

Appendix D: Time and Materials Rate Calculation Example

In this Service Center, Peg Faculty supervises 3 technicians who work with Principal Investigators to design very specialized tests for their research. Each design requires different amounts of technician time and supplies. Supplies that can be easily traced to each test are billed to the customer at cost. All other costs are billed according to the direct time spent by the technician on the design and performance of the test.

Annual Budget

Salaries

Peg Faculty	15%	150,000	22,500
Joe Technician	100%	50,000	50,000
Sally Technician	100%	50,000	50,000
Kim Technician	100%	50,000	50,000
Mary Sue Billing	10%	40,000	4,000

Benefits	20,000
Supplies	25,000
Software	30,000
Depreciation Expense	50,000
Equipment Maintenance Contract	15,000
Costs to be allocated through hourly rate	<u>316,500</u>
Materials billed to customers	<u>100,000</u>
Total Cost of Operations	416,500
Total Costs to be recovered through billable hours:	
Costs to be allocated through hourly rate	316,500
Reduction of prior years' surplus ***	<u>(23,083)</u>
Total Costs to be recovered through billable hours	293,417 (A)
Total Billable Technician Hours*	4,576 (B)
Rate per Billable Hour (A/B)	64

* Billable Technician Hours is computed as follows:

Total Hours (52 wks * 40 hrs/wk * 3 techs)	6,240
Less: Holiday, Sick, Vacation (52 days each)	(1,248)
Less: Downtime (8 hrs per week)**	<u>(416)</u>
Total Billable Technician Hours	4,576

** Downtime consists of regular maintenance of the equipment, quality assurance, etc.

***Calculation of Allowable Surplus Balance:

Annual expenses	416,500
Acceptable Surplus (90 days Expense)	104,125
Actual Fiscal Year End Surplus	<u>127,208</u>

Excess Surplus

23,083

*NOTE: This is an example meant for illustrative purposes only. It is meant to give examples of possible costs and billing units. Each service center is unique and should include all appropriate costs related to its particular service and should choose a billing unit that is appropriate for the services being provided.