



Service Center Procedures

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1.0 Procedures Overview

This document describes the roles, responsibilities, process and procedures to be performed by the University Corporation at Monterey Bay (“Corporation”) and CSU Monterey Bay (“CSUMB) personnel in the set-up and ongoing monitoring of service centers in accordance with the Corporation’s Service Center Policy document.

The Service Center Policy should be referenced for all applicable federal and state regulations and CSUMB definitions and requirements. These procedures address the assignment of activities to personnel and include instructions, templates, and tools.

The Corporation Controller should be contacted with any questions regarding these procedures.

2.0 Roles and Responsibilities

A. Service Center Manager (or personnel)

The Service Center Manager is responsible and directly accountable for the service center operations and has the following responsibilities:

1. Request a billing rate for each type of service that will charge users. (Refer to the Service Center Policy for definition of internal and external users.) The billing rates should include only those costs as described in the Service Center Policy. The billing rates should comply with the requirements of Federal Circular A-21 and the Service Center Policy and include calculation of any carry-forward adjustment.
2. Determine the rate development methodology that is most appropriate, i.e., use historical expenditure data, projected expenditures, or both.
3. Ensure users are not charged a new billing rate before it is approved by the Corporation Controller.
4. At least annually review the service center’s projected revenue and expenses. If the cash balance is projected to exceed the allowed 60 days operating expenses at the end of the service center break-even cycle, submit a request for a mid-cycle adjustment to the billing rate. Cash must not be transferred out of the service center to correct any excess cash balance problems. Additionally, each service center rate must be evaluated separately. A surplus in one rate cannot compensate for a deficit in another rate.
5. Monitor billings to ensure rates charged are approved. Ensure that rates charged to external users and internal users are in compliance with the Service Center Policy document, including ensuring that any subsidized billing rate is charged to another funding source, e.g., discretionary department funds.
6. Prepare billings and related supporting documentation for all service center charges in a timely manner.

7. Ensure service center usage is adequately documented through records, such as daily logs.
8. Submit financial performance data to the Corporation Controller at the end of every break-even cycle.

B. Department Chair

The Department Chair's responsibilities include:

1. Provide initial approval of all new service centers.
2. Make recommendation to the Dean for the establishment of new service centers.

C. Dean

The Dean's responsibilities include:

1. Review and approve the Department Chair's recommendations for new service centers.
2. Approve the use of discretionary department/college funds to subsidize service center billing rates for internal users, as necessary.

D. Corporation Controller

The Corporation Controller's responsibilities include:

1. Approve and facilitate new service center set-ups, including exceptions for long-term break-even scenarios, as defined in the Service Center Policy.
2. Approve billing rate and carry-forward calculations submitted by the Service Center personnel.
3. Monitor overall CSUMB compliance with the Service Center Policy.

