

Exhibit A. The Process of Starting and Operating a Service Center at NMIMT

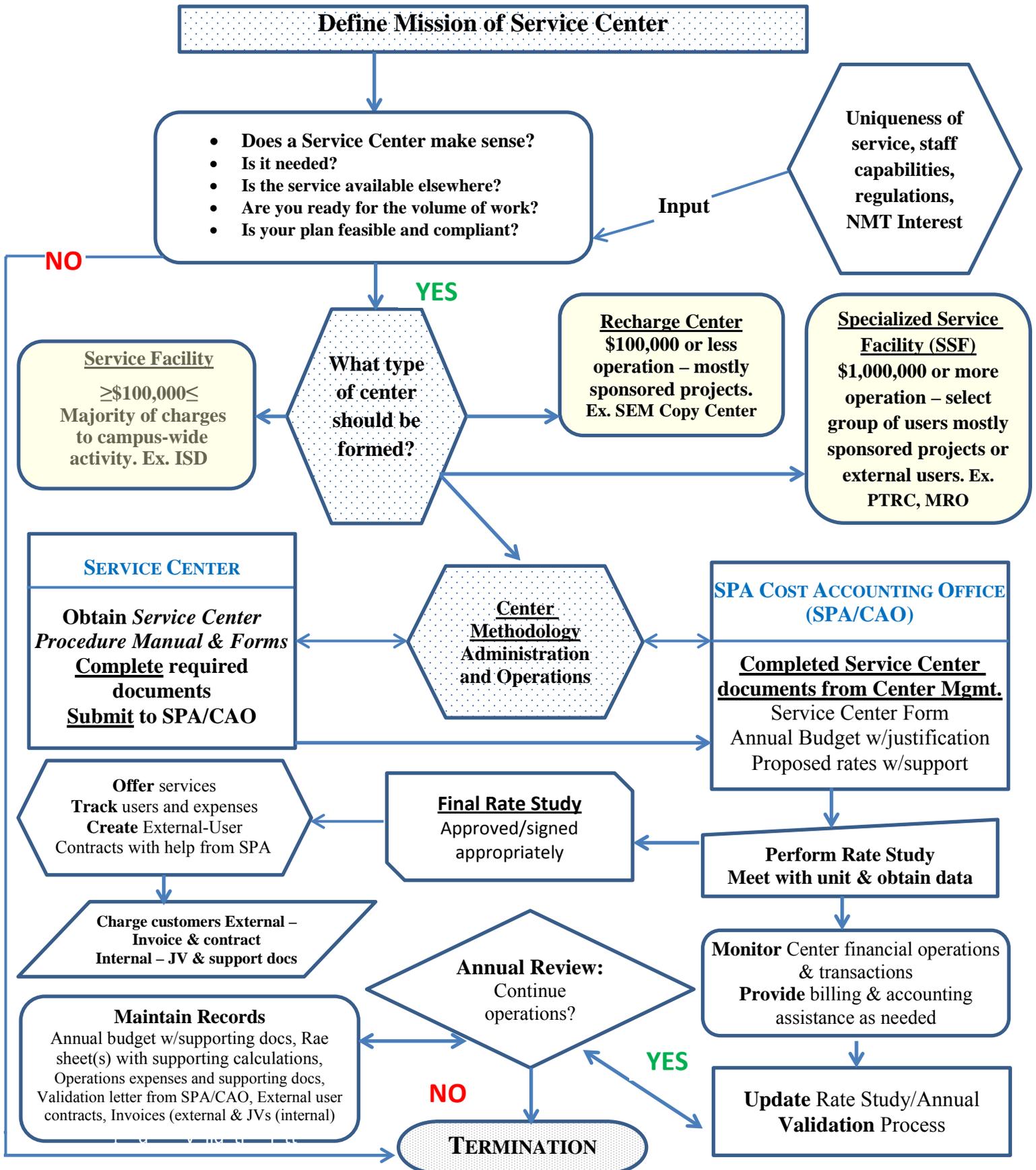


Exhibit B.

