. Provide a **reliable** budget tool for all service centers
How to get started with the New Rate Sheet

• Use the version from RFS Website: www.uky.edu/ufs/payroll-confirmation-service-centers#Service%20Center

• Start with the “printable” Instructions tab and work your way across the tabs.
  – Data will populate as you go
  – Lots of formulas to make the calculations for you
<table>
<thead>
<tr>
<th>Key Elements of the New Rate Sheet</th>
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<tbody>
<tr>
<td>- Instructions Tab (Start Here) – Printable guide for rate sheet</td>
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<tr>
<td>- #1 General Tab – Basic information and New service center information</td>
</tr>
<tr>
<td>- #2 Depreciation Tab – Enter equipment information from Ebars</td>
</tr>
<tr>
<td>- #3 Future Rate Calculation – Enter expenses, units and proposed rates</td>
</tr>
<tr>
<td>- #4 P&amp;L Stmt &amp; Budget – Enter Subsidy and Budget info, get Signatures</td>
</tr>
<tr>
<td>- #5 Rate List – Auto-filled list of rates from previous pages</td>
</tr>
</tbody>
</table>
#1 General Tab (Top Half) – Required by All

- Basic Information needed by RFS/UBO. Please fill in as much as possible.

- List of Cost objects – NOT accounts you bill, but accounts that are associated financially to your service center.
#1 General Tab (Bottom Half) – only NEW service centers fill out

• Goal is to answer all the questions up-front that might slow down approval!
#2 Depreciation Schedule Tab (Fill out if you have depreciating equipment)

- You will use eBARS to fill this out
  - Can copy/paste report directly into spreadsheet
- Login to eBARS here:  https://myuk.uky.edu/zAPPS/ebars/
How to Run the eBARS report

1. Once you login, Click System → Select Module → Inventory (Scanner).

2. Click on Search/View at the top to open the report needed.
How to Run the eBARS report

Step 1: Select a Table to Search → Select “Active Inventory”

Step 2: Field Name → Select “SAP Cost Center”

Step 3: Value & Search → Enter your Service Center Cost Center → Click Search
How to Run the eBARS report

1. Verify you have the correct data entered
2. Click Search
3. Export your Report Excel

- 3 Steps to Get the Data Exported to Excel, so you can copy/paste!
  1. Verify you have the correct data entered
  2. Click Search
  3. Export your Report Excel
1. From eBARS Exported report, copy Columns B thru O

<table>
<thead>
<tr>
<th>Foundry</th>
<th>Property Number</th>
<th>Building Code</th>
<th>Room #</th>
<th>Room #2</th>
<th>Dept Code</th>
<th>Item Description</th>
<th>Account</th>
<th>Cost</th>
<th>Serial Number</th>
<th>P/N</th>
<th>Model Number</th>
<th>Acquired Date</th>
<th>Month Acquired</th>
<th>Year Acquired</th>
<th>Life</th>
<th>Fund Source</th>
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<td>A619294</td>
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<td>370</td>
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<td>2000</td>
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<td>358215</td>
<td>1/1/1988 00:00</td>
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<td>1988</td>
<td>10</td>
<td>91</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

**COPY Columns B - O**

2. Paste the data in Columns C thru P in the Depreciation Calculation Sheet

**Paste to Columns C - P**

**IMPORTANT:** The columns match from the exported Excel report, not the screen in eBARS!
1. **Column Q** = if Federal funds paid for any portion of the equipment, enter the amount here.

2. **Column S** = Enter the % of the equipment that is used by your service center.

3. The Depreciation will be calculated based on what you enter (and will populate to the rate sheet).
#3 Future Rate Calculation

• Divided into FOUR sections:
  1. Header Information
     • Enter Name for each “Rate” – should match how you bill
  2. Expenses
     • Labor/Personnel
     • Consumables/Operating Expenses
     • Depreciation
     • Deficit Carryforward
  3. Income/Revenue
     • Surplus Carryforward/Budgeted Subsidy
     • Expected Units of Service for Each Rate
  4. Rates
     • Calculated Rates – calculated for you, based on what you entered
     • Proposed Rates – What you WANT to charge
     • Estimated Revenue – based on what you WANT to charge
Fill in the Header Information

1. Replace “RATE” with name of each rate
   – Should Match Billable Name
2. Select the “Nature of Service” for each rate
3. Select the “Unit of Measurement” for each rate

Note: Anytime you see a you can click it to expand for more details!
Expenses – Enter Labor Information

1. Last Name/First Name: Enter the employees name
2. Position #: Enter the Position # for employee
3. Position Description: Enter the Position Description for employee
4. Annual Salary: Enter Hourly Rate if Hourly selected; Enter Annual Rate if Salary selected.
5. Annual Benefits: Enter Total Annual $ Amount, including Health Insurance. Use Current Year Benefit Matrix to help determine amount.
6. Enter % of Effort from Cost Distribution that is dedicated to the service center
Labor Expenses – Allocating Effort to Rates

To Allocate across the rates, enter the 100% of effort for each employee on that rate.

