FY 2013
BUDGET BUILDING GUIDELINES FOR INCOME/EXPENSE ACTIVITIES

MEMORANDUM OF UNDERSTANDING
Review annually and revise as necessary. If revised, submit to the Office of Financial Analysis and Budgeting (FAB) electronically for review.

RATE CALCULATION
For FY 2013 budget building, all income/expense activities must submit a rate calculation electronically (with formulas included) to FAB no later than Friday, May 4th. However, activity managers are encouraged to submit rate calculations as soon as complete. This will allow time for approval prior to submitting the activity's FY 2013 budget through EPM. Any concerns that might result from the analyst's review will need to be addressed prior to loading the new year budget into PeopleSoft. The rate calculation and budget must coincide.

Rate calculations are discussed in the University's Income/Expense manual (section III) located on the web at: http://www.uvm.edu/~ofabweb/Income_Expense_Manual.pdf. An example is demonstrated in Appendix C at the end of the manual. If you have further questions, contact FAB at X63244.

FY 2013 income/expense preliminary parameters are presented in the appendix attached to this document.

The financial goal of each activity should be to recover the legitimate **full** cost of producing a good or service.

All clients/users must be charged at the same rate for the same goods or services provided. However, a subsidy by the General Fund, college, or department can partially or totally offset this charge so that the actual amount paid by certain clients/users may be less than the full rate. If this is the case, the area of subsidy must be discussed in the Memorandum of Understanding and demonstrated as revenue in the activity rate calculation and budget.

BUDGET
Each income/expense activity is expected to "break even". That is, projected annual revenue less all expenses is planned to equal zero.

Budget in whole dollars only--**no cents.**

Compare the new year budget to the current year budget. A significant difference might be indicative of a change in operations, which then would require a change in the MOU. Review the YTD results of operations to determine if the new year budget appears to be reasonable given the activity level in the current year.

INCOME – Revenue may be obtained through a variety of sources and should be reflected accordingly through the budget. These sources may include sales and services direct billing, charging a portion of the rate to a subsidy budget, and/or drawing down the fund balance that is planned for during the rate calculation process. Remember to budget at the **'E'** account level.

Auxiliaries (103) are activities conducted primarily to furnish goods or services to students, faculty and staff and are expected to be self-supporting. They primarily have external revenue (revenue from students, faculty or staff or the general public) and therefore, are not recharge centers.

Sales & Services of Educational Activities (107) are 1) revenues related incidentally to the conduct of instruction, research, and public service and 2) revenues of activities that exist to provide instructional and laboratory experience for students and that incidentally create goods and services that may be sold to students, faculty, staff and the general public. If sales and services to students, faculty, or staff, rather than training or instruction, is the purpose of the activity, the revenue should be classified as Auxiliary.

Other Revenue (109) is none of the above and not related to the tuition and fee accounts used to bill students through banner. Examples are miscellaneous rentals and sales, miscellaneous fees, and items that are not material enough to warrant separate disclosure.

<u>Subsidy</u> – A portion of the rate charged for sales/services may be an internal charge to a specific subsidy budget (unit support or general fund support). Unit Support is to be budgeted in account **E4870.** If you have been notified that a portion of your activity revenue will be subsidized by General Fund Support, the agreed upon amount is to be budgeted in account **E4899.**

<u>Use of Prior Year Fund Balance</u> **–** If a surplus balance from the prior year(s) exists, it may be necessary to include a portion as a source of revenue thus reducing the amount charged to users or subsidy required. Budget the amount included in the rate calculation in account **E4649.**

EXPENSES – <u>All</u> expenses of the activity should be budgeted and charged to the activity.

<u>Salaries and Wages</u> – Budget and charge to the appropriate individual account.

<u>Benefits on salaries/wages</u> -- Benefits on both salaries and wages should be budgeted in account **E5991 at 42.3%**. An exception may exist when temporary wages are budgeted in account **E5994 at 8.7%**.

<u>Operating</u> – Budget to the appropriate 'E' level account. Charge to the account related to the 'E' level budget.

<u>Equipment</u> – Purchases of equipment are made using the activity's reserve chart string which will most likely have the new source code of **139xxx or 149xxx where the last three digits are the same as the activity's operation source value**. Note this source field value indicates reserve but for most Income/Expense activities there will not be surplus funds in this chart string. The purchase will occur to this chart string and the cost will be amortized over the useful life of the equipment. Equipment cost is recognized each year as an expense in the rate calculation equal to a portion of the useful life and acts as a payback against the deficit in the chart string. Cumulative purchases greater than $25,000 must be offset by the budget center's total reserves.

