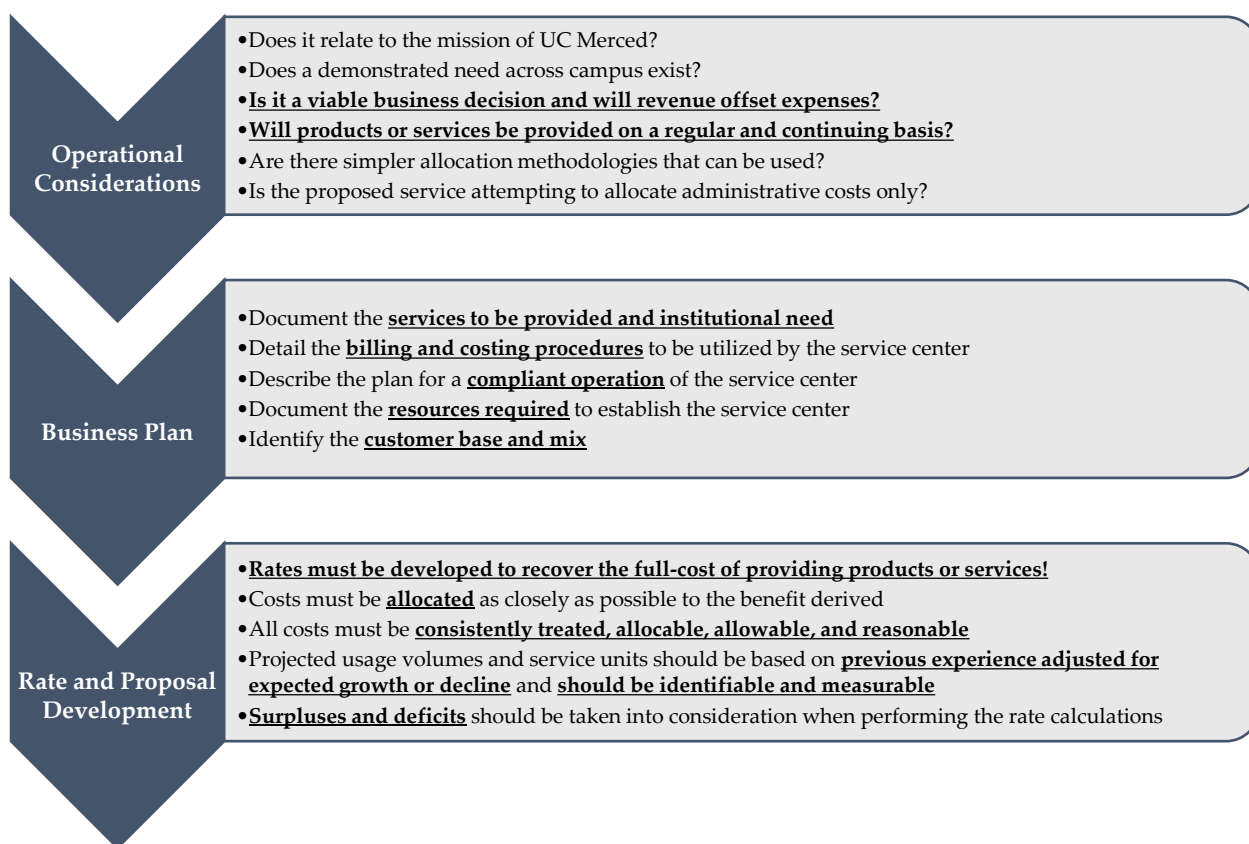


Service Center Getting Started Guide

Service Centers are units that charge for products or services that directly support the research or academic mission of the University and recover costs through charged to internal and external users. Thoughtful planning and execution must go into every detail of the Service Center, as lack thereof may cause the proposed Service Center to run into budgetary and compliance issues shortly after startup.

To facilitate in setting up a Service Center, this guide has been broken up into the following sections:



The content in this guide has been designed to facilitate in the Service Center proposal process and has been condensed for quick reference. Further details of the Service Center process can be found in the UC Merced Recharge Handbook, which is available on the [Business & Financial Services website](#).



If you have any questions throughout this process, please contact Mark Perez, Cost Standards & Policy Analyst at 209-228-2465 or mperez23@ucmerced.edu.

Operational Considerations

ESTABLISHMENT OF NEW SERVICE CENTERS

The establishment of new service centers must be reviewed by the Costing & Policy Office and approved by the Recharge Committee, Budget Advisory Committee, and the Vice Chancellor for Planning & Budget. In the diagram above, some questions have been provided to help determine if the Service Center is a viable business decision. All proposed activities must **relate to the mission** of UC Merced and a **demonstrated need** must exist across campus. **Incidental or one-off requests** are not sufficient for the establishment of a service center.

Note: the Costing & Policy Office conducts a review of the proposed Service Center to make sure that all criteria are met, verify rates being charged to campus/external customers, and ensure that the proposed rate elements/practices align and comply with Institutional and Federal policies. Further, quarterly reviews are conducted and disseminated to the Service Center to identify potential budget shortfalls or surpluses. As the proposed Service Center must develop and maintain a strong system of Internal Controls/Best Practices in conducting operations, the services provided by the Costing & Policy Office have been designed to complement these controls and practices.