Examples:
- Line 1 has 10% effort on the service center but is split equally between Rate 1 and Rate 2, so we allocate 50% (of the 10%) to each of the rates. The formulas calculate the $ amount for you.
- Line 3 is 100% effort on the service center, but only works on Rate 1, so 100% is allocated.
Looking at More Detail & Totals

- Click the + for more detail. You will be able to see the calculated Salary & Benefits Dollar $ Amount.
- Total Salary & Benefits are calculated at bottom of section and feed to the Profit & Loss Statement (to help with budgeting).
Operating Expenses – Allocating and Total

1. Enter Description of Operating Expense
2. Enter the cost (actual or estimated) of the line item
3. Enter the % of that line item that will be allocated to that rate
4. Total Sum of Operating Expenses for Rate

<table>
<thead>
<tr>
<th>Description of Operating Expense</th>
<th>Enter Dollar $ Amount of Operating Expense</th>
<th>Cost Alloc, R1 (Enter %)</th>
<th>Expenses R1 (Auto Cal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research Ice Cream Consumables/Supplies</td>
<td>$10,000.00</td>
<td>25%</td>
<td>2,500</td>
</tr>
<tr>
<td>Service Contract for Research Ice Cream Maker #1</td>
<td>$7,500.00</td>
<td>33%</td>
<td>2,475</td>
</tr>
<tr>
<td>Research Ice Cream Office Supplies</td>
<td>$1,000.00</td>
<td>10%</td>
<td>100</td>
</tr>
</tbody>
</table>

Click the + to expand for more detail
Calculated $ based on % allocated to rate

Total Operating Expenses $5,075
Operating Expenses - Examples

• Example 1: Research Consumables are not used for consulting, so 0% is allocated to that rate

• Example 2: Ice Cream Maker #1 is only used on the first 3 rates; it is split between those 3 rates

• Example 3: The office supplies are used mostly by the consulting, so 60% is allocated to that rate
Depreciation Expenses – Allocation

- The Depreciation Schedule will populate the equipment data to this tab.
- You will need to enter the % allocated to each rate.
- Consider how much each equipment is used to produce each rate.
  - Example 1 – the Ice Cream Freezer is used by 4 of the services equally, so we put 25% to each rate.
  - Example 2 – the 5th service is Consultation, so no equipment is used. 0% is allocated to that service.
# Depreciation Expenses – More Detail & Totals

<table>
<thead>
<tr>
<th>Asset Number (Do not update, automatic)</th>
<th>Equipment Description (Do not update, automatic)</th>
<th>Select Applicable Fiscal Year</th>
<th>2021</th>
<th>Future Year Depreciation (Do Not Update)</th>
<th>Dept % Alloc. Rate 1</th>
<th>Dept # Rate 1</th>
<th>Dept % Alloc. Rate 2</th>
<th>Dept # Rate 2</th>
</tr>
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<tbody>
<tr>
<td>ABCDEF</td>
<td>Research Ice Cream Maker F1</td>
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<td>$</td>
<td>5,000.00</td>
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<td>GHKL</td>
<td>Research Ice Cream Processor</td>
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<td>2,500.00</td>
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<tr>
<td>MNQP</td>
<td>Research Ice Cream Delivery Truck</td>
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Total Depreciation Expense: $12,508
**Carryforward Deficit (Negative Balance)**

- If your previous year fund balance was negative, enter that number (as a positive number.)
  - Reasonably allocate the total amount across the rates
  - Will get warning in Column K if total does not equal Column I
  - Reminder - One product or service may not subsidize another

- **TOTAL EXPENSES**
  - Personnel + Operating + Depreciation + Deficit Balance for each rate
Cost Adjustments - Carryforward Surplus & Subsidy

- If Prior year ended with a surplus, or you are including a subsidy in your rate, enter the total amount here.
  - Allocate the total amount across rates
  - Will get warning in Column K if total does not equal Column I
  - Reminder - One product or service may not subsidize another

<table>
<thead>
<tr>
<th>Ref. Key</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
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<th>Cost Adjustments</th>
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<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>K</th>
<th>L</th>
<th>O</th>
<th>R</th>
<th>U</th>
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<tbody>
<tr>
<td>Prior Period Surplus Carryforward (Positive Balance)</td>
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<td></td>
<td>$3,000</td>
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<tr>
<td>Subsidy Included in Budget Total ($)</td>
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<td>$-</td>
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</tbody>
</table>

Please replace <RATE> by entering a name for each service being provided.

- # of Rates Proposed (From #1 General Information?)
- What is the nature of the service? (select)
- What is the unit of measurement (i.e., per hour, per use, per unit, per user, etc.)?

