Purpose and Scope:

To provide guidelines for accounting and operation of service (recharge-type) centers and ensure compliance with federal requirements for recharge-type activity. These procedures apply to all material recharge activities conducted by the university. Materiality, for purposes of this policy, is any activity that generates more than $5,000 in distributed charges during one fiscal year. Cost transfers, the reallocation of actual charges from one account to numerous accounts, do not fall under this policy.

General:

A "recharge" is the assessment, collection, or charge by one department or unit for goods or services furnished to another department, activity, or project. It represents a redistribution or transfer of the cost of providing a good or service from the provider to the user. Unlike a sale to an external party that may include a provision for margin or profit, a recharge excludes any element of profit or other increment above cost. Recharge rates must be based on the actual cost of providing the goods or services and adjusted to achieve a break-even over the normal operating cycle of the center. Recharge amounts may not be based on indirect methods of cost allocation. Rates must also be based on actual quantities of goods or services provided.

Types of Service Centers:

A "service center" is a department, unit, or activity that provides goods or services to other departments or units on a regular basis at approved rates.

For purposes of this procedure, three classifications of service centers are defined: Time & Materials Centers, Recharge Centers, and Specialized Service Facilities.

Time & Materials Center (T&M Center) **–** service center with less than $100,000 per year in gross receipts, sales to external parties of less than 5 percent of gross receipts, inventory of less than $50,000, and a July 1 to June 30 fiscal year operating cycle.

Recharge Center – service center with (1) more than $100,000 per year in gross receipts, or (2) sales to external parties of more than 5 percent of gross receipts, or (3) an enterprise operating cycle which is other than a July 1 to June 30 fiscal year, or (4) inventory in excess of $50,000, or (5) permission/directive from the regional campus chief financial officer to be classified as a recharge center rather than a T&M Center**.**

Specialized Service Facility – service center for which the internal recharge rates include a provision for recovery of Institutional Indirect Costs. In most cases, specialized service facilities will have a separate negotiated indirect cost rate. Treatment as a Specialized Service Facility requires approval of the vice president for finance and is generally reserved for highly complex facilities and large recharge operations (over $500,000) or for operations that have significant external sales.

Federal Requirements:

Service center activities may only be charged to federally sponsored agreements and indirect cost pools, if the charge for the activity is:

1. Reasonable in amount;
2. Determined based on actual use of the service, product, or commodity;
3. Established at levels expected not to exceed the cost of providing the service, product, or commodity; and
4. Based on rates that do not discriminate between federal and nonfederal supported activities, including use for instruction or other internal purposes.

The following are costs that cannot be recovered through service center charges:

1. Lease-purchase payments or amounts to repay principal or interest on loans (these costs are recovered through depreciation);
2. Amounts required to fund or finance inventories, receivables, reserves, or other items requiring working capital; and
3. Overdrafts or deficits from other service centers or funds.

A service center must follow sound cost accounting practices and standards, including use of consistent rate setting methodologies and billing/charge-out practices. Charges must be applied consistently to each user regardless of funding source. Accounting and pricing practices cannot be changed merely for budgetary or administrative convenience without the approval of the government.

The Controller shall be the liaison with all governmental agencies on matters governed by this procedure. All contacts with governmental agencies should be coordinated through the Controller's Office.

Approvals:

All service centers, regardless of type, must be approved by the regional campus chief financial officer (CFO) and must submit updated pricing proposals to the CFO, or designee, for approval at least annually. The CFO may establish a service center committee to evaluate all requests for creation of service centers and service center pricing proposals. If established, the committee should, at a minimum, include the staff from the campus business or financial services office and the grants and contracts office.

Other Policy/Regulation:

Sales of goods and service to external parties are also subject to Board of Regents' policy (P05.15.06) on competition with the private sector and the University of Alaska Accounting and Administrative Manual procedure on unrelated business income taxes (pending issuance). Transactions or sales to for-profit entities and private individuals without university affiliation are generally not appropriate and require the advance approval of the regional campus CFO. When sales are made to private sector customers, the recharge center must be able to document that the particular goods or services provided were not available in-state from commercial sources (e.g., certification by the customer).