Service Center Registration Form

**NEW MEXICO INSTITUTE OF MINING & TECHNOLOGY
SPONSORED PROJECTS ADMINISTRATION /COST ACCOUNTING OFFICE
SERVICE CENTER REGISTRATION FORM**

(Please complete all information and return this form to Cost Accounting Office in Wells Hall Room 4)

Service Center Name:

Initiating Department:

SC Fund No:

Service Center Manager

Title

E-mail address

Phone

Bldg/Room#

Attach a separate sheet, if necessary, to complete any of the following:

Description of Activity, including products and/or services and anticipated users (internal vs. external)

Describe the usage base to be used in the rate calculation (i.e., labor hours, number of units processed, machine time, number of users, number of samples, number of copies, pages, etc.):

Describe how records of usage will be accumulated and maintained:

Identify equipment to be used & method of recovery:

Before submitting this completed form to the Cost Accounting Office, **please also attach an estimated budget** (example provided) for a full operating fiscal year of the service center **and** an illustration of **how proposed rates were calculated** (If it is proposed that the service center begin operations on a date other than July 1, please also provide a proposal and budget for the part of the year in which the service center will be operating.) Any question regarding the completion of information on this form or on the required attachments may be addressed to the Cost Accounting Office, Wells Hall, Room 4, 835-5781. **Cost Accounting Office retains original, fully-executed copy and returns a copy to the Service Center Manager.**

Approval Signatures:

Service Center Manager _____ Date: _____

Department Director/Chair _____ Date: _____

Cost Accountant/SPA _____ Date: _____

Director of Finance _____ Date: _____

Assoc. VP Budget & Analysis _____ Date: _____

Cognizant VP or Director _____ Date: _____

Exhibit C. Financial Management of Service Centers

SPONSORED PROJECTS ADMINISTRATION/COST ACCOUNTING OFFICE FINANCIAL MANAGEMENT OF SERVICE CENTERS

BILLING RATE COMPUTATION

A service center rate is the cost per unit of output. Output is the basis used to recover the expenses of the service center. To compute the rate, service centers should use the following equation:

$$\frac{\text{Budgeted Expenses +/- Prior Year Under- or Over-Recoveries}}{\text{Budgeted Usage Base}}$$

Budgeted usage base is the volume of work expected to be performed, expressed in units.

The two most commonly used methods to measure activity are:

Consumption Base - This type base is used when expenses are directly proportional to how much of a unit of measurement is consumed. For example, if labor and equipment usage costs can be accurately identified as being consumed on an hourly basis, the service center would base its charges on the number of hours of service provided.

Output Base - This type of base is used when the costs of the center are most accurately identified by the number of units produced per year. For example, a machine used to test samples where each test requires approximately the same amount of labor might base its charges on number of samples tested.

Example: a computer costs approximately \$120,000 per year to operate (total allowable costs) and has an estimated activity level of 1,500 hours per year. This results in a rate of $\$120,000 / 1,500 \text{ hours} = \80 per hour . If a researcher uses the computer for four hours for a sponsored project, his or her award is charged 4 hours X \$80/hour or \$320. Once the direct cost of \$320 is charged (using a Journal Voucher) to the sponsored project, the cost is subject to the indirect cost terms of the sponsored project. If the indirect cost rate for the sponsored project is 30%, then the total cost of the 4 hours of computer time is \$416 to the awarding agency. $[(\$320 \times 30\% = \$96) (\$320 + 96 = \$416)]$. The service center receives \$320.

A service center must develop rates so that revenues offset expenses over a reasonable period of time. A service center's surplus or deficit for a given fiscal year should not exceed 10% of annual operating expenses. Any service center with a surplus or deficit greater than 10% of annual expenses at the end of the fiscal year must submit a balance liquidation plan to the Cost Accounting Office. Excess balances should be liquidated within two years.

To the extent that a surplus or deficit is within the break-even range of +/- 10%, that surplus or deficit must be carried forward and the rates adjusted in the following period.

EXHIBIT C continued

For example, the rates submitted for approval for fiscal year ending June 30, 2008 would be based on the 2008 projected volume and expenses plus/minus under/over recoveries carried forward from the fiscal year ending June 30, 2007.