<table>
<thead>
<tr>
<th>Ice Cream</th>
<th>Ice Cream 1</th>
<th>Ice Cream 2</th>
<th>Ice Cream 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultation</td>
<td>research</td>
<td>research</td>
<td>research</td>
</tr>
<tr>
<td>Per hour</td>
<td>Per Unit</td>
<td>Per Unit</td>
<td>Per Unit</td>
</tr>
</tbody>
</table>
Project your Units of Service for EACH Rate

- Enter your projected units of service for both internal and external customers for each rate
- This will automatically calculate your “Breakeven Rate”
  - This is how much it costs to produce this service/product
  - Internal Rate should not exceed this number
  - External Rate here includes 53% Overhead
- Enter your PROPOSED RATES – this is what you WANT to charge for the service/product
Revenue Summary

- Revenue Summary = Based on **Proposed Rates**
  - Internal Recharge Income = Based on Internal Units
  - External Revenue Income = Based on External Units
  - Total Revenue = Sum of Internal + External Income
  - Deficit/Surplus = Difference between Total Revenue and Total Expenses

<table>
<thead>
<tr>
<th>Ref. Key</th>
<th>Internal Recharge Income</th>
<th>External Revenue Income</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3</td>
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</tr>
</tbody>
</table>

Calculated Revenue = Based on **PROPOSED RATES**

<table>
<thead>
<tr>
<th></th>
<th>Consulting</th>
<th>Ice Cream 1</th>
<th>Ice Cream 2</th>
<th>Ice Cream 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per hour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Unit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$3,750.00 $3,750.00 $3,750.00 $3,750.00
$1,000.00 $1,000.00 $1,000.00 $1,000.00
$4,750.00 $4,850.00 $4,850.00 $4,850.00
$34.75 $(1,865.25) $(665.25) $(665.25)
#4 P&L Statement/Budget & Signature Page

- The Profit & Loss Statement is a summary of all expenses and revenue
- P&L Stmt is populated from prior tabs, will need to enter subsidy to balance (if needed)
- Budget – Use data from the P&L Stmt to fill in the budget portion, balance to zero.
- Signatures – Get signatures (electronic fine) before submitting final version to RFS/UBO.
Profit & Loss Statement

- Summary of Revenue and Expenses from Prior tabs.
- If your Net Income/Loss is Negative, you will need to add a Subsidy
  - The account for the subsidy should be listed on #1 General Tab
- Reminder the goal is to BREAK-EVEN, not just be within +/- 10%.
UK Budget Document

• Budget Portion is not populated and will need to be filled out.

• UBO has provided six different scenarios to showcase how to complete the budget portion

• Commitment Item Key
  – Personnel CI’s: 51XXXX = 610000
  – Benefits CI’s: 52XXXX = 620000
  – All other CI’s: 53XXXX, 580021 and 755020 = 630000
### EXAMPLE 1: The Ice Cream Services Service Center sells its product to only University of Kentucky customers. No external income, subsidy or carryforward surplus or deficits occur in this business for the fiscal year. The cost to operate the service center is $1,895,800.
EXAMPLE 2: The Ice Cream Services Service Center sells its product to University of Kentucky customers as well as customers outside of the University. The revenue generated from external customers is expected to total $50,000. No subsidy or carryforward surplus or deficits occur in this business for the fiscal year. The cost to operate the service center is $1,895,800.

NOTE: The Current expense Recharge (630000) is adjusted to accommodate the external revenue.
EXAMPLE 3: The Ice Cream Services Service Center sells its product to University of Kentucky customers as well as customers outside of the University. The revenue generated from external customers is expected to total $50,000. Due to a new Wellness Initiative at the University, fewer customers bought the product and as a result they ended last year with an $80,000 Deficit. The cost to operate the service center is $1,895,800. No Subsidy is available.

NOTE: The Current expense Recharge (630000) is adjusted to accommodate the external revenue and the deficit.
EXAMPLE 4: The Ice Cream Services Service Center sells its product to University of Kentucky customers as well as customers outside of the University. The revenue generated from external customers is expected to total $50,000. Last year a new product was introduced which resulted in record sales and as a result they ended the year with a $30,000 surplus. The cost to operate the service center is $1,895,800.

NOTE: The Current expense Recharge (630000) is adjusted to accommodate the external revenue and the surplus.
EXAMPLE 5: The Ice Cream Services Service Center sells its product to University of Kentucky customers as well as customers outside of the University. The revenue generated from external customers is expected to total $50,000. Due to a new company providing a similar product at a lower cost, the service center needs a subsidy since they reduced their rate. The subsidy is provided by account 1215999900. The cost to operate the service center is $1,895,800. There was no carryforward last year.