Definitions:

Direct Costs – Costs that can be consistently and specifically identified directly with the provision of goods or services by an activity, with relative ease and a high degree of accuracy, are considered direct costs. When an item or expense benefits multiple projects or activities and can be directly assigned with relative ease and with a high degree of accuracy, the portion that is directly charged is based upon the relative benefits received by that activity. Examples of such costs are salaries and fringe benefits for employees conducting the activity and costs of materials and supplies consumed in conducting the activity.

Departmental Indirect Costs – Departmental Indirect Costs are departmental costs that benefit more than one activity and, therefore, cannot be readily identified with a particular activity. Examples of such costs are departmental administration and depreciation for equipment that benefits all departmental objectives.

Enterprise (Recharge) Funds – Enterprise Funds are authorized funds specifically established for recording allowable costs and revenues for recharge center activity. Such funds are classified within the unrestricted fund group of accounts. Encumbrances roll forward as uncommitted encumbrances at the end of each fiscal year to the following fiscal year. Fund balances and deficits carry forward to the following year.

External User – Customers outside the organizational/administrative structure of the university. This category includes students and members of the faculty or staff acting in a personal capacity.

Goods – Goods means commodities for the purpose of this procedure. Examples of goods include supplies, maps, unborn young of animals, and crops.

Institutional Indirect Costs -– Indirect Costs are general institutional costs incurred for common or joint objectives. These costs cannot be identified readily and specifically with a particular project or activity. Generally, these costs benefit more than one department or activity. Examples of such costs are facilities operations and maintenance expenses and campus and statewide administrative costs.

Internal User – Customers who are part of the organization/administrative structure of the university, including academic, research, and administrative departments, and auxiliary units. Internal users usually have a university account number to charge.

Operating Cycle – Operating Cycle is the period of time over which revenues from an activity are expected to be approximately equal to expenses from such activity, generally one to three years depending on the type and complexity of the recharge center operation and its capital requirements.

Services – Services are defined for this purpose as work performed for an internal or external user. For example, painting performed by the physical plant constitutes a service provided to the department or user that requested the work.

Useful Life – The estimated time period over which capital equipment and buildings will provide useful service.

Accounting Requirements:

Time & Materials Center – The activity of the T&M Center must be separately budgeted and accounted for in a unique org(s) established for the service center. The fund utilized shall be the general unrestricted fund of the campus or unit operating the center or providing the product or service.

All T&M Center billings to university accounts and sales to external parties must be recorded to specifically assigned revenue object codes and charged at approved rates. Net revenue excesses must be refunded to users through rate adjustments in current or future periods or other equitable means. Deficits must be eliminated through future price adjustments or general unrestricted fund subsidies.

The price charged must be limited to recovery of the Direct Costs of providing the product or service. The price or fee charged should cover the total cost of labor and all related leave and staff benefit charges and the cost of purchased services and supplies directly related to the activity. T&M Center documentation must include substantiation for all Direct Costs and the relationship of the fee or price charged to such costs. All users must be charged at the same rates and in the same manner; all rates must be approved in advance by the regional campus CFO or designee.

Recharge Center – Each Recharge Center must be accounted for in a unique org(s) and fund(s) within the Enterprise Fund group of accounts. The Enterprise Funds are part of the unrestricted funds and function similar to Auxiliary Funds. The Enterprise Funds utilize the 17XXXX series assigned to campuses as follows: Statewide (SW) 171XXX; Fairbanks (UAF) 173XXX; Anchorage (UAA) 174XXX; and Juneau (UAS) 175XXX.

Recharge activity orgs are identified with program codes ending with "Y". Operations and Maintenance recharge program codes (e.g. physical plant) are ####OY; General and Administrative recharge program codes (e.g. SW computer network) are ####GY; research unit recharge program codes are ####RY; academic support recharge program codes are ####AY; etc.

All revenues and allowable costs (including the Direct Costs of providing the product or service, equipment depreciation, and Departmental Indirect Costs) must be recorded to the assigned org(s) in the appropriate Enterprise Fund(s). Institutional indirect costs may be recorded in the Recharge Center account if approved in advance by the Controller.