BUDGETARY CONSIDERATIONS

Per UCOP BFB A-47, Service Centers require a **separate budget** from their parent department. This means that a service center is responsible for maintaining operations that are at or near break-even at the end of each fiscal-year, so as to not accrue significant shortfalls or surpluses. Further, to ensure proper costing, all direct costs associated in providing services must be charged to the designated service center account. This means that all staff effort, supplies/consumables, equipment service contracts, etc., must be charged to the appropriate account.

Business Plan

CUSTOMER BASE AND MIX

The primary customer of the Service Center should be **internal to the University**, with only **incidental use by external customers** (if applicable). A separate rate must be calculated for external customers, as institutional indirect costs or non-university differential are to be included in the rate. This allows for the recovery of allowable facility and administrative support costs associated with the Center's activities.

Note: services provided to other UC campuses are subject to the internal-user rate.



Per APM-020, "University laboratories, bureaus, and facilities are not to be used for tests, studies, or investigations of a purely commercial character...except when it is shown conclusively that satisfactory facilities for such services do not exist elsewhere." Further, such services should fall within the University's mission of Research and Instruction and should not be in competition with any commercial sources.

BILLING PROCEDURES

All users of the Service Center must be billed at the approved rates on a timely basis, usually within 30-days after the service has been performed. Usage logs are expected to be maintained for calculation and backup purposes and must be presented in the event of an audit.

Central Accounting utilizes an online recharge system to process the financial journal to charge campus customers. It is expected that the designated individual responsible for entering these transactions use the appropriate coding as prescribed by Central Accounting. Any deviations may result in a delay of the financial journal posting in the Financial System.

Rate & Proposal Development

BILLING RATE PRINCIPLES

Billing rates should be designed to recover the direct operating costs of providing the services on an annual basis. No costs other than the costs incurred in providing the services should be included in the billing rates. The costs should **exclude unallowable costs** per Institutional and Federal Guidelines. Please refer to Page 5 for a list of unallowable costs.

Billing rates should be computed **annually** for the start of each fiscal year and the rates should be based on a reasonable estimate of the direct operating costs. These estimates can be derived by using historical or projected costs in providing the service and must use reasonable billing units. While billing rates must be computed annually, this does not necessarily mean that the actual rates will change.

RATE CONSISTENCY

Rates can be set based on hours, units, clock time, or any other metric that is the closest approximation for utilization of resources to produce the product of service. Rates must be non-discriminatory, and all users of the center must be billed for services.



Non-discriminatory means that all internal users must be charged the same rate(s) for the same level of services or products purchased.

BREAKEVEN EXPECTATIONS

The break-even period is a reasonable period of time over which cumulative revenue for a service or product equals cumulative expenses. Service center billing rates should be calculated to recover the aggregate cost of a service or product over a defined period, which is usually one-year. Some service centers require a long breakeven period due to startup costs or volume fluctuations.

If this is anticipated, please indicate this in your business plan. Any deviations from the one-year break-even period require Recharge Committee approval.

REQUIRED INFORMATION FOR PROPOSAL DEVELOPMENT

In order to appropriately build a rate and ensure a complete proposal submission, you should have the following information ready:

1. Service(s) and/or Product(s) to be provided by the Service Center (this should align with Business Plan)
2. Space Information – for the purposes of proper space functionalization
3. Customer/User Mix – to identify what types of rates will need to be established
4. Personnel who will be contributing effort towards the Service Center
5. Supplies, Materials, and Consumables that will be required to provide the proposed service(s) and/or product(s)
6. Potential equipment that will have to be acquired to provide the proposed service(s) and/or product(s)
7. Equipment Tag IDs of those existing pieces of equipment that will be used in the Service Center
8. Equipment service contract costs, including the applicable service period
9. Allocations that reflect the resources and costs necessary to produce/provide the product(s) and/or service(s)
10. Projected utilization figures based on previous experience adjusted for expected growth and decline
11. Comparable rates for the service(s) and/or product(s) from other UC-campuses
12. Market prices from external competitors if service(s) and/or product(s) will be provided to external users



The aforementioned list is not inclusive and a Service Center proposal may require additional information. If you have any questions on what is required, please contact the Cost Policy office.

Next Steps

Once the applicable required information has been gathered, you may begin preparing the Service Center proposal. To facilitate in the proposal development process, a proposal submission package has been made available on the [Business & Financial Services website](#) and contains all of the required checklists, schedules, and budget documents.

Upon completion of the Service Center proposal, please complete and sign the Service Center Checklist, which is located in the proposal submission package. Once all approvals have been received, this document, along with any supporting backup, should be submitted to Mark Perez, Cost Standards & Policy Analyst, at mperez23@ucmerced.edu.



It is critical that sufficient backup is included with your Service Center Proposal submission. A proposal with missing information or documentation may be subject to delay.

Unallowable Costs

As mentioned in the 'Rate & Proposal Development' section of this guidance document, there are certain costs that may not be included in Service Center rate development. This is prescribed per UCOP Business & Finance Bulletin A-56 and OMB Circular 2 CFR 200 (Uniform Guidance).

Below, please find a list of unallowable costs that are cannot be included with a recharge proposal. *Note: this list is a summary of common unallowable costs and is not inclusive. Please refer to 2 CFR 200.420-475 for further information.*

1. Acquisition Cost of Capital Equipment
2. Alcoholic Beverages
3. Entertainment Expenses
4. Advertising & Public Relation Expenses
5. Contributions & Donations
6. Gifts
7. Fund Raising
8. Unallowable/Unrelated Travel
9. Depreciation on Federally Purchased Equipment
10. Fines & Penalties
11. General, Automobile, and Employment Practices Liability (GAEL) Insurance