**The University of Chicago**

**Recharge Rate Calculation Worksheet**

**Background**

The purpose of the Recharge Rate Calculation Worksheet is to provide uniform guidance to University of Chicago recharge operations for calculating and establishing the recharge center rates. All new recharge operations are to complete the recharge rate calculation worksheet and provide the rate calculation worksheet with their request for a recharge operation FAS account. Existing recharge operations are to complete the recharge rate calculation worksheet annually (due end of May each year as new rates are effective July 1). It is encouraged that recharge operations perform a mid-year review to ensure the recharge is on track to break-even by year-end. This mid-year review may require a rate adjustment, which would require approval from Financial Services. The recharge rate calculation is a critical audit document as it assists with the demonstration of compliance with Uniform Guidance.

**General Principles**

Underlying the rate calculation spreadsheet are the following key principles:

* Rates developed for federal programs must be developed in compliance with the Uniform Guidance cost principles and the costs must be allowable (Refer to Appendix A for allowable/unallowable cost guidance).
* The schedule of rates should be established using a documented method. Records must be retained and made available to federal officials as required.
* A given rate must be based on actual/estimated costs (versus an amount derived from the market or a “historical” rate that cannot be documented) and charged based on actual usage.
* Rates cannot discriminate between internal users (i.e., one internal user cannot subsidize the cost of providing the same product/service to another internal user).
* A unit may “sell” its products/services to external users (individuals and/or organizations outside of the University), but such sales should be incidental.
* The same rate does not have to be charged to internal and external users. If internal users are billed using a lower rate than the federal (calculated) rate, other source(s) of funding will be provided to make up the difference so the government does not share in the service center subsidy (i.e., internal users cannot be charged a rate higher than the calculated rate but if they are charged less than the calculated rate, the rate differential should be covered by a unit/division subsidy or external users should be charged a higher rate than the calculated rate).
* Over time, a unit which charges users should **break even, or recover no more than the total cost** of providing the good(s)/service(s). A unit may lose money on its operations, but it may **not** earn a profit (except in the case of external users). “Total cost” is defined by the rate calculation methodology/recharge rate type established for that unit.

**Determining the Rate Calculation Methodology/Rate Type**

Prior to utilizing the recharge rate calculation worksheet, the recharge center must first determine the best mechanism to bill users. There are three rate methods:

Pass-through rates: These are applicable to departmentally-based activities where costs are captured in one subaccount and then transferred to the user based on actual usage. No value from department personnel is provided. The cost/rate transferred represents only the invoiced or direct cost of the product/service. For example, a recharge operation purchases supplies and sells them to a user at the exact cost that was paid to purchase the supply. If a recharge center will be considered a pass-through rate recharge, this requires annual review/approval from the Director, Accounting & Financial Reporting.

Partially costed rates: These are applicable to recharge centers that provide specialized products/services to University users. Value from unit personnel is provided. The rates represent the direct cost of the products/services and the unit-specific indirect costs. The University’s organized research F&A rate is applicable to these charges when passed to the user. The majority of recharge centers fall into this category and this requires completion of the recharge rate calculation worksheet.

Fully costed rates: These are applicable to recharge centers that designated as “specialized service facilities,” where the activity is of a highly complete and specialized nature (i.e., the University’s Animal Resource Center). The rates represent the direct cost of the products/services, the unit-specific indirect costs, and an allocation of University –wide indirect costs. The University’s organized research F&A rate is not applicable to these charges when passed to the user).

**Instructions for Completing the Recharge Rate Calculation Worksheet**

As the majority of University recharge operations are considered partially costed, those recharge centers should complete the recharge rate calculation worksheet annually. Boxes that are shaded require review/completion by the recharge operation.

***Tab 1 (Description of Services)****:* The purpose of this tab is to identify the core products/services that will be provided by the recharge center. This is an important tab as it summarizes the core activity performed by the recharge center. A few consideration items:

* If the rate calculation worksheet is being completed by a new recharge, please identify the FAS account as ‘TBD.’
* Each service line that will be provided should be clearly identified with a description that gives an ordinary user the ability to understand what service is being provided.
* The list of external customers does not need to include 100% of external customers, but should highlight the majority of customers and/or the external customers anticipated to provide the most external business to the recharge.