Costs identifiable with recharge activities, but not directly recoverable through the recharge rate, such as equipment purchases and lease purchase payments, shall be separately budgeted and recorded to the Recharge Center org(s) in the general unrestricted fund. Costs which are identifiable with recharge activities but unallowable under OMB Circular A-21 (relocated to Title 2 in the Code of Federal Regulations (2 CFR), Part 220 (2 CFR, Part 220)) must also be charged to the Recharge Center's specified org(s) in the general unrestricted fund.

Recharge Centers with inventorial products or materials must complete a physical inventory of such products or materials at least annually at the end of the fiscal year. Although a perpetual inventory system is preferable, at a minimum, the Recharge Center's purchases must be adjusted and the inventory recorded at net realizable value in the Recharge Center's Enterprise Fund each June 30. Any cost associated with financing Recharge Center inventories shall be recorded in the Recharge Center's org in the general unrestricted fund.

Labor costs identifiable with recharge activities must be charged to the Recharge Center account on the employee's time report or, upon approval by the campus CFO, through a work order system. When a work order system is used, an additional entry is required to transfer the actual salaries and benefits to the Recharge Center (see Common Accounting Entries section). Positions may either be budgeted in the Recharge Center fund (the preferred method for employees with a Recharge Center primary assignment), or budgeted in the general unrestricted fund.

The cost of all equipment utilized directly in the provision of the product or service must be recorded on the property system under the Recharge Center's specified org. Depreciation expense is computed on a straight-line basis utilizing the schedule of equipment useful lives and applying a half-year convention (take six months depreciation in the acquisition year, regardless of the actual month purchased). See Recharge Equipment section for useful lives. The offset is a credit to the Equipment Replacement Reserve balance sheet account in the Recharge Center's Enterprise Fund. This reserve is to be used in the same or a later year to fund equipment purchases. See Common Accounting Entries section for sample entries.

All Recharge Center billings to university accounts and sales to external parties must be recorded to specifically assigned revenue object codes and charged at approved rates. See Common Accounting Entries section for sample entry.

The price charged is generally limited to recovery of the Direct Cost of providing the product or service, equipment depreciation, and Departmental Indirect Cost. Upon specific approval from the Controller, the internal price may include a provision for Institutional Indirect Costs. However, sales to external parties must include a provision for Institutional Indirect Costs and may include margin or profit, if appropriate. Recharge Center documentation must include substantiation for all costs of providing the service and the relationship of the fee or price charged to such costs. All internal users must be charged at the same rates and in the same manner; all rates must be approved in advance by the regional campus CFO or designee.

Prices are set to achieve a targeted break-even for the Recharge Center's normal Operating Cycle. In certain limited cases, a Recharge Center may be unable to break-even unless subsidized. Any subsidy must be approved by the regional campus CFO during the rate-setting process. See Common Accounting Entries section for sample entry.

Encumbrance lapse procedures for service centers are different from that of other unrestricted funds. Encumbrances for service centers roll as commit type "U" rather than as type "C" and utilize current year budget.

The Recharge Center's fund balance (accumulated excess/deficit of revenues over expenses) will be carried forward each year. All recoverable expenses must be charged to the appropriate Enterprise Fund. Carryforward in the service center represents the amount by which revenue exceeded expenditures for the previous period(s) or vice versa. The price of the center's product or service shall be adjusted to eliminate any carry-forward amounts to achieve a targeted break-even for the Recharge Center's normal Operating Cycle. Depending on the operating plan for a particular Recharge Center to achieve a break-even point, the fund balance may or may not be utilized within the current period. If carryforward usage is anticipated within a particular Recharge Center, appropriate budget entries should be made. Unless a redistribution is approved or required by the Controller, any indirect costs or margin recovered on external user charges shall be utilized to reduce amounts charged to internal users on a fair and consistent basis.

Specialized Service Facilities – Specialized Service Facilities are accounted for in the same manner as Recharge Centers, except that a provision for Institutional Indirect Costs shall be recorded as an intra-agency expense charge to the Specialized Service Facility's Enterprise Fund account and as intra-agency receipt revenue (recovery) in its separately budgeted unrestricted fund org. The Institutional Indirect Cost recovery will be redistributed to facilities and administrative operations in proportion to actual costs, as determined by the Controller. Any over/under recovery of such costs shall be reversed in the subsequent period.