Example 1: Service Center with a Surplus at year end

\$80/hour was charged for 1,600 hours of actual use in FY2007 resulting in revenue of \$128,000. Total expenses were \$120,000 resulting in a surplus of \$8,000. In FY 2008, costs are anticipated to increase by 5% resulting in a budgeted expense of \$126,000. After subtracting the surplus from FY 2007, the basis for recovery for FY 2008 is

	FY 2007 Actual		FY 2008 Budgeted
Total Revenue	\$ 128,000	Budgeted Expense	\$ 126,000
Total Expenses	(120,000)	Less Prior Year Surplus	(8,000)
Surplus	\$ 8,000	Total Budgeted Expense	\$ 118,000

Since the surplus for FY 2007 is within +/- 10% $((128,000-120,000)/120,000=6.67\%)$, it will be subtracted from budgeted expenses in FY 2008, thereby reducing the rate. Assuming the hours of use are the same for FY 2008 as they were for FY 2007, then the new rate for FY 2008 should be \$73.75 per billable hour. $(\$118,000/1600 \text{ hours})$

Example 2: Service Center with a Deficit at year end

\$80/hour was charged for 1,600 hours of actual use in FY 2007 resulting in revenue of \$128,000. Total expenses were \$136,000 resulting in a deficit of \$8,000. In FY 2008, costs are anticipated to increase by 4% resulting in a budgeted expense of \$142,800. After adding the deficit amount from FY 2007, the basis for recovery for FY 2008 is \$150,800.

	FY 2007 Actual		FY 2008 Budgeted
Total Revenue	\$ 128,000	Budgeted Expense	\$ 142,800
Total Expenses	(136,000)	Plus Prior Year Deficit	8,000
Deficit	\$ (8,000)	Total Budgeted Expense	\$ 150,800

Since the deficit for FY 2007 is within +/- 10% $[(128,000-136,000)/136,000=6\%]$, it will be added to budgeted expenses in FY 2008, thereby increasing the rate. Assuming the hours of use are the same for FY 2008 as they were for FY 2007, then the new rate for FY 2008 should be \$94.25 per billable hour. $(\$150,800/1,600 \text{ hours})$

Exhibit D. Sample Rate Calculations

EXHIBIT D

**NEW MEXICO TECH
SPONSORED PROJECTS ADMINISTRATION /COST ACCOUNTING
OFFICE SAMPLE RATE CALCULATIONS**

The following examples provide a general overview of two common approaches to calculating service center rates. The "consumption" approach should be used in more labor intensive situations, while the "output" approach is used to equitably distribute costs of a common measurable product. It is important that the selected activity base relate directly with the elements of the operation that drive costs (i.e. labor or output) to keep rate calculations as simple as possible while yielding reasonable and consistent results.

EXAMPLE 1: ESTIMATING LABOR HOURS (CONSUMPTION)

A machine shop estimates that total expenses for the next year will be \$225,000. Given that there are 2 full time and 1 half time employees working in this service center and that the operations run Monday through Friday during normal University business hours, the following method could be used to develop a reasonable rate to be charged, based upon the "consumption" of the machinists' time:

1. Calculate estimated production hours per person @ 100% time:

37.5 hours/week * 38 academic weeks	1,425 hours
35.0 hours/week * 14 non-academic weeks	490 hours
Subtotal	1,915 hours
Less: Vacation (22 days * 7.37 hours/day)	162 hours
Holidays (10 days * 7.37 hours/day)	74 hours
Estimated contingency for sick and down time (10 days * 7.37 hours/day)	74 hours
Total estimated production hours per person	1,605

2. Multiply times the number of employees:

Number of employees = 2.5 * 1,605 hours/year	4,013 billable hours
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3. Divide total estimated annual costs of operation by the number of billable hours to arrive at an hourly rate:

$$\text{Consumption Rate} = \frac{\$225,000 \text{ Total Costs}}{4,013 \text{ Billable Hours}} \quad \mathbf{56.07 \text{ per hour}}$$

EXAMPLE 2: ESTIMATING UNIT COST (OUTPUT APPROACH)

A department/research center with several copiers determines that the total cost of operating the machines for a year is \$72,000 and that 1.2 million copies are made by various users. The method below may be used to determine a unit cost per copy to charge users:

$$\text{Unit Cost} = \frac{\$72,000 \text{ Total Costs}}{1,200,000 \text{ Copies}} \quad \mathbf{\$ 0.06 \text{ per copy}}$$

EXHIBIT D1					
Fund 270555 - Machine Shop Proposed Budget & Rates FY 2010					
User	machine hours	Cost of Operations	Cost per Base Hour	Indirect Cost (IDC)	Charge Per Machine Hour
Base - Internal User	4,014	\$ 225,000.00	\$ 56.06	\$ -	\$ 56.06
Base + IDC			\$ 56.06	\$ 22.03	\$ 78.09
Plus FMV Adj.					11.91
External User Cost					\$ 90.00