<u>Equipment Cost Transfer</u> – The equipment cost transfer is budgeted using account **E8100** in the activity's operation budget. An equipment cost schedule must also be included with the budget materials submitted with the rate calculation. Transfers will be processed using the transfer account 81900.

<u>General Fund Reimbursement (Indirect Cost)</u> – A target will be sent to managers indicating the new level identified which must be included as an expense to the activity for the FY 2013 budget. Activities will need to budget this expense in account **E8099**. The indirect expense will be processed by FAB using the transfer account 81900.

<u>Addition to Fund Balance</u> **–** If a deficit balance exists, all or a portion needs to be built into the FY 2013 rate calculation as an expense in order to understand the amount necessary to collect as revenue to offset the deficit. Account **E8649** should be budgeted for this purpose.

ACTIVITY CHART STRINGS
All Income/Expense activities (Fund 150) will use the newly assigned source value(s)—no longer 102001 or 102010 starting in FY13. Also, activities currently using function 998 have been reassigned to a different function.

Consistency in the use of chart strings is the key. Activity chart strings should clearly identify the activity through source value as of FY13. The function should clearly relate to the activity—expense and revenue.

Please make us aware of any questions or concerns regarding rate calculations, budgeting, activity chart strings that might also be helpful to be included in these new year budget guidelines. Contact Ann Barnes (Ann.Barnes@uvm.edu) or Nancy Towle (Nancy.Towle@uvm.edu). There is also a new listserv that can accommodate communication on income/expense issues that may be common to other managers; Income-Expense@LIST.UVM.EDU.

Materials to submit:

- ✓ Rate calculation and equipment depreciation schedule submitted electronically (demonstrating the use of formulas in the spreadsheet) prior to May 4th thereby allowing approval prior to submitting the budget through EPM,
- ✓ Budget through EPM, and
- ✓ Revised Memorandum of Understanding (MOU) if necessary; send electronically for initial review.

FY 2013 TARGETS AND BUILDING PARAMETERS FOR INCOME/EXPENSE ACTIVITIES

Preliminary As of 04/18/2012 (PENDING BOARD APPROVAL)

BUDGETS SHOULD BE BASED ON THE FOLLOWING PARAMETERS

SALARIES

General fund base budgets for non-represented staff		2.0%	Increase

WAGES

The Vermont State minimum wage is $8.46 per hour.		$8.46	Minimum

BENEFITS

The projected rate for base general fund, income/expense, and restricted accounts	UVM	42.3%	Rate
	UVMG	24.7%	Rate
	Civil Service	33.3%	Rate
Temporary wage employees: defined as 1) salaried individuals ***without a UVM paid assignment*** who provide a temporary service that is paid via an extra payment voucher; 2) temporary weekly, hourly, or workstudy wage earners. The temporary designation CANNOT apply to anyone also being paid by UVM as classified staff or faculty. *The 8.7% benefit rate for temporary employees must be budgeted in account* ***E5901*** *.*		8.7%	Rate

GENERAL FUND OPERATING AND EQUIPMENT BASE BUDGET INCREASE	2.0%	Increase

UNIVERSITY INSURANCE

General Institutional Insurance	1.0%	Increase
Vehicle Insurance	2.0%	Increase
Property Insurace	10.0%	Increase

Contact Mary Dewey for additional information

TELEPHONE INCREASE

Port Rate for Administration: $44.50 per month per line	$ 44.50	Increase

POSTAGE INCREASE

First Class (based on USPS request) - **Increase likely - TBA**	0.45	Current

Contact Rick Carlson@Mail Services for changes to rates on other classes of mail.

UTILITIES INCREASE

Because projected costs may vary, those who need to budget for these categories should contact Physical Plant.

MILEAGE REIMBURSEMENT

Effective 07/01/11 mileage reimbursement - $0.55 per mile	$0.55	Per Mile

INDIRECT COSTS

Federal regulations require that all Income/Expense activities identify space usage and that those activities billing grants be charged the associated cost of their space. All other activities remain subject to an indirect charge. This expense should be budgeted under object code E8099

You should develop other expense and income estimates in line with the procedures outlined in the Memorandum of Understanding (MOU) for your activity. Current documentation of your activity, including an up-to-date, signed MOU, must be on file in the Financial Analysis and Budgeting (FAB) Office. Documentation required includes: 1) a detailed FY 2013 rate calculation schedule and, if appropriate, 2) an equipment use allowance schedule both of which is due, May 4th. Managers are encouraged to take the opportunity to submit as soon as possible. If there has been any significant change to your operation, you will also need to submit a new MOU. FAB will be happy to provide technical assistance to help you develop any of this items.

Income/Expense Activities Policies & Procedures manual can be found online at: http://www.uvm.edu/~ofabweb/Income_Expense_manual.pdf. If you have any questions, please call FAB at 6-3244.