Recharge Equipment:

The capitalization criteria outlined in A-25 "Capitalization and Depreciation Policy" in Section 100 in the University of Alaska Accounting and Administrative Manual outlines the criteria for capitalization of equipment. Equipment useful lives are reevaluated at least every three years in order to ensure that they are representative of university use experience.

Effective FY05, equipment useful lives are:

Account Code	Description	Useful Lives
5221	Furniture & Furnishings	8
5229	Medical, Safety & Fire Equipment	9
5328	Computer Equipment	5
5329	Mainframe Computers	8
5330	Telecommunication Equipment	6
5331	Educational Equipment	9
5332	Research Equipment	7
5333	Security Weapons	10
5334	Transportation Equipment	10
5335	Physical Plant Machines & Tools	11
5336	Office Equipment	7
5337	Farm Equipment	8
5339	Broadcasting Equipment for TV or Radio	10

Recharge Center operations equipment dispositions are handled through normal campus procedures. See University of Alaska Statewide Property Manual, Property Disposals.

Equipment can be disposed of internally or externally. Recharge Centers do not record a loss on internal transfers of equipment because the equipment is still used by another university department. The asset is no longer depreciated by the Recharge Center and the unit is unable to recover the remaining book value. Upon disposition of a piece of equipment externally, Recharge Centers are able to record a loss on disposition and recover the remaining book value through their recharge rates in future periods. Record a half-year of depreciation in the year of disposition and then calculate the remaining book value of the asset, by subtracting the total depreciation recorded for the asset from the acquisition cost. Net proceeds for disposals must be credited back against the recharge operation's recorded loss by the MAU property office. These losses can be used to fund future equipment replacements through the normal process. See Common Accounting Entries for the entry to record the loss.

Common Accounting Entries:

The following entries would be used to account for purchase of equipment for a recharge operation:

1. Entry to record purchase of Recharge Center equipment:

   DR Recharge Center org - 5XXX - 10XX10
   CR Accounts Payable - 10XX10

2. Entry to move the accumulated equipment replacement reserve to unrestricted general fund revenue to fund the cost of equipment purchases.

   DR Recharge Center org - 9904 - 179XXX
   CR Recharge Center org - 9904 - 10XX10

3. Annually, the recharge center needs to record depreciation. One-half a year of depreciation is taken in the year of acquisition and disposal.

The entry to record depreciation expense on recharge center equipment and the related equipment replacement reserve:

   DR Recharge Center org - 8805 (Depreciation Expense) - 17XXXX
   CR Recharge Center org - 8805 (Depreciation Expense) - 179XXX

Note: The debit is to the Recharge Center account providing the reserve; the credit is to a fund in the 179XXX group to be determined by the MAU budget office. See Account Requirements and Equipment Useful Lives sections.

4. Suppose the recharge center decides to dispose of some equipment. The following entries demonstrate how to record the sale for various situations.

Assume that the equipment is going to surplus and has a remaining net book value. The department is receiving no cash for the sale. The department needs to record one-half year of depreciation in the year of disposition as shown in entry 3. Calculate the remaining net book value by including the last depreciation entry in the calculation.

The entry to record the loss on disposal of the Recharge Center equipment is:

DR Recharge Center org – 8807 (Gain/loss on Disposal) – 17XXXX
CR Recharge Center org – 8807 (Gain/loss on Disposal) – 179XXX

5. Assume that the department has received approval to sell the equipment to an external party for a price equal to the remaining net book value. The department needs to complete the depreciation entry 3. Net remaining book value should be calculated after this entry.

The entry to record receipt of the cash from the external party:

DR 0140 – Campus Depository Fund
CR Recharge Center org – 9805 – 10XX10

6. Entry to move unrestricted general fund revenue equivalent to the equipment sale price to replenish the equipment reserve originally used to purchase the equipment that was sold:

DR Recharge Center Org – 9904 – 10XX10
CR Recharge Center Org – 9904 – 179XXX

7. Assume that the department is selling the equipment for less than net book value. Entry 3 would need to be completed in order to calculate the net loss. The department would deposit the funds from the external party and record the deposit as shown in entry 5. Entry 6 would also need to be completed as shown to replenish the reserve. In addition, the department would need to record the loss as shown entry 4.