***Tab 2 (Effort Billable Hours):*** The purpose of this tab is to identify the individuals who will be charging payroll/fringe to the recharge center, as well as projecting their effort by service line. The following should be reviewed and updated, if needed:

* Name/Role: This identifies all individuals, including their title/role, projected to have effort expended on the recharge during the following fiscal year. If there is an open position at the time the worksheet is completed, that individual may be listed as TBD; however, the role they will fulfill should be clearly identified.
* Hours Worked per Week: Please enter the hours per week that an employee is scheduled to work (NOTE: this should agree to the employee’s scheduled hours per UChicago Time).
* Vacation Days per Year: This should reflect the annual days of vacation time the employee is entitle to, if applicable, as outlined in HR Policy 509 – Vacation (Note: this should agree to the employee’s UChicago Time records).
* Personal Holiday Days per Year: This should reflect the annual days of University Personal Holidays the employee is entitled to, if applicable, as outlined in HR Policy 511 – Personal Holidays (Note: this should agree to the employee’s UChicago Time records).
* Sick Days per Year: This should reflect the annual days of sick leave the employee is entitled to, if applicable, as outlined in HR Policy 512 – Sick Leave (NOTE: this should agree to the employee’s UChicago Time records).
* Holiday Days per Year: This should reflect the annual days of University Holidays the employee is entitled to, if applicable, as outlined in HR Policy 510 – University Holidays (Note: this should agree to the employee’s UChicago Time records).
* % Effort: For each individual identified, their time should be split between the anticipated effort on the recharge for which the spreadsheet is being completed, the anticipated effort on other recharge operations and the anticipated effort on all other projects (e.g. unit/divisional responsibilities unrelated to the recharge, effort on research activities, effort on instruction, etc.). The % of Total Effort must equal 100%.

The input of the above data fields will populate the Total Hours Per Year, Total Benefit Hours and Total Available Hours sections. The Total Available Hours reflects the total potential hours that may be allocated to the recharge operation. After the above data fields are input, the total recharge hours/year must be allocated among the various each service line, as well as Administrative time, within the Recharge Hours by Service section:

* Non-Service/Administrative Time: This should reflect projected effort (hours will calculate based on the estimated percentage effort input) spent performing managerial duties (supervising the overall center), performing direct administrative support for the recharge center (i.e., billing, collections, etc.), professional development directly related to the recharge (i.e., conferences, recharge center staff training sessions, etc.), or other time that is not directly tied to supporting a service line but is directly linked to the operations of the recharge center.
* Direct Service Line Time: This should reflect projected effort (hours will calculate based on the estimated percentage effort input) spent performing either a direct service to users on that respective service line or providing ancillary support to the respective service line, such as maintenance/repair used by that service line, quality control of the finished product, etc.

When completing the above data fields, it is important to pay attention to the “Are All Hours Allocated?” field. If this field says No, the total hours to be assigned to the recharge have not been fully allocated and will need to be reviewed. Once the Recharge Hours by Service section has been completed the final step on this tab is to break-out non-service/administrative time. Each individual with allocated administrative/non-service time will need to allocate their hours between supervision/facility management, professional conferences/development/training, and all other. If the ‘Other’ category is used, an explanation of what activities are being performed should be identified.

***Tab 3 (Salary & FB Exp):*** The purpose of this tab is to capture actual (not estimated unless there is a TBD/open position) salary and fringe benefit expense for each individual identified on the Effort Billable Hours tab. The following fields require input:

* Fringe Rate: This information is available on the URA website and the should be input based on the percentage provided on the URA website (e.g. the finalized fringe benefit rates for FY17 would be listed on the worksheet as 26.8% for Benefits Eligible – Federal Rate, 7.2% for the Benefit Ineligible Rate and 29.8% for the Benefits Eligible / University Rate).
* Total Base Salary: The base salary input should equal the employee’s base salary in Workday (the base salary doesn’t include bonuses, relocation reimbursements, etc.).
* Employee Type: This is a drop-down box. For each employee, they should be identified as either Benefits Eligible or Benefits Ineligible as defined by University HR policy. This field drives other calculations and must be input.

The above inputs calculate the allowable salary and fringe benefit expenses to be included within the recharge rate. As all recharge centers are on Ledger 2 FAS accounts, the non-federal fringe rate will always be applied to Benefits Eligible employees by Workday; however, the difference between the federal fringe rate and the non-federal fringe rate is an unallowable cost. See Appendix A for more information on Allowable versus Unallowable Costs.

