9.2 Opening a New Service Center

In order to establish a Service Center, a formal proposal with a comprehensive Cost Analysis must be submitted to SOM Division of Finance. The proposal must address and include the following:

- **Proposal**
  - Narrative describing the scientific and business plans for the Service Center, including a list of services to be offered, need for the services, scope of the market place, physical location and space, list of equipment (existing or new) to be used in the Service Center, funding source to absorb any potential deficits, list of subsidies, and whether this is a departmental Service Center or SOM designated Core Facility.

- **Detailed Budget**
  - List all staff, titles, levels of effort, and roles in the Service Center.
  - List all fixed costs (e.g. service contracts, equipment depreciation, telecommunications, etc.).
  - Estimate all variable costs (e.g. supplies, raw materials, etc.).
  - All costs need to be summed by Object Code.

- **Projected Volume of Users**
  - Estimate top users by PI name, department or institution, funding sources, and volume in units.

- **Equipment Depreciation Schedule**
  - When annual equipment depreciation expense is included in the Cost Analysis, a schedule of Equipment is needed.
  - Include equipment description, asset ID#, PO# used to purchase the item, original funding source, acquisition cost, date placed in service, original useful life, accumulated depreciation expense booked to date, and the remaining useful life.

- **Rate Schedule**
  - Provide a list of rates for each item to be charged to different user groups: Internal Users, Users eligible for subsidies, and External Users.
  - Each rate schedule needs to be developed considering the variable costs to provide each service plus an allocation of the fixed costs.
  - The rate schedules **cannot be arbitrary**—they must be developed based on the projected costs to provide the service divided by the anticipated volume for each service.
Break-Even Analysis

- This analysis is the final step to bring your Cost Analysis together, presented in a *profit and loss statement* format.
- University policy allows a small surplus or deficit variance at the end of the fiscal year; however, a Service Center **must** be set-up with the intention to break-even, where budgeted revenue less expenses will equal zero.
- Revenue must tie to the schedule of projected volume multiplied by the rate for each service.
- Expenses must tie to the detailed budget.
- Revenue less expenses must equal zero.

The SOM Executive Vice Dean for Research and Chief Scientific Officer is responsible for approving all service center requests in the School of Medicine. The proposal is reviewed by SOM Division of Finance in consultation with the Office of Research Compliance and Integrity to determine reasonableness, allocability, allowability and consistent treatment of costs to conform to OMB Circular A-21 and University policy. SOM Division of Finance coordinates the approval from the SOM Executive Vice Dean for Research and Chief Scientific Officer and the Vice Dean for Administration and Finance. After approval, the SOM Division of Finance submits the request to the University Office of Research Services, Director of Cost Analysis as well as coordinates the establishment of the new account number in the BEN Financial System.