Assume the same situation except that the department is selling the equipment for more than net book value. The department would deposit the funds from the external party and record the deposit as shown in entry 5. Entry 6 would also need to be completed as shown. In addition, the department would need to record the gain on the sale.

The entry to record the gain on sale of recharge equipment:

DR Recharge Center Org – 8807 – 179XXX
CR Recharge Center Org – 8807 – 17XXXX

If the sale was to another university department the entries would remain the same except instead of recording the cash deposit the transfer would need to be recorded by journal voucher.

8. Entry to record the sale and transfer of equipment to another university department:

DR Department Org – 5XXX – 10XX10
CR Recharge Center Org – 9904 or 9934 – 10XX10

9. Entry to transfer the actual salary and benefit costs to the Recharge Center account for employee time recorded through an approved work order system (when position is budgeted in the general fund and is not charged to the Recharge Center account by time sheet entry):

DR Recharge Center org - 8453 (Transfers Other) -17XXXX
CR Operating account org - 8453 (Transfers Other) -10XX10

10. Entry to record the charge to other departments at the billed recharge rate:

DR Departmental org - 3XXX - Various Funds
CR Recharge Center org - 99XX - 17XXXX

11. Entry to record the revenue from non-university sources at the billed recharge rate:

DR Cash - 10XX10
CR Recharge Center org - 9856 - 17XXXX

12. Entry to record subsidy of Recharge Center operations:

DR Operating account org - 8457 (Recharge Subsidy) -10XX10
CR Recharge Center org - 8457 (Recharge Subsidy) -17XXXX

Establishing Service Centers:

Establishing a service center, including a T&M Center, requires extensive documentation of the center's operating plans and pricing methodology. The request for creation of a service center must be prepared in accordance with the guidelines presented in this section and submitted to the regional campus CFO by the dean or director of the unit creating the center.

At a minimum, documentation for the operating plan shall include:

1. Service center questionnaire (see Attachment #1).

2. Proforma income statements for the service center or activity for each of the next three fiscal years. Include all Direct Costs of the service center operation and equipment depreciation based on the estimated original equipment cost over the useful life of the asset. If Departmental Indirect Costs are to be recovered in the fee or price charged for the goods or service provided, include such costs as expenses and provide documentation on how the amounts were determined.

3. A schedule of proposed rates and/or markup for services, goods, and/or materials provided by the service center and a calculation of projected income based on proposed rates and forecasted activity levels. If differential rates are charged to various users, include a schedule that identifies the classes of users, the volume of activity, and the basis for differential rates. All internal users (including faculty, students, sponsored projects, and other departments) must be charged at the same internal rates. Rates for external users will include a provision for Institutional Indirect Costs and may include margin or profit, if appropriate.

4. A schedule of equipment required by the service center for operation at the forecasted level, a schedule of forecasted equipment additions for each year presented and the source of funding for each addition, and a calculation of the applicable for each year presented.

5. A summary of significant assumptions used to develop the proforma financial statements and operating plan.

6. A description of the potential variance (best case/worst case) from operating results forecasted in item 2 above and how any excess or deficit would be accommodated.

Rate Change Proposals:

Annually, each service center must submit a proposal to establish rates for the following fiscal year. All rates must be documented, reviewed, and approved by the regional campus CFO. Proposals must be prepared in accordance with the guidelines presented in this section and submitted to the regional campus CFO by the dean or director of the unit maintaining the center. Proposals shall include:

1. Service center questionnaire (see Attachment #1).

2. A brief narrative explanation of the proposed rates and reason for any change from the prior period.

3. Income statement (at actual) for the last fiscal year and proforma annual income statements for the current and subsequent year.

4. A schedule of rates and/or markup for services, goods, and materials in effect or proposed and a calculation of projected income based on proposed rates and forecasted service levels for each year an income statement is presented. If differential rates are charged to various users, include a schedule that identifies the classes of users, the volume of activity, and the basis for differential rates.