***Tab 4 (Non-Labor Exp):*** The purpose of this tab is to capture all non-labor expenses associated to the operations of the recharge center. The total projected costs for the next fiscal year should be assigned by category within the ‘Projected Expenses’ column and then allocated to each service line based on estimated usage of services/supplies by each service line. If costs cannot be easily categorized by service line, it is recommended that the costs be allocated as a percentage of revenue. For example, if a recharge operation has five services (Service 1 generates 60% of total recharge operation revenue and Services 2-5 each generate 10% of total recharge operation revenue) and buys general supplies to be used for the entire recharge operation the cost of those should allocated as 60% to Service 1 and 10% to Services 2-5. The percentage allocation must equal 100% as noted in the Total column (DA). A few items to highlight on this tab:

* Equipment Purchases / Depreciation Expense: The government does not allow equipment to be included (i.e. purchased on a recharge account) in recharge rates but does allow a recharge to capture the associated depreciation expense related to the equipment purchased for the recharge in the rate calculation. As depreciation is a non-cash expense, Financial Services has created special accounts specifically to capture equipment purchases and depreciation expenses for the use of recharge operations (depreciation recovery accounts – see Procedure Manual for additional information). The amount charged to the recharge equipment purchase FAS account should be in direct proportion to the use by the recharge (i.e., if the recharge will only use the equipment 50% of the time, 50% of the cost should be allocated to the recharge equipment purchase account and 50% should be allocated to another FAS account). The useful life is determined according to University policy and must agree to University Property Management records. Please contact Financial Services before charging equipment or determining how much depreciation expense is allocable in the rate calculation.
* Unallowable Expenses: Unallowable expenses (listed in Appendix A) cannot be included in the rate charged to internal users; therefore, these expenses **must** be charged to a non-recharge FAS account. Even if unallowable costs are excluded from the rate calculation, the University does not allow unallowable costs to be charged to a recharge FAS account as those costs could be included in the surplus/deficit at year end. As the year-end surplus/deficit is factored into the next year’s rate calculation these unallowable expenses may inadvertently be included in a future year rate. The only exception is the unallowable portion of the fringe benefit rate due to system limitations. This unallowable portion of the fringe benefit expense **must** be covered by a subsidy transfer prior to the close of the fiscal period.

***Tab 5 (Equipment):*** The purpose of this tab is to calculate the depreciation expense per year that is allowable to be included in the rate calculation. The information input into this tab must agree to the University Property Management System (please contact capitalassets@cticket.uchicago.edu for equipment information, including funding accounts, equipment life, etc.). The amount of depreciation expense that is allowable on the recharge is only to the extent of the purchase amount on the specially designated recharge equipment purchase account. Any equipment charged to a non-recharge FAS account is factored into the University’s Facilities & Administrative (F&A) rate; therefore, including those costs into the rate would essentially result in double charging the government. Some recharge operations are heavily subsidized and therefore, may elect to not include depreciation expense in their rates. Recharge operations should consider reaching out to their respective Division representative to determine if they should or should not include depreciation expense. The following fields require input for any equipment **purchased** on the FAS recharge equipment account (all fields below must agree to the University Property Management System):

* Tag #: This field represents the University Asset Tag number physically affixed to the recharge equipment. Some equipment may not be taggable and within the University Property records is assigned a “Y” asset number.
* Description: This field represents a brief description of the type of equipment purchased (e.g. confocal microscope).
* Manufacturer: The company/organization that manufactured the equipment as this can be a helpful identifier of the asset if the asset tag is not visible.
* Acquisition Date: This is the date the asset was acquired by University records, as this date determines the application of depreciation expense.
* First Fiscal Year for Depreciation: As defined by University Policy 1004, assets acquired in the first half of the fiscal year will have a full year of depreciation expense versus assets acquired in the second half of the year, which will have no depreciation expense in the year of acquisition. Assets acquired in the second half of the year will have a full year of depreciation expense in the fiscal year subsequent to acquisitions. Therefore, this information is based on the acquisition date.
* FAS Account(s) that Funded Equipment: As equipment purchases may be split across accounts, this field should reflect all accounts utilized to purchase the equipment (e.g. this must include the FAS recharge equipment purchase account and may include other accounts such as capital project accounts, grant/gift accounts or other unrestricted FAS accounts).
* Total Cost: This should be the total capital cost of equipment as recorded in University Property records.
* Non-Recharge Contribution: This should reflect the amount of total cost value **not** purchased on the designated FAS recharge equipment purchase account.
* Equipment Life: This reflects the useful life as identified in University Policy 1004. Capital Asset Accounting may authorize an exception to the useful life outlined in policy, but this exception is documented as part of University Property Management records and therefore, the useful life, similar to other attributes, must agree to University Property records.
* Years of Useful Life Remaining: This field helps the recharge ensure they do not include too much depreciation within the rate calculation.

