When creating a Revenue Service Agreement to provide a service(s) to an external agency, it is crucial that the total cost (and associated rate) being charged out includes the appropriate costs to ensure that the University recovers all costs associated with the service being performed. To ensure that all costs are given consideration, the Cost Policy office has developed a worksheet to facilitate in deriving the appropriate rate. The proposed rates are reviewed by Cost Policy in FP&A. The remaining related functions (e.g. – invoicing, expense and tax considerations along with establishment of Fund/FAU/Project) are handled by General Accounting. These are miscellaneous activities and budgets will be temporary, booked to match actuals.

Not only is it important that all Direct Costs be recovered, but Indirect Costs, such as utility expenses or building depreciation, should also be recovered, as prescribed in the University of California Academic Personnel Manual (APM), section 020. From a costing perspective, indirect costs should be included in the costs being billed to external agencies, as these indirect costs represent the true cost of performing these activities and should not be covered by other unrelated activities or functions. Of course, other considerations have to be made when looking at things such as competition with other commercial sources, but it is important that we document costs as consistently as possible.

Please note that throughout the workbook, fields shaded in light blue indicate that user input is requested.

**FIRST TAB | REVENUE SERVICE RATE INPUT**

**Part A | Revenue Service Information**

This section captures some of the background information regarding the revenue service agreement. It is critical that the **service start and end date** fields be populated, as many of the other calculations in the document use the duration of the service agreement.

**Part B | Effort Billable Hours for University Employees**

This section captures information pertaining to those **paid** University employees that will be providing effort towards the proposed service. If, for example, undergraduate students will be performing services in exchange for class credits, their information does not need to be reported in this section. This section would be applicable for those employees, such as Faculty, Project Scientists, or student assistants (paid), which will be providing any level-of-effort to the service.

**Part C | Employee Allocations to Service Activities**

This section allows for the paid-employee effort reported in Part B to be classified between non-service/administrative time and direct service time. If non-service time is reported, it must be further classified between supervision/facility management and ‘other’.

Please note that **employee salaries and benefits costs** will be reported in Part G.

**Part D | Non-Personnel Costs**

This section allows for all non-personnel costs that will be used in providing the service to be reported. The non-personnel costs have been broken into three major areas: (1) non-inventorial equipment under $5,000, (2) supplies & materials, and (3) other. Besides reporting the projected cost for each of the items indicated, it is also requested that the percent attributable to the overall service be identified, as well as identifying the amount of time the item will be used between non-service/administrative and direct service activities.

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1 Also known as Fee for Service and Sales for Service agreements
Please note that all inventorial equipment (equipment greater than $5,000 should be reported in Part E).

**Part E | Inventorial Equipment Greater than $5,000**

All equipment that will be purchased that is greater than $5,000 should be reported in this section. This section is similar to Part D, with the exception for the request of an equipment tag ID (if available) and the estimated useful life of the equipment.

Current accounting practices require that Inventorial Equipment be capitalized and depreciated at fiscal year-end using a straight-line method that takes into consideration the useful life of the equipment. To ensure the appropriate amount of equipment depreciation costs are applied to this service contract, it is critical that the estimated useful life of the equipment be identified.

To help in identifying the useful life of an inventorial equipment, please visit the UCOP Equipment Useful Life Indices at [http://eulid.ucop.edu](http://eulid.ucop.edu).

**Part F | Equipment Service Contracts**

If service contracts on new or existing equipment are required to be purchased (or have already been purchased) in order to perform the service, the information can be reported in this section. The equipment tag ID of the equipment benefitting from the service contract is requested, as well as the start and end-dates of the service contract period. Please note that based on the equipment service contract period, the cost will be pro-rated to align with the revenue service agreement period. This is to ensure that the applicable costs for the period are reported.

**Part G – Employee Salaries and Benefits**

Employee salaries and benefits for those who will be contributing effort towards the service are to be reported in this section. The only information requested in this section is the employee’s base salary and actual/projected benefits rate. If this information is unknown, please contact your departmental Management Service Office (MSO) or Business Officer.

**Part H – Facilities and Existing Equipment Utilized to Conduct Revenue Services**

Any existing equipment or facilities (space) that will be utilized to conduct the service should be reported in this section. This information is requested to ensure that the associated space and equipment are properly functionalized for the purposes the Facilities and Administrative (F&A) Rate proposal.

**SECOND TAB – FINAL RATE CALCULATIONS**

The information contained in the second tab of this workbook summarizes all of the information that was input in the previous tab. The information is broken up as follows:

**Direct Service Agreement Expenses in Aggregate**

This section provides the aggregated totals for salaries and benefits, non-labor expenses, and capital equipment and service contract expenses. The total of all of these represents the total direct cost in performing the service.

**Utilization**

This section allows for the billing basis, such as hours or samples, to be defined. In addition to providing the billing basis, the anticipated number of units of the billing basis (e.g. 100 hours or 100 samples) to be
provided to the external agency is also required. This should be categorized using the three (3) external agency categories provided in the worksheet.

**Rate Calculation**

This section takes the total direct costs of the entire revenue service and calculates a billing rate. This section also allows for indirect costs to be included in the billing rate, which is an allowable addition per APM-020. The indirect cost can either be entered in the form of a rate or a specific amount per billing unit.

In many cases, use of the approved institutional indirect cost rate is acceptable.

**Reconciliation to Budgets**

This section allows for the expenditure chart-strings (FAUs) that will be used in providing the service to be identified, as well as the amount that will be charged to each FAU. This section is required and if the information is not provided, the workbook will be sent back for completion.

**Commercial Sources Certification**

The costs that are being charged to the external agency when providing these services should in no way be in competition with any commercial sources that offer a similar or identical service. Verification of the proposed service being offered by other commercial sources is required as part of the rate development process. If the required information is not provided, the workbook will be sent back for completion.