5. A schedule of all equipment assigned to the service center including tag number, description, date acquired, original cost, and funding source, a schedule of forecasted equipment additions for each year presented, the source of funding for each addition, and a calculation of the applicable depreciation for each year.

6. A summary of significant assumptions used to develop the proforma income statements.

7. A description of the potential variance (best case/worst case) from operating results forecasted in item 2 above and how any excess or deficit would be accommodated.

Documentation and Record Retention:

Service Centers have the responsibility for retaining work papers supporting rate calculations, pricing decisions, and documentation of rate approvals. These documents should be retained for a minimum of 10 years.

Billing and usage records should also be maintained to identify the service provided to each user and the total service provided by the service center. If service center personnel are charging time to multiple categories of service, effort reports should be maintained to document the allocation, even if these effort reports are also filed centrally. This documentation should be maintained for a minimum of three years, if duplicated centrally, or for a minimum of 10 years if maintained only by the service center.

Please complete a separate questionnaire and proposal for each service center or recharge activity. This questionnaire should be submitted to the regional campus chief financial officer with each request to establish a Service/Recharge Center or Time & Materials Center. In addition, an updated copy of the questionnaire should be submitted to the regional campus chief financial officer, or designee, with each annual rate proposal.

(See B-01 "Service / Recharge Centers" in Section 100 in the University of Alaska Accounting and Administrative Manual for guidelines on service/recharge centers and allowable costs)

Name of service/recharge center: ______________________________

Service/recharge center org/fund number(s): ______________________________

Individual to contact: ______________________________

Work phone number: ____________________

Date questionnaire was completed: ____________________

Period for which rate is requested: ____________________

Estimated recoverable costs for the period: ____________________

Estimated revenue for the period: ____________________

Estimated amount charged to federal grants and contracts: ____________________

Rate(s) proposed:

____

____

____

I reviewed this questionnaire and proposal. I believe it fairly represents the activities of the respective service/recharge center and request authorization to implement these rates as proposed.

Dean/Director Certification ______________________________

CFO (Chief Financial Officer) Approval: ______________________________

1. Provide a brief description of the recharge activity, including why it is needed, principal customers or beneficiaries, and anticipated activity levels (attach explanation).

2. Provide a brief description of the service center's operating cycle or other period over which accumulated revenues are expected to be approximately equal to accumulated allowable costs including equipment use allowances (attach explanation).

3. Provide a brief description of the methodology used to establish the recharge rate, markup, or price (attach explanation).

4. What unit of measure is used as a billing base (hour, day, service procedure, mileage, etc.)? ______________________________

   ____

5. Approximately how many units will be processed or sold during the fiscal year?

   ____

6. Are all users charged for this service? Yes__________No__________

   If no, how do you determine who is charged?______________________________

   ____

   ____

   ____

   ____

7. Are charges made to anyone other than university departments and grants and contracts? Yes__________No__________

   If yes, identify external customers and estimated amounts of annual activity?

   ____

   ____

   ____

   ____

8. Are all users charged the same rate? Yes_________No__________
If no, how do you determine which rate is used?_______________________________
____
____
____
____

9. Are any costs related to this activity charged to another account or is the activity subsidized in some manner? Yes_________No__________
a. If yes, please describe the nature of the subsidy._____________________________
____
____
____

b. Approximate amount of subsidy for the fiscal year. $______________________

10. Is an inventory required for this activity? Yes_________No__________
If yes, what is the average value of the inventory, at cost?______________________

11. Are there any significant assets (cash, accounts receivable, land, etc.) liabilities, commitments, or risk management exposures associated with this activity?
Yes___________No__________
If yes, please describe?____
____
____
____

12. Attach proforma income statements, schedules, and other supporting documentation and explanations as described in B-01 "Service/Recharge Centers" in Section 100 in the University of Alaska Accounting and Administrative Manual.

University of Alaska
Sample Repair Shop Recharge Center
Service Center Rate Proposal Questionnaire
Supplemental Information

Question 1

The sample repair shop recharge center is a small facility operated by the finance office to service and repair administrator performance monitors. The units require extensive maintenance to monitor low levels of productivity. Because these monitors are unique to higher education and servicing the units requires a high level of tolerance for ambiguity and indecisiveness, the service is generally only available internally.