The above data fields will populate the depreciation expense amount that is allowable for rate calculation purposes, which must be allocated to the service lines that utilize the associated equipment. Within the Allocation of Equipment Expenses to Services, each piece of equipment should be allocated by estimated percentage of usage to each service line. For example, if a microscope is equally utilized between Service Line 1 and 2, the % section should be updated within these two Service Lines to reflect 50%.

***Tab 6 (SD in Aggregate)****:* The purpose of this tab is to ensure any surplus or deficit (“SD”) is factored into the rates as all recharges should be operating to breakeven. This tab is not applicable for new recharge operations, but must be completed by any recharge that has been existence more than one fiscal year. The aggregate surplus or deficit can be determined by reviewing the recharge GL account.

 Q: How do I know what GL account relates to my recharge?

A: Within the FAS mainframe, you can determine what GL (general ledger or 0 ledger) account is mapped to your recharge account. Go to inquiry screen 5 and the top right column will show a field named map code. The map code is your GL. For example, if the map code shows ‘12345’ then the GL account mapped to the recharge account is 0-12345.

Q: I found my GL recharge account, but how do I determine the surplus or deficit?

A: Subsidiary ledgers (ledgers 1-9) are accounts that show activity by fiscal year. Each year, the SL account ends the year by either taking in more revenue than expense (surplus position) or incurring more expenditures than revenue (deficit position). At the end of each year, the surplus or deficit zeros out in the SL account but the balance becomes part of the Fund Balance in the GL (for recharge accounts this is account control 3120). The fund balance is the accumulation of each individual year’s surplus or deficit. The fund balance can be viewed either in the FAS mainframe (screen 14) or within eLedgers. If a fund balance is a credit (-) balance, this indicates an overall surplus position and a debit balance (+) indicates that the recharge is in an overall deficit position.

Detailed explanation on the completion of this tab is available within the worksheet.

***Tab 7 (SD by Service)****:* The purpose of this tab is to allocate the amount of surplus/deficit calculated in Tab 6 to be included in the rate calculation and apply it to each service line. This tab is not applicable for new recharge operations, but must be completed by any recharge that has been existence more than one fiscal year.

***Tab 8 (Summary):*** This tab summarizes all information from previous tabs that should or should not be included in the internally calculated rate. Allowable expenses are summarized in the ‘Expenses’ section at the top of the sheet and are based on inputs from prior tabs. The following fields require edits:

* Planned Subsidy to Reduce Rates: If the recharge operation is aware of or has an existing agreement whereby the department/division is providing a subsidy to the recharge to keep rates low, this subsidy amount (e.g. $50,000) should be entered on this line. If the subsidy is to support all service lines, the subsidy amount should be allocated evenly (e.g. $50,000 subsidy is allocated across 5 service lines and therefore, the planned subsidy amount for each service line should reflect $50,000/5=$10,000). If the subsidy is for specific service lines, the amount should be allocated proportionally to those respective service lines.
* Current FY Utilization: This should reflect actual number of users by type (Internal University of Chicago users, External Academic Users or External Commercial Users) for the current fiscal year. As the rate calculation is completed before fiscal year end, this can include an estimate for June users.
* Total Current FY Utilization: This field reflects how utilization is measured. For example, if consulting services are performed, the field should be input with “hours,” if widgets are produced this field should reflect “units”, etc.
* Projected Utilization for Next FY: As this spreadsheet is intended to calculate the next fiscal year’s rates, the projected utilization must also be estimated. It is recommended that historical utilization rates be utilized to determine the projected utilization.
* Total Projected Utilization for Next FY: This field reflects how utilization is measured. For example, if consulting services are performed, the field should be input with “hours,” if widgets are produced this field should reflect “units”, etc.