Production Hours	Hours	Pe ople		
37.5 hours/week * 38 academic weeks	1,425			
35.0 hours/week * 14 non-academic weeks	490			
Subtotal	1,915			
Less: Vacation (22 days * 7.37 hours/day)	162			
Holidays (10 days * 7.37 hours/day)	74			
Estimated contingency for sick and down time (10 days * 7.37 hours/day)	74			
Estimated production hours/person	1,605	times	2.5	4,013.65

Costs of Operation:

Student labor - routine paperwork/support (100 hrs * \$7.5/hr = \$750+2%FB)	\$ 765.00
Labor (2 full-time and 1 half-time machinests) + fringe benefits	99,235.00
Materials	30,000.00
Maintenance & Repairs	50,000.00
Travel & training	15,000.00
Depreciation	30,000.00
Total proposed operating costs for FY2010	\$ 225,000.00

* **FMV** = Fair Market Value

External user is one who can not supply a NMT index/fund number to charge for the transaction.

Fund 270555 - By-the-Page Service Center Proposed Budget & Rates FY 2010						
User	# of pages	Assistant Cost	Materials Cost	Cost Recovery	Indirect Cost (IDC)	Cost per Sample
Internal Unassisted	600,000	\$ -	\$0.04	\$24,525.00		\$ 0.04
Internal Assisted	590,000	\$ 0.04	\$ 0.04	\$46,683.75		\$ 0.08
External Assisted	10,000	\$ 0.04	\$ 0.04	\$ 791.25	\$ 214.43	\$ 0.10
* Plus FMV Adj.						\$ 0.05
# External User Cost						\$ 0.15
Est. annual samples:	1,200,000			\$72,000.00		

Assisted Jobs	<u>User Type</u>	<u>#</u>	<u>Cost</u>
Two students (3000 hrs * \$7.5/hr = \$750+2%FB)	Assisted	600,000	<u>\$ 0.038</u>
All jobs (including assisted jobs)			
Routine labor (1600 hrs * \$10 = \$5,000+23%FB)			21,120
Paper (\$5/reem of 500 pages)			12,000
Software upgrades			900
ISD Charges [(14 + 24) X 12] time 3 connections			1,368
ISD long distance			2,500
Copier leases			11,162
			<u>\$ 49,050</u>
	Unassisted	1,200,000	<u>\$ 0.041</u>
Average per sample excluding IDC or FMV (not used as rate - check figures)	Average	1,200,000	\$ 0.06

* **FMV** = Fair Market Value

External user is one who can not supply a NMT index/fund number to charge for the transaction.

Exhibit E: Allowable and Unallowable Costs in Rate Calculation

EXHIBIT E		NEW MEXICO TECH			
SPONSORED PROJECTS ADMINISTRATION/COST ACCOUNTING					
OFFICE ALLOWABLE & UNALLOWABLE COSTS IN RATE					
CALCULATION					
	External	Federal	Recharge	SSF and	
Salaries	\$ 45,000	\$ 45,000			
Fringe Benefits	13,500	13,500			
Materials & Supplies	4,050	4,050	1		1
Travel	2,250	2,250			
Insurance	300	300			2
Rental or service contracts	500	500			
Other Expenses - Allowable	400	400			
Operations & Maintenance	1,000	1,000			2
Equipment repair	1,550	1,550			
Equipment depreciation	2,500	2,500	3		3
Allocation of related space	-	-			2 and 4
Sub Total	\$ 71,050	\$ 71,050			
Add					
Sales tax if/when applicable	500	-	6		6
Amt. Invoiced/JV'ed	\$ 71,550	\$ 71,050			
Less					
Unallowable Expenses		(10,000)	5		5
Sales tax if/when applicable	(500)		6		6
Cost of Operation	<u>71,050</u>	61,050			
Estimated units of service	1,550	1,550	7		7
External User Billing Rate	\$ 46			(Cost of Operation divided by Units of Service)	
Internal/Federal Billing Rate		\$ 39			
Indirect Cost:					
> Indirect cost is generated at the time the restricted fund burdens MTDC.					
> For External Users, call the Cost Accounting Office to find out what rate to use.					
Notes:					
1 Materials & supplies used, not "excess"					
2 University-wide service facilities & specialized service facilities only					
3 Equipment purchased with federal funds or included in NMIMT's indirect cost calculation must be excluded from the service center rate. If the equipment is recovered through the service center, Capital Reserve funds will be established for future replacement or upgrade of equipment. The transfer will be equivalent to the amount included in the rate for depreciation/usage.					
4 When burdening the SSF with space related costs, identify square feet occupied by the SSF. If SSF space is not identified to the SSF, the SSF space should be assigned to OIA.					
5 Unallowable expenses include advertising of services/products, alcoholic beverages, bad debts, entertainment, fines and penalties, goods or services not related to the service center.					
6 When applicable, gross receipts (sales) tax must be charged to outside parties. Also, revenue from outside parties may have Unrelated Business Income Tax (UBIT) implications. These charges are included on the invoice, but excluded for rate determination.					
7 Typical units: machine time, hours of labor, number of users, number of samples pieces of glassware, pages, etc.					