Question 2

The normal operating cycle for the recharge center is the university's fiscal year. The only unusual expenditure that is not made regularly or is not related to the current level of service is the purchase of diagnostic equipment. The equipment purchases are funded through budgeted unrestricted funds and are recovered over the useful life of the equipment.

Question 3

Recharge rates are established by estimating the number of billable hours that will be generated during the fiscal year; estimating the cost that will be incurred to support that level of activity; then dividing the estimated costs by the billable hours to obtain a billing rate per hour.

Significant Assumptions:

1. Billable hours are projected for FY06 based on actual through December 31, 2005 adjusted for ten percent trend increase in internal activity and a five percent increase in external activity which is consistent with increase experienced for the first six months of FY06. A similar trend is projected for FY07, except that an efficiency savings of approximately 15% is also expected due to new equipment acquisition in late FY06.

2. The ratio of billable hours to the number of hours worked by category of employee is expected to remain constant. The number of projected worked hours charged to the service center for permanent staff is based on management's estimate of staff availability. Temporary staff will be utilized to meet any increase or decrease in commitments.

3. Worked hours charged to the recharge center based on management's estimate of the time commitments required for the forecasted volume of activity and staff availability.

4. FY07 Leave and benefit rates based on the FY07 Negotiation Agreement for Provisional Fringe Benefit Rates

5. Wage rates projected at FY07 level adjusted for general salary increases and anticipated reclassifications for the Anderson and Smith positions.

6. Travel expense projection for FY06 is based on actual through December 31, 2005 plus scheduled travel for remainder of the fiscal year. FY07 travel expense is projected at the same level as the current year plus one additional trip to Florida for technical training.

7. Contractual services are projected for FY06 based on actual through December 31, 2005 adjusted for inflation at 5% that approximates inflation experienced for the first six months. A similar trend is projected for FY07.

8. Supplies costs are projected for FY06 based on actual through December 31, 2005 adjusted for inflation at 8% that approximates inflation experienced for the first six months. Based on a scheduled addition of new equipment later this year, supplies costs are expected to increase by approximately 15% for FY07. Funding is available in our reserve to cover the cost of these acquisitions.

9. A new diagnostic unit is scheduled for purchase in April 2006. The new unit is expected to increase supplies utilization by approximately 15%, but it is also expected to produce a labor efficiency savings of approximately 15%. Funding is available in our reserve to cover the cost of this acquisition.

10. Billing rates are calculated by dividing total net recoverable costs by the sum of internal billable hours and fully loaded external billable hours.

11. A markup of 55 percent is proposed for all external sales for FY07. The markup includes 35.4% for institutional indirect costs (based on UAF federal negotiated indirect rate for FY07 for other sponsored activities) and 14.6% general margin. For FY05 and FY06 markup on external sales was 56% and 54%, respectively, as proposed (see FY04 & FY05 recharge center proposals).

12. In a worst case scenario, an external contractor might provide this service at less cost resulting in closure of the service center and funding of severance payments to one APT and one classified staff.

University of Alaska
Sample Repair Shop Recharge Center
FY07 Rate Proposal
Proforma Income Statement And Rate Proposal

Org/Fund Number(s) **12345-17XXXX**

	Account	Actual FY05	Projected FY06	Projected FY07
Revenue:				
External Billable Hours @ Billing Base Rate		$5,490	$5,828	$6,460
External Markup (FY05 @ 56%, FY06 54%, FY07 55%)		56%	54%	55%
External Markup		$3,074	$3,147	$3,553
External (Base plus markup)		$ 8,564	$ 8,975	$ 10,013
Internal		115,595	129,270	150,556
		$124,159	$138,245	$160,569
Expenses:				
Labor	1000	$83,519	$92,900	$105,300
Travel	2000	4,220	5,000	6,500
Contractual	3000	12,430	13,000	13,700
Commodities	4000	22,375	24,200	27,800
Student Aid	6000	0	0	0
Miscellaneous	8000	0	0	0
		$122,544	$135,100	$153,300
Adjustments:				
Depreciation Allowance		$ 2,500	$ 2,900	$ 3,300
Prior Period Deficit (Surplus)		500	1,385	1,140
Net Recoverable Costs		$125,544	$136,615	$157,740
Excess (Shortfall) Revenue Over Expenses		$(1,385)	$(1,140)	$2,829