The above inputs produce the allowable/maximum billing rate for internal users. This calculated rate is based on inputs from all other sections of the worksheet and provides audit support to the government that the recharge operation has a methodology in place to ensure the government is not overcharged for goods/services. Once this rate is calculated the recharge must determine what rates will be charged to internal and external users. It is recommended that the rates input into the Established Billing Rates be completed while also reviewing the section “Reconciliation to Budgets.” The Reconciliation to Budgets section provides information on what rates/subsidies are needed to achieve a break-even status. A few important reminders when determining the Established Billing Rates for Next FY:

* University of Chicago internal users must be billed at a rate equal to or less than the “Calculated Billing Rate for Next FY.” Billing at a rate lower than the calculated rate indicates that costs will either be recovered by a subsidy or higher rates charged to external customers.
* All University of Chicago internal users must be billed at the same rate (by service).
* External User rates can be higher than the calculated rate in order to cover any budget shortfalls with subsidized internal costs. As recharge operations should operate at a break-even status, the rate charged to external users should not be so high as to continually cause surpluses for the recharge operation.

***Tab 9 (Budget Template):*** This tab is to assist in the creation of a three year budget for the recharge operation. Column E corresponds to the next year’s budget. The expenses data will prepopulate from the previous tabs. The revenue section should correspond to the ‘Project revenues from services’ section on the Summary tab (tab 8). This does not pre-populate as it allows the user to breakout revenue based on the anticipated source (refer to the [FAS User Manual](http://adminet.uchicago.edu/fasmanual/docs/3.a.ii.0.shtml) for additional information on the breakout of revenue subaccounts). If the total revenue manually populated does not total the ‘Projected revenues from services’ on the Summary tab and error message will appear. The two subsequent years budget projections should be manually populated based on anticipated service level or expense level changes in those subsequent periods.

**Appendix A: Allowable versus Unallowable Costs**

***Allowable Costs***

Generally, direct operating costs associated to the recharge center are considered allowable.

* Salaries and wages of employees working for the recharge center (Note: Salaries/wages of administrative support staff for the recharge, such as the billing specialist, is allowable. Salaries/wages of general administrative or central administrative staff is not allowed.).
* Fringe benefits for the Benefits Eligible – Federal Rate or Benefits-ineligible employee rate (the fringe benefit rates are available at the URA website: <http://ura.uchicago.edu/>).
* Supplies and Materials (consumables)
* Equipment Service Contracts
* Repairs and Maintenance
* Sub-contracts and Other Outside Services

***Unallowable Costs***

For purposes of calculating recharge rates, certain costs are deemed unallowable by the government and should not be factored into the rate calculation worksheet (please also refer to University Policy 1013: Unallowable Costs for additional information on the costs below). Unallowable costs should be charged to a non-recharge FAS account. The following are unallowable costs:

* Advertising Costs
* Alcoholic Beverages
* Alumni Activities and Relations
* Automobiles and Other Transportation for Personal Use or Benefit of Employees
* Bad Debt Losses
* Business Meals and Social Activities\*
* Commencement and Convocation Ceremony Costs
* Contingency Provisions
* Equipment Purchases\*\*
* Fines and Penalties
* Fundraising Costs
* Fringe benefits in excess of Benefits Eligible – Federal Rate
* GEMS Card Charges (subaccount 9910/9913)
* GEMS Card Bank Service Charges
* Gifts to Employees
* Housing and Personal Living Expenses for University Offices
* Institutional Donations and Contributions
* Interest Costs for Internal Loans
* Investment Management Costs
* Lobbying Costs
* Membership for Civic, Community, Social, Travel or Dining
* Miscellaneous Charges (subaccount 9912)
* Pension Costs
* Public Relations
* Student Activity Costs
* Travel costs in excess of lowest available commercial discount airfare, Federal Government contract airfare or customary standard (coach or equivalent) airfare
* Trustee Expenses
* Costs included in the F&A calculation:
	+ Utilities
	+ Operations and maintenance
	+ Interest expense
	+ Building depreciation
	+ Library
	+ Central administrative costs (i.e., Payroll/HR)

*\**Business Meals and Social Activities are sometimes unallowed costs on federal grants and alcohol is never an allowable expense on federal grants. As such, the University recommends that business meals and social activities only be charged to a recharge FAS account if they are integral to the services being rendered to customers.

*\*\**Equipment is not an allowable cost on recharge accounts; however, a recharge center is allowed to include associated equipment depreciation expense in their rate calculation. For additional information on depreciation, refer to the Recharge Procedure Manual.