# Service Center Training

Service Center Overview

#### By the end of this training you will learn:

- What a service center is
- How to distinguish different types of service centers
- Activities that look like service centers but are not
- Important policies for service centers
- What to do if you find you are a service center



#### Service Center

A service Center is any UI unit or activity providing and charging for a service or product to customers primarily within the UI academic and administrative community.





#### Service Center Characteristics

- Users- primarily internal users
- Services- May range from highly specialized to routine functions.
- Ongoing- A service center is an ongoing activity; it is not a onetime distribution of expense.
- Rates- Are generally formulated to *recover* the cost of the operations such as salaries, benefits, equipment depreciation, materials, and supplies expense, and to break-even at the end of a twelve month period.



### Different types of service centers

#### Service Center (General)

- Principally sells to UI units within the academic and administrative community
- Recharge Center- Annual expenditures of less than \$10,000, unless the unit's primary customers are sponsored projects or external customers those will be considered University Wide Service Centers.
- University Wide Service Center- Annual expenditures greater than \$10,000.
- Specialized Service Center- meets all of the following criteria:
  - approximately \$1 million dollars or greater of expenditures or has significant charges to federal funds.
  - Removal of indirect costs from the overhead (F&A) rate would materially (1/10<sup>th</sup> of a rate point) affect the university wide overhead (F&A) rate.
  - Services should not be easily available from external vendors.



#### Test Your Knowledge

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This is incorrect



#### Activities that look like Service Centers-Auxiliaries

An auxiliary can often look like a service center, but it is not subject to service center policies and will not be reviewed by the Service center committee.



# Test Your Knowledge

A service center sells 2 products/services. The first animal feed accounts for 25% of its annual expenditures, the second animal housing accounts for 75% of its annual expenditures. The total expenditures this service center has annually is 137,000. The service center generally sells 950 bags of animal feed within a year, and houses 7,500 animals ( for the sake of a consistent and an easily calculated rate an animal that is housed for 5 days counts as 5 animals etc...). Calculate a basic rate for each of these two services.

Answer



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Step I

Step 2

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I. First find the expenditures for each service Animal Feed :\$137,000 \* 25% = \$34,250 Animal Housing :\$137,000\*75% = \$102,750

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\$34,250
Unit Rate = \_\_\_\_\_ = \$36 per bag
950 units

Step 3

Third find the Rate for the Animal Housing \$102,750

Unit Rate = = \$13.7 per animal/7500 animals per day



# Rates to Internal Users-Nondiscriminatory Rates

- All internal users must be charged the same rate for the same level of service or product purchased in the same circumstances- no discrimination!
- All internal users of the facility must be billed for services received- no special deals!
- \*Note: This is a major policy that Service Centers need to comply with. It is extremely important that in establishing its rates, a service center does not discriminate against any internal group of service center users. A service center must charge all internal users the same rate for the same level of services or products purchased in the same circumstances. Rates should not differentiate among internal users. The use of special rates, such as for high volume work or less demanding non-scientific applications, are allowed, but they must be equally available to all users who meet the criteria. Remember, we may like our campus neighbors but we cannot give them special deals!



#### Rates to External Users-

- At a minimum external users will be charged for the full direct costs of the service unit operation.
- Sales tax, when applicable must be charged to all external users who do not provide tax exempt certificates.
   (UBIT)

\*Note: External users of a center may not be charged at a rate less than that charged to internal users. However, the federal government does not object to charging external users a higher rate that that charged to internal users. However, if your external users are charged higher rates then the revenues and costs associated with your external users, then those costs should be tracked separately to avoid the perception of overcharging.



### Test Your Knowledge

A service center in the College of Ag runs lab tests for the University using a specialized machine that is very costly to maintain and run. They would like to give their department a price break because they own the machine. The center will charge users from CALS 50% of the cost, and the rest of the University 100% of the cost. Is this ok?

Yes No



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Yes

**Correct,** to do so would be to discriminate against the internal group that is not CALS.



#### Alternative Rate Structures

- In its simplest form a Service Center's rate is cost-based. However, occasionally service centers may have special circumstances which call for rates calculated using a different approach.
- This is allowed providing:
  - Rates are non-discriminatory with respect to specific classes of users
  - And the Service Centers still breakeven



#### Alternative Rate Structures

- Different Rate Structures Include:
  - Subsidized Rate
  - Time of Day
  - Market-based Pricing
  - Volume Discounting
  - Other

\*Note: Further descriptions of these rate Structures can be found in the Service Center policy APM 20.20



#### Subsidized Rate

- If you wish to subsidize operations by offering operating budget or other unrestricted funds as a subsidy you must:
  - Submit your annual rate calculation
  - Calculate a fully costed rate
  - External Users must be charged at the fully costed rate
  - Subsidized rates must be consistently charged to all internal UI center users.



### Example of a Subsidized Rate

Lets take the earlier Service Center we worked with that sold feed and housed animals. This service center did not want to charge \$13.7 for each animal per day because this cost is outrageous. They have \$50,000 from their departments operating budget that they wish to subsidize their operation how do they do this?

Step I



### Example of a Subsidized Rate

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First find the fully costed rate from before: \$13.7 per animal per night



# Example of a Subsidized Rate

Lets take the earlier Service Center we worked with that sold feed and housed animals. This service center did not want to charge \$13.7 for each animal per day because this cost is outrageous. They have \$50,000 from their departments operating budget that they wish to subsidize their operation how do they do this?

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First find the fully costed rate from before: \$13.7 per animal per night

Step 2

This is a much more reasonable rate.



#### Rate Components

- Include ALL Allowable costs required to support the service center including
  - Personnel- In terms of percentage of effort
  - Materials and Supplies
  - Depreciation for Capital Assets
  - Prior Year Balance (+/-)



#### Personnel Costs

- Salary and benefits of all personnel directly involved with the activity.
  - Lab Technicians
  - Machine Operators
  - Contingent Labor
  - Administrative Staff where applicable
- Note: Must be charged to the Service Center Operating account in order to be included.



# Materials and Supplies

- All Materials and Supplies to operate the Service Center
  - Office supplies
  - Lab supplies
  - Professional Services
  - Rental and Service Contracts
  - Maintenance & Repair Contracts
- Note: Must be charged to the Service Center Operating account in order to be included.



# Capital Equipment

- The full purchase price of the equipment cannot be budgeted into the rate for one year.
- You can recover the depreciation costs associated with the equipment.
- Depreciation of equipment purchased by the federal government, cannot be included in the rates.
- Note: Straight line Depreciation is calculated by taking the purchase price of an asset subtracted by the salvage value divided by the useful life of the asset (useful lives of equipment can be obtained by contacting Asset Accounting.)



#### Prior Year Balance

- When PYB is within the 15% limit, it becomes a component of the Service Center's rate
  - Prior Year over-recovery will reduce the rate
  - Prior Year under-recovery will increase the rate



#### Summary

- By now you should have a basic understanding of Service Center Rates, how they are used, and the components involved in the calculation
- For more information please read APM 20.20 Operating an Approved Service Center
- If there are any further questions or feedback please contact Heather Taff at 208-885-5840 or <a href="mailto:servicecenter@uidaho.edu">servicecenter@uidaho.edu</a>

We would also like to thank Stanford University for allowing us to use their training Materials as a guideline.