NOTE: The Current expense Recharge (630000) is adjusted to accommodate the external revenue and the non-general fund subsidy.
**Budget Scenario #6: General Fund Subsidy**

**EXAMPLE 6:** The Ice Cream Services Service Center sells its product to University of Kentucky customers as well as customers outside of the University. The revenue generated from external customers is expected to total $50,000. Due to a new company providing a similar product at a lower cost, the service center needs a subsidy since they reduced their rate. The subsidy is provided by account 1012999900. The cost to operate the service center is $1,895,800. There was no carryforward last year.

---

**Subsidies provided by General Funds/Sponsored Funds are budgeted in the respective accounts and are not budgeted in the service center account**

**NOTE:** Both the Expense and Revenue Sides of the budget must be adjusted for the General Fund/Sponsored Fund Subsidy.
Signature Page (Included on P&L Stmt and Budget)

• Goal is to have P&L Statement and Budget Completed before obtaining Signatures.
• This allows an “at a glance” review of the Revenue and Expenses
• Notes:
  – Dean/Director Signature required for NEW Service Centers.
  – Adobe Electronic Signatures are Acceptable
  – Make sure signees read the attestation statements and understand what their signature represents.
# Signature and Statement of Responsibility

For Departmental Contact Responsible for the Operation of the Service Center Recharge Operation, I certify that to the best of my knowledge that:

1. The information included is accurate and has been prepared in compliance with current University policies.
2. I understand and take responsibility for recording the service usage, associated costs, recharge income and external revenue, and will pursue rate adjustments in a timely manner to address any surplus or deficit.
3. Rates cover full direct costs of operations, and only include costs necessary to provide goods or services.
4. Internal recharge and external invoice billings are completed on at least a monthly basis.
5. Unallowable costs are excluded from recharge activities charged to federal funds.
6. Federally-funded equipment is excluded from depreciation schedule.
7. Charges to customers use the approved rates.
8. Products or services sold to external customers are not in competition with local commercial services.
9. Activities with a prior year surplus or deficit that exceeds 60 days of working capital have a proposed resolution.
10. Any potential or actual financial conflicts of interest and/or other conflicts of interest with external customers have been reviewed and managed in compliance with applicable regulations and University Policies.

Service Center Manager - Responsible for the Operation of the Service Center

<table>
<thead>
<tr>
<th>Please Print Name and Title</th>
<th>Email</th>
<th>Signature &amp; Date</th>
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</thead>
</table>

Business Officer Signature

<table>
<thead>
<tr>
<th>Please Print Name and Title</th>
<th>Email</th>
<th>Signature &amp; Date</th>
</tr>
</thead>
</table>

For New Service Centers, Please Also Obtain Dean/Unit Director Level Signature Below:

For Dean/Unit Director/Designee, I certify that I understand, as the Authorizing Official, it is my responsibility to:

1. Review and approve New Service Center Recharge Operation requests.
2. Provide overall financial responsibility of the Service Center Recharge Operation and must provide an appropriate fund source to cover potential deficits created by the new Service Center Recharge Operation.
3. If the Dean, Unit Director or signature authority is aware of any conflicts of interest between the external company and any university employees, then they are required to report the information to RFS immediately.

Dean/Unit Director/Designee (For New Service Center Recharge Activity Only)

<table>
<thead>
<tr>
<th>Please Print Name and Title</th>
<th>Email</th>
<th>Signature &amp; Date</th>
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</table>
#5 Rate List

- This is auto-populated from previous tabs for quick reference
- Will be used by RFS/AFRS to verify correct billing rates used on JV’s.

<table>
<thead>
<tr>
<th>Product/Service Description</th>
<th>Per Unit</th>
<th>Approved Internal Rate</th>
<th>Approved External Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Vanilla Research Ice Cream</td>
<td>Per Unit</td>
<td>$175.00</td>
<td>$250.00</td>
</tr>
<tr>
<td>2. Chocolate Research Ice Cream</td>
<td>Per Unit</td>
<td>$125.00</td>
<td>$250.00</td>
</tr>
<tr>
<td>3. Strawberry Research Ice Cream</td>
<td>Per Unit</td>
<td>$125.00</td>
<td>$325.00</td>
</tr>
<tr>
<td>4. Neapolitan Research Ice Cream</td>
<td>Per Unit</td>
<td>$500.00</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>5. Research Ice Cream Consultation</td>
<td>Per Hour</td>
<td>$200.00</td>
<td>$500.00</td>
</tr>
<tr>
<td>6. RATE</td>
<td>0 $</td>
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<td>7. RATE</td>
<td>0 $</td>
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<td>8. RATE</td>
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<tr>
<td>17. RATE</td>
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Questions? Comments?

• Thanks and we look forward to feedback and working with you to make this new rate sheet work for your service center.

• Contact us at: svcctr.help@uky.edu