Exhibit F: Operating Report – Blank

EXHIBIT F	New Mexico Tech		
Service Center Name:			
Responsible Department:			
Annual Operating Report: From: _____ To: _____			
Income:			
External Billings			
Direct Cost	plus +	\$ _____	-
Indirect Cost		minus	-
GGRT		minus	-
FRV	minus -		
Total External		\$ _____	-
Internal Billings			
NMT Internal Departments	plus +	\$ _____	-
Federal Awards		plus	+
Non-Federal Awards		plus	+
Project Funds	plus +	_____	
Subsidy (if appropriate)	plus	-	-
Total Internal		\$ _____	-
Total Income		\$ _____	-
Expenses:			
Salaries	plus +	\$ _____	-
Fringe Benefits		plus	+
Materials & Supplies		plus	+
Services		plus	+
Travel	plus		+
Other Direct _____	plus		+
Other Direct _____	plus		+
Subcontracts		plus	+
External Rentals	plus		+
Equipment (Depreciation Only)	plus +	_____	
Total Expenses		\$ _____	-
New Operating (Surplus)Deficit		\$ _____	-
Service Center Fund:	Capital Reserve Fund: _____		
Contact Person: _____	Office/Cell Telephone: _____		
E-mail: _____	Location Address: _____		
Notes:			

EXHIBIT F1	New Mexico Tech	
Service Center Name: <u>Biology Research Lab</u>		
Responsible Department: <u>Biology Department</u>		Annual
Operating Report:	From: <u>April 1, 2010</u>	To: <u>April 30, 2010</u>
Income:		
External Billings		
Direct Cost	plus +	\$ <u>293.60</u>
Indirect Cost	minus -	<u>(78.60)</u>
GGRT	minus -	<u>(10.00)</u>
FRV	minus -	<u>(5.00)</u>
Total External		\$ <u>200.00</u>
Internal Billings		
NMT Internal Departm	plus +	\$ <u>800.00</u>
Federal Awards	plus +	<u>1,000.00</u>
Non-Federal Awards	plus +	<u>1,200.00</u>
Project Funds	plus +	<u>200.00</u>
Subsidy (if appropriate)		<u>-</u>
Total Internal		\$ <u>3,200.00</u>
Total Income		\$ <u>3,400.00</u>
Expenses:		
Salaries	plus +	\$ <u>1,500.00</u>
Fringe Benefits	plus +	<u>345.00</u>
Materials & Supplies	plus +	<u>800.00</u>
Services	plus +	<u>100.00</u>
Travel	plus +	<u>500.00</u>
Other Direct _____	plus +	<u>20.00</u>
Other Direct _____	plus +	<u> </u>
_____ Subcontracts		
	plus +	<u> </u>
External Rentals	plus +	<u> </u>
_____ Equipment (Depreciation		
Only)	plus +	<u>65.00</u>
Total Expenses		\$ <u>3,330.00</u>
New Operating (Surplus)Deficit		\$ <u>(70.00)</u>
Contact Person: <u>Dr. I. C. Bugs</u>	Office/Cell Telephone:	<u>555-5555</u>
E-mail: icbugs@nmt.edu	Location Address:	<u>Bio Bldg Rm 555</u>
Notes: <u>The suplus is minor so there will be no change in rates for FY11. We anticipate about the same level of users and expenses.</u>		