	FY05	FY06	FY07
Billable Hours:			
External	90	94	85
Internal	1,895	2,085	1,981
Total Billable Hours	1,985	2,179	2,066
Billing Base Rates	$61.00	$62.00	$76.00

University of Alaska
Sample Repair Shop Recharge Center
FY07 Rate Proposal
Labor Cost Projection

Name	Category	Leave Accrual Rate (1)	Benefits Accrual Rate (1)	Hourly Rate	Annual Hours	Projected Leave Usage	Non-Recharge Activities	Hours Net Of Leave (2)	Wages Charged	Leave Accrual	Staff Benefits	Projected Total Labor Costs	Billable Hours
FY05 Actual charges to 12345 – 17XXXX													
J. Smith	Classified							1,660					1,330
J. Anderson	APT							950					575
	Temp.							100					80
								2,710				$83,519	1,985
FY06													
Actual through 12/31/05								1,490				$46,295	1,090
J. Smith	Classified	21.7%	50.0%	$17.55				880	$15,444	$3,351	$9,398	$28,193	704
J. Anderson	APT	19.3%	39.6%	$26.03				450	$11,714	$2,261	$5,534	$19,509	270
R. Thomas	Temp.	0.0%	8.7%	$12.07				144	$1,738	$0	$151	$1,889	115
								2,964				$95,886	2,179
											Rounded	$92,900	2,179
FY07													
J. Smith	Classified	21.4%	61.1%	$18.25	2,080	320	0	1,760	$32,120	$6,874	$23,825	$62,819	1,408
J. Anderson	APT	19.4%	46.7%	$29.60	2,080	280	900	900	$26,640	$5,168	$14,854	$40,567	540
Unknown	Temp.	0.0%	8.9%	$12.07				148	$1,786	$0	$158	$1,944	118
								2,808				$105,330	2,066
											Rounded	$105,300	2,066

(1) Use rates as listed in the most recent fringe benefit rate agreement as negotiated with ONR. Negotiated agreements can be found on the SW Cost Analysis website under Negotiation Agreements.

(2) Represents forecasted hours to be charged to service center activity, net of annual, sick and holiday leave, and time charged to other non-recharge center activities.

University of Alaska
Sample Repair Shop Recharge Center
FY07 Rate Proposal
Equipment Schedule

Org/fund Number(s) 12345-17XXXX

	Tag #	Org-Account-Fund	Acquisition Date	Funding Source	Cost	Original Useful Life in Yr.	FY02 New Useful Life in Yr.	FY02 Beg. Remaining Book Value	FY06 Remaining Useful Life	Depreciation (1) & (2) FY05	FY06	FY07
Owned and on-hand:												
Work bench	116203	12345-5221-17XXXX	5/12/90	Unrestricted	$12,500	10	8	$0	0	$0	$0	$0
Storage racks	178916	12345-5221-17XXXX	9/13/96	Unrestricted	$12,600	10	8	$6,930	0	$990	$0	$0
Diagnostic Unit #1	308884	12345-5335-17XXXX	3/30/99	Unrestricted	$5,000	11	11	N/A	5.5	$455	$455	$455
Diagnostic Unit #2	331924	12345-5335-17XXXX	4/1/05	Unrestricted	$6,000	11	11	N/A	10.5	$273	$545	$545
Shop computer	348296	12345-5328-17XXXX	7/1/04	Unrestricted	$8,000	8	5	N/A	4.5	$800	$1,600	$1,600
Scheduled acquisitions:												
Diagnostic Unit #3			4/1/06	Unrestricted	$7,000	11	11			$0	$318	$636
										$2,518	$2,918	$3,236
							Use			$2,500	$2,900	$3,300

(1) Depreciation is calculated on the straight-line basis. One-half year depreciation is taken in the year of acquisition.
(2) Useful lives were reevaluated in FY02. There has been no change in useful lives since FY02. Calculated remaining book value on assets that existed prior to FY02 and depreciated over remaining useful life using new useful lives. If no remaining years as of FY02 then depreciated remaining book value in FY01.