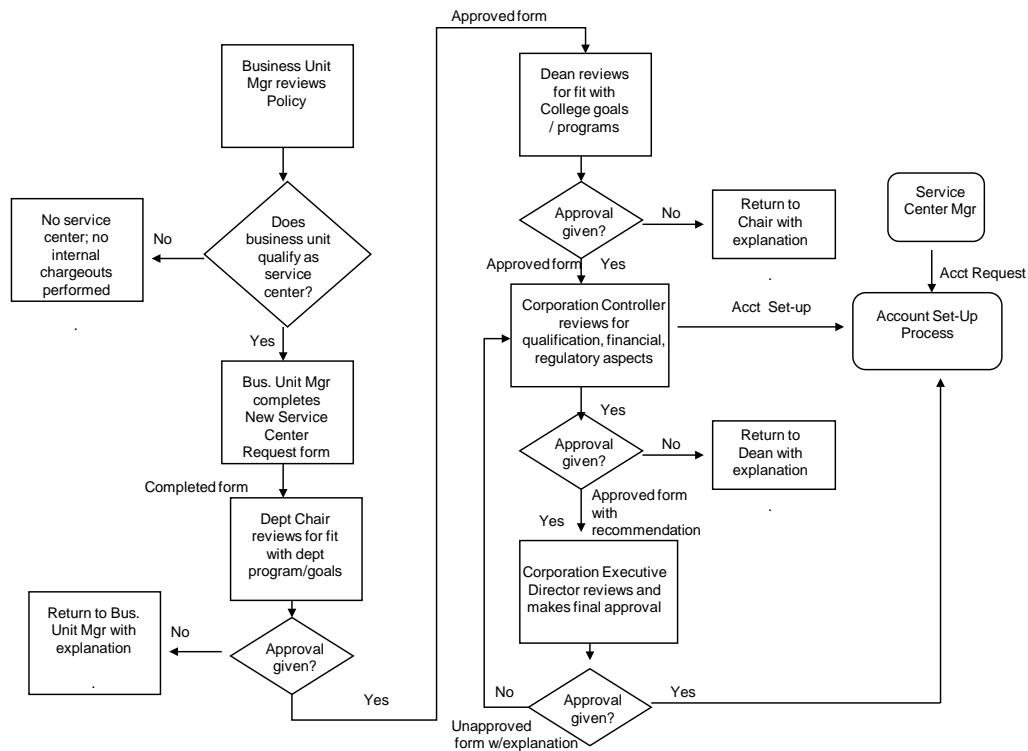
E. Corporation Executive Director

The Corporation Executive Director's responsibilities include:

1. Provide final approval for the establishment of all new service center set-ups, including exceptions for long-term break-even scenarios.

3.0 Process for Establishing a New Service Center

The following flowchart shows the basic process for requesting the establishment of a service center. A more detailed description of the steps follows the flowchart.



- A. Business unit manager reviews Service Center Policy to determine whether the business unit qualifies as a service center.
- B. Business unit manager completes the New Service Center Request form (Attachment A), which includes:
 - a. Concept Plan
 - b. Complete description of the service to be provided, expected users and user types (i.e., internal user, external user), and number of service lines that require a separate billing rate. For example, a service center may have 3 internal user billing rates for each of their service lines and 1 external user billing rate.
 - c. Reasons for creating the service center and how it fits into the department program.
 - d. Break-even cycle (two-year cycle is recommended). Refer to Section 4.0 for the definition of the break-even cycle for service centers.
 - e. High level projection of the costs, estimated usage, and billing rate calculation for each service line, showing that projected revenue will

offset projected expenses over the break-even cycle. Refer to Sections 4.0 and 5.0 for the break-even concept and billing rate calculation procedures.

- C. Business unit manager submits the New Service Center Request form to the Department Chair for approval and signature.
- D. Department Chair reviews the request. If approved, the Chair submits the signed form to Dean/AVP.
- E. Dean reviews the request. If approved, the Dean submits the signed form to Corporation Controller.
- F. Corporation Controller reviews the request. If approved, the Controller submits the signed to the Corporation Executive Director for final approval and signature.
- G. The Corporation Executive Director provides final approval and signature.
- H. Corporation Controller notifies the new Service Center Manager of the final approval and requests the Service Center Manager to complete a Chartfield Request/Update form so that a new fund can be established for the new service center.
- I. Service Center Manager completes the Chartfield Request/Update form, which requests that an account (fund) be set-up to account for receipts and expenditures associated with the service center. The form also identifies signature authority for the service center operating fund. The form is submitted to the Department Chair and Dean for approval and signatures and then sent to Accounting for chartstring assignment.

4.0 Service Center Procedures

- A. Submit billings based on the approved service billing rate(s) in a timely manner.
 - a. Charges to users based on a billing rate that is lower than the calculated billing rate must also include an account number (e.g., department or college discretionary fund) for the subsidy.
 - b. The support for the charges, including original documentation of expenses and usage, should be retained by the service center and copies of the documentation should be attached to the billings.
 - c. A service should not be billed until the service has been rendered; advance billings are not appropriate.
 - d. All billings must include:
 - i. Chartstring to be charged
 - ii. Chartstring of the service center operating fund where the revenue should be deposited
 - iii. Purpose of the charge and basis for allocation of charges among several account numbers, when applicable
 - iv. Nature of the services rendered (e.g., days at sea, hours of rental)
 - v. Number of usage units (e.g., number of hours or days)
 - vi. Amount charged per unit (approved billing rate)