Exhibit G: Sample JV for Internal Users

EXHIBIT G					Page 1 of 1
Rule Code	JOURNAL VOUCHER			Document Number	
					J
					Transaction Date
					MO / DAY / YEAR
DESCRIPTION (30 CHARACTERS AND SPACES)					
ORIGINATED BY _____					Entered
REQUESTED BY _____					
INDEX	ACCT	DEBIT	CREDIT	DESCRIPTION	
DOCUMENT TOTAL		0.00	0.00	0.00	
EXPLANATION					BUSINESS OFFICE AUTHORIZATIONS

EXHIBIT G-1		Page 1 of 1		
Rule Code	JOURNAL VOUCHER			Document Number
				J
				Transaction Date
				05/13/10
				MO / DAY / YEAR
<u>Service Center charges for April 2010</u>				
DESCRIPTION (30 CHARACTERS AND SPACES)				
ORIGINATED BY <u>Dee Anay</u>				Entered
REQUESTED BY <u>I. C. Bugs</u>				
INDEX	ACCT	DEBIT	CREDIT	DESCRIPTION
103022	710001*	80.00		1 - Unassisted
103022	710001*	80.00		1 - Unassisted
ABCD10	710001*	220.00		1 - Assisted
PXR90	710001*	160.00		2 - Unassisted
A15010	710001*	160.00		2 - Unassisted
A15010	710001*	160.00		2 - Unassisted
270555	560106		860.00	
DOCUMENT	TOTAL	860.00	860.00	1,720.00
EXPLANATION				BUSINESS OFFICE AUTHORIZATIONS
<u>April 2010 Internal User charges for</u>				
<u>Thermal Analysis Service Center</u>				
*may use account code 710003 if providing lab services				

Exhibit H: Sample Invoice for External Users

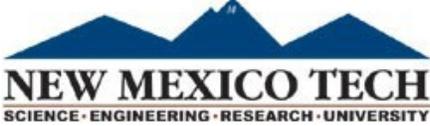
		Invoice # _____			
		Date: _____			
Service Center Department: _____		Service Center Manager: _____			
Service Center Name: _____					
Customer Billing Information:		Terms of Payment: Due upon receipt			
Name: <u>XYZ Industry</u>		Make payable to: <u>New Mexico Tech</u> Mail to: New Mexico Tech 801 Leroy Place Wells Hall Rom 44 – SPA/CAO Socorro, NM 87801			
Address: <u>Accounts Payable, PO Box 1234</u>					
City/State/ZIP: <u>Albuquerque, NM 87196</u>					
Phone: <u>505-555-5555</u>					
Contact: <u>John Doe</u>					
Service Date	Service Description	Quantity	Price	Amount	
7/9/2010	Sample analysis	1	\$ 320.00	\$ 320.00 ←	
Please send a copy of invoice with payment.			Total Due	320.00	
\$					
NMT Distribution Purposes:					
Credit Index-Acct	Amount	Credit Index-Acct	Amount	If Applicable	Total Distribution
270555 - 560000	219.30	R56007-560007	43.09	GRTPAY - 210004	-
122XXX - 560006	14.52	122XXX - 560007	43.09	For Tangible Items	\$ 320.00

Exhibit I: Annual Rate Validation Form

EXHIBIT I		Sponsored Projects Administration /Cost Accounting Office	
Service Center Annual Rate Validation Form - FY _____(Most recent Fiscal Year end) (To be prepared annually for all approved Service Centers)			
			Fund #
Service Center Name:			
Current Location/Building:			
Department:			
Financial Manager:			
E-Mail Address:			
Phone number:			
Date of Latest Rate Study	Date:	(See attached page for current rates)	
Type of Service Center			
To be completed by Service Center Manager			Amount
FY__ Revenue Collections:	Revenue Account Code:		
	Total Revenues		-
Fy__ Expenditures:	Expense Account Code:		
	Total Expenditures		-
Results of Operation (Revenues - Expenditures)			-
Description of changes:			
Equipment Changes:			
Location Changes:			
Submitted by:	Name:	Date:	
To be completed by Sponsored Projects Admin./Cost Accounting Office			
Review Procedures:	Service Center Rates are Acceptable:	Yes:()	No:()
	Service Center Rates must be revised:	Yes:()	No:()
	Service Center Rates to be cancelled:	Yes:()	No:()
	Other Comments:		
Reviewed By:	Name:	Date:	
	Approved By:	Name:	Date: