PHYSICAL PLANT
OPERATING POLICY AND PROCEDURE

PP/OP 04.05: Development of Standard Labor Charge Rates for Services

DATE: June 7, 2010

PURPOSE

The purpose of this Physical Plant Operating Policy and Procedure (PP/OP) is to establish procedures for the development of a standard labor charge rate used when Custodial Services performs a service.

This PP/OP will be reviewed in August of each year by the Director for Services and the Associate Director for Business Office with recommendations forwarded to the Managing Director for Physical Plant.

PHYSICAL PLANT SERVICES

POLICY/PROCEDURES

1. General

a. Charge out rate – Establishment of rates for Physical Plant Services is an integral part of the Physical Plant cost accounting system to collect all costs associated with its service account. The Custodial Services department has a calculated standard charge-out rate which will be updated by the beginning of each fiscal year. The standard rate includes all overhead costs that support activities necessary to maintain vehicles and buildings. Component details are addressed in paragraphs 2 through 5 of this PP/OP.

b. Responsibility Centers – The Director for Physical Plant Services has responsibility for the productive activities of the personnel under his/her control and related operation costs for Custodial Services.

c. Custodial Services Dept funds are service accounts used to pay for all labor, supplies and materials, parts, contracts, training, and other goods and services necessary to do custodial services for Texas Tech facilities.

The following Custodial Accounts are utilized:

Department Operating and Instructional Administration
(16A050-C20009-600) –
Account used to fund all maintenance and operation expenses for Custodial Services
Custodial Services (11A017-C20009-700) –
   Primarily for salaries, this account is funded by General University funds for the purpose of Custodial efforts in E&G buildings.

Plant Support Services (11A015-C20037-700) –
   Account used to fund administrative salaries and expenses.

Custodial Services Auxiliary (17A098-C20009-S10) –
   Service account used to collect revenue when Custodial Services performs a service.

d. Charge out Rate Development – The rate will be formulated utilizing Custodial Services charge out rate calculation sheet.

2. Indirect Equipment and Supplies Support Costs

   Charge out rate development will also include indirect equipment, supplies, and administrative support costs. These are the expenditures necessary to accomplish essential functions, but not directly traced to a given unit of work. Prior to the start of each fiscal year, the Director for Physical Plant Services will review and identify indirect costs that require inclusion in the charge out rate.

3. Charge out Rate Calculations

   The next part will be the charge out rate calculation to determine the charge rate to be used for the current fiscal year. To formulate and calculate charge out rate, utilize the Custodial charge out rate calculation sheet for detailed instructions. The Physical Plant Services Director will review the charge out rates with the Managing Director for Physical Plant for final approval.

4. Charge out Rate Maintenance

   Once the charge out rate has been approved and entered into the current fiscal year, the assigned charge out rate will be reviewed annually.

   a. Physical Plant Financial Committee

      Composed of the Managing Director for Physical Plant, Associate Director for Physical Plant, Associate Director for Business Office and Material Resources, and Director for Physical Plant Services the committee will complete the following:

      (1) The Director for Physical Plant Services will brief the current fund account status.
(2) The Associate Director for Business Office and Material Resources will submit all Division shop rates to the Office of Administration and Finance for approval by the appropriate administrative member as prescribed by TTU OP 62.23.

5. Explanation of Custodial Services Charge out rate calculation sheet:

a. Cell C6 = 2080 standard hours in a year
b. Cell C7 = number of hourly employees projected to work in the year
c. Cell C8 = average hourly salary (projected salary divided by the number of projected employees for the year)
d. Cell E8 = annual cost calculated by multiplying the hourly salary by the number of hourly employees by the number of hours in year (C6 x C7 x C8)
e. Cell C10 = benefit rate of 35% (should be verified each year)
f. Cell E10 = annual benefit calculated by multiplying annual salary by the benefit rate
g. Cell C12 = number of full-time employees on contract
h. Cell C13 = cost per hour of contract employees as per existing contract
i. Cell E13 = annual cost calculated by multiplying number of contract employees by cost per hour by hours per year (C12 x C13 x C6)
j. Cell C15 = salary per monthly employee (total salary of all monthly employees)
k. Cell E15 = annual cost calculated by multiplying total monthly salary by the number of months in year (C15 x 12)
l. Cell C17 = benefit rate of 35% (should be verified each year)
m. Cell E17 = annual benefit calculated by multiplying annual salary by the benefit rate
n. Cell E19 = projected cost of supplies in fiscal year
o. Cell E21 = cost of previous year overhead + 3% (see Note below)
p. Cell E24 = total cost calculated by adding all sums in annual cost column
q. Cell C26 = total number of employees calculated by adding all hourly employees and contract employees (C26 = C7 + C12 – those hourly employees that only supervise and perform no custodial cleaning duties)
r. Cell C28 = total number of man hours calculated by multiplying total number of employees by the standard hours worked in a year (2080) (total # of man hours available for charge-out)
s. Cell C31 = total cost divided by the number of hours worked in year (E24 divided by C28)
Note: The custodial overhead rate will be given to the Director of the Physical Plant Services by the Associate Director of Business Office and Material Resources as needed. Typically, it will include the following salaries multiplied by the percentage given below.

- Director for Physical Plant: 34%
- Associate Director for Business Office and Material Resources: 6%
- Business Office Manager: 11%
- Fleet and Safety Manager: 34%
- Purchasing Manager: 11%
- Manager for Information Services: 10%
- Manager for Human Resources: 34%
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<tr>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
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<tbody>
<tr>
<td>FY11 Custodial Charge Out Rate</td>
<td></td>
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<tr>
<td>Hours worked in one year</td>
<td>2080</td>
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<tr>
<td>Number of Hourly people</td>
<td>141</td>
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<tr>
<td>TTU Hourly salary (ave $/hr)</td>
<td>$9.68</td>
<td>$2,838,950.40</td>
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<tr>
<td>Benefit rate for hourly employees</td>
<td>35%</td>
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<td>$993,632.64</td>
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<td>Number of contract employees</td>
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<tr>
<td>Contract employees (ave $/hr)</td>
<td>$11.11</td>
<td>$0.00</td>
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<tr>
<td>Total Monthly salaries ($/Mo.)</td>
<td>$41,351.39</td>
<td>$496,216.68</td>
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<tr>
<td>Benefit rate for Monthly employees</td>
<td>35%</td>
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<tr>
<td>Cost of supplies</td>
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<td>$512,219.00</td>
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<tr>
<td>Cost of Physical Plant Overhead</td>
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<tr>
<td>Total cost</td>
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<tr>
<td>Total number of people worked for charge out</td>
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<td>Total number of hours work in year</td>
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<td>Average cost per hour</td>
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### RESPONSIBILITIES

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<tr>
<td>Director for Physical Plant Services</td>
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Associate Director for Business
Office and Material Resources

**APPROVED:**

- ______________________________
  Reviewer

- ______________________________
  Reviewer

- ______________________________
  Director for Physical Plant