- vii. Dates of service
- viii. Signature of the Service Center Manager

- B. At least once during the break-even cycle, review actual revenue and expenses against the projected revenue (based on usage at the approved billing rate) and expenses. If the cash balance at the end of the cycle is projected to exceed a 60-day operating reserve, a mid-year adjustment to the approved billing rate(s) is recommended. If multiple billing rates are established, keep in mind that cash surplus/deficit cannot be covered by other billing rates. For example, a service center with 3 internal user billing rates may have a cash surplus that exceeds a 60-day operating reserve. Two of the billing rates have cash surpluses that exceed the 60-day operating reserve; one does not. A mid-year billing rate adjustment would apply to only the 2 billing rates with the cash surpluses that exceed the 60-day operating reserve. Each billing rate's projected cash balance is evaluated separately. Refer to Section 4.0 for more information on how the 60-day operating reserve is calculated.
- C. At the end of the break-even cycle, review actual revenue and expenses. If a cash surplus exceeds the 60-day operating reserve, a carry-forward adjustment must be made to the next cycle's billing rate.
 - a. If an external user billing rate is used by the service center, the amount of the surplus that is the result of charging a higher billing rate should be excluded from the calculation of the carry-forward adjustment to future billing rates. This surplus amount should be transferred to a separate chartstring and may be used as a source of funds for equipment purchases or replacements.
 - b. If some users are not charged for the services or are charged at reduced billing rates, the full amount of the revenue related to their use of the services must be included in computing the service center's surplus or deficit at the end of the break-even cycle. This is necessary to avoid having some users (particularly federal or state) pay higher billing rates to make up for the reduced billing rates charged to other users.

Determine the best methodology for calculating the next cycle's billing rate. This may include projecting revenue and expenses based on the last cycle's actual expenses and usage, along with anticipated changes in expenses, usage, new or discontinued service lines (separate billing rates), and projected awards in which the service center usage is included in the project budgets.

- D. Submit to the Corporation Controller the next cycle's billing rate, along with a financial picture of the service center's expenses, usage, revenue for the past cycle, and projected revenue and expenses that support the requested billing rate. Include carry-forward adjustment calculation and billing rate calculation methodology. Refer to Section 5.0 for billing rate calculation details.

If a billing rate changes, send a copy of the approved billing rate to the Department Chair and Dean/AVP so they are aware of the change in billing rate for the service center.

5.0 Break-Even Concept

As indicated in the Service Center Policy, the service center is established with an approved billing rate(s) for an established break-even cycle that does not exceed 2 years. The break-even cycle means that at the end of the cycle the service center should not have a surplus that exceeds a 60-day operating reserve. The 60-day operating reserve is calculated as follows:

$$\frac{\text{Total Operating Expenses for 1 year}}{365 \text{ days}} \times 60 \text{ days} = 60 \text{ Day Operating Reserve}$$

If the service center break-even cycle is two years, the 60-day operating reserve is calculated the same as above.

If the service center generates a surplus at the end of a break even cycle that is greater than the allowed 60 day operating reserve, that surplus must be “carried forward” as an adjustment to future billing rates or be refunded to the users.

6.0 Billing Rate Calculation

- A. Service Center Manager must decide whether to develop internal billing rates or to also develop an external billing rate. Refer to the Service Center Policy for the definition of the two types of billing rates along with the components that make up the billing rates. The key difference between the two types of billing rates is that certain additional costs can be included in the external user billing rates. These additional costs, which cannot be included in the internal user billing rate calculation, include the following:
- a. Depreciation on equipment purchased by the Federal or California state government or through a non-federal sponsored agreement.
 - b. Unallowable costs, per OMB Circular A-21. Refer to the Service Center Policy for more details.

Additionally, the Service Center Manager should consider whether the service center will serve external customers and if so, will the difference in the internal and external user billing rates warrant the additional administration efforts necessary to maintain and monitor the two separate billing rates.

- B. All service center billing rates are developed by dividing the estimated cost of the service center operation by the estimated usage units. The billing rate is then charged to each unit of service provided to recover the service center operating costs. The billing rate is calculated as follows:

$$\frac{\text{Budgeted Direct Expenses}}{\text{Budgeted Usage Units (e.g., hours, days)}}$$

Note: Please refer to the Service Center Policy for applicable expenses that can be used in calculating the billing rate.

The budgeted usage units is the volume of work expected to be performed, expressed in units (e.g., ship days, machine hours, boat rental hours, CPU time). This billing rate, based on budgeted activity, is applied to the actual activity when charging users.

- C. If two types of billing rates are developed (internal user and external user billing rates), the external user billing rate can include unallowable expenses where the internal user billing rate cannot.

Internal User Billing Rate Calculation:

$$\frac{\text{Budgeted Allowable Direct Expenses}}{\text{Budgeted Usage Units}}$$

External User Billing Rate Calculation:

$$\frac{\text{Budgeted Allowable + Unallowable Direct Expenses}}{\text{Budgeted Usage Units}}$$

- D. Ongoing billing rate calculations may include carry-forward adjustments if the cash balance at the end of the preceding break-even cycle exceeded a 60-day operating reserve or if there was a deficit. Below are sample billing rate calculations with carry-forward adjustments for a service center that has completed its first 2-year cycle and is calculating the billing cycle for the next 2-year cycle. Note that the billing rate is calculated on the projected budget of the 1st year of the subsequent 2-year cycle:

- a. Example 1: Service Center XYZ with a 2-year break-even cycle

Prior Year's Actual (Year 2 of Initial 2-yr cycle)		Projected Budget for Year 1 in Subsequent 2-year cycle	
Total Revenue	\$105,000	Budgeted Revenue	\$110,000
Total Expense	<u>\$100,000</u>	Budgeted Expense	\$110,000
Surplus	\$ 5,000	Carry-Forward Adjustment	<u>\$0</u>
Usage (unit=days)	100 days	Budgeted Usage (days)	100 days
Approved Billing Rate	\$1,050/day	Requested Billing Rate	\$1,100

60-Day Operating Reserve: \$16,438 (\$100,000 Actual Expenses / 365 days x 60 days = \$16,438)

Expenses are expected to increase from \$100,000 to \$110,000 due to a costly repair that is planned. Usage is not expected to change. Therefore, billing rate is calculated to increase to \$1,100 in order to have revenue offset expenses. Surplus from prior year is not included in the billing rate calculation since it does not exceed 60-day operating reserve.

b. Example 2: Service Center ABC with a 2-year break-even cycle

Prior Year's Actual (Year 2 of Initial 2-yr cycle)		Projected Budget for Year 1 in Subsequent 2-year cycle	
Total Revenue	\$120,000	Budgeted Revenue	\$120,000
Total Expense	<u>\$100,000</u>	Budgeted Expense	\$110,000
Surplus	\$20,000	Carry-Forward Adjustment	<u>(-\$3,562)</u>
Usage (unit=days)	120 days	Budgeted Usage (days)	120 days
Approved Billing Rate	\$1,000/day	Billing Rate to break even	\$887/day
		Requested Billing Rate	\$1,000/day

60-Day Operating Reserve: \$16,438 ($\$100,000 \text{ Actual Expenses} / 365 \text{ days} \times 60 \text{ days} = \$16,438$)

Billing rate for prior year was based on usage being 100 days. However, usage was 120 days, resulting in increased revenue and a \$20,000 surplus at the end of the 2-year cycle. Expenses for the next year (Year 1 of the subsequent 2-year cycle) are expected to increase from \$100,000 to \$110,000 due to a costly repair that is planned. Usage is not expected to change. The surplus carry-forward is \$3,562, which is the amount of the surplus that exceeds the \$16,438 60-day operating budget. In order for the revenue to offset the total budgeted expense of \$106,438 (\$110,000 planned expenses less the \$3,562 surplus carry-forward), the billing rate would need to be \$887/day and the usage at 120 days in order for the revenue to completely offset the \$106,438 total budgeted expense. In this case, the Service Center Manager may make a business decision to keep the billing rate at \$1,000/day since the surplus at mid-cycle (after Year 1) would be within the allowed 60-day operating reserve. The Service Center Manager would need to watch carefully that the surplus was within the 60-day operating reserve at the end of the 2-year break-even cycle.

Attachment A. New Service Center Request Form.

The New Service Center Request form accompanies this document. It is an Excel worksheet comprised of:

1. New Service Center Application form
2. Use Rate Calculation form
3. Instructions for completing the Use Rate Calculation form
4. Sample Use Rate Calculation form.