



FACILITIES MANAGEMENT DEPARTMENT

POLICY: I: 01—Establishing Labor and Administrative Overhead Rate Calculation for Facilities Management Services

DATED: December 2003

UPDATED: February 2021

APPROVED: Executive Director of Facilities and Construction:

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I. PURPOSE

To clarify the methodology for annually determining the customer labor rates for Facilities Management (FM) services and outline the procedural steps and mathematical calculations that are involved.

II. DEFINITIONS

- A. Labor and Administrative Overhead Rates - The calculated rates charged customers except E&G organizations, often referred to as the “full costing” or “auxiliary rates” but applicable to all auxiliary enterprises, grants, special invoicing and capital outlay projects. The rate is a calculation of the direct labor costs of FM craft employees and the FM administrative support costs associated both with the craft related expenditures and with all general administration. Excluded are utility costs, recycling, trash disposal, and the Power Plant. There is a labor and administrative overhead rate for each craft, which are referred to as “craft rates.”
- B. E&G Labor Rates - Rates utilized for services to academic departments, E&G special projects, and E&G sponsored special events. These rates are used for E&G customer generated work orders. The rates reflect 33% of the base rate, without any overhead. One exception is the Motor Pool rate which is 100% of the base rate without any overhead.
- C. Craft - A designated work unit within FM whose employees’ complete work orders to track and/or chargeback to customers the time spent completing work activities. Each craft has a specific E&G and auxiliary rate.
- D. Service Hours - The productive time recorded on work orders, including work orders completed for training and administrative activities. Annual leave, sick leave, bereavement leave, administrative time, training, daily breaks, and holidays are excluded. The time is recorded in 0.25 work hours or greater. The service hours can be considered billable or non-chargeable hours.
- E. Billable Hours - Service hours that are chargeable services to customers, including those chargeable services provided by one FM department to another. Services to auxiliary facilities/zones/equipment are chargeable, unless the work order states otherwise, (e.g. a second-time repair.) Services requested by academic departments, E&G special projects, capital outlay projects, reserve projects, student organizations, and grants are chargeable.
- F. Non-Billable Hours - The service hours for non-chargeable services, i.e. routine, repetitive services to E&G organizations tracked by crafts using the crafts’ FM organization codes.

- G. Productivity Standard - From the 2,080 annual paid hours, 512 hours are deducted for annual leave, sick leave, personal leave, and holidays. Two daily 15-minute breaks, staff meetings, training, and administrative time are calculated and deducted. The remaining balance of annual paid hours becomes the productivity standard. (Refer to attachment 1.) The productivity standard is an integral part of determining the craft rates.

III. RESPONSIBILITIES:

- A. Executive Director of Facilities and Construction - Responsible for approving the productivity standard, annual craft rates, providing information to JMU administration and the Budget Office.
- B. FM Budget Manager- Responsible for developing and recommending annual craft rates for full costing and E&G labor rates. Responsible for analyzing each craft's billable hours for each auxiliary organization code for the past several fiscal years to determine auxiliary budgets for FM services. In addition, projected hours for new facilities for the next fiscal year must also be provided with new manpower requirements.

IV. PROCEDURES

- A. Calculating the base craft rate - The base craft rate is a percentage of the salary and benefit cost of each employee assigned to the craft. Employees may show as a percentage of craft labor and as a percentage of administrative overhead personnel, e.g. a working supervisor. The craft salary and benefit cost is divided by the number of salaried craft employees and divided by the productivity standard.
- B. Calculating administrative overhead costs - Costs include a portion of both the administrative personnel who do not complete work orders and all of E&G funded non-personnel (NPS) operational costs. This calculation is then divided by the number of salaried craft employees and divided by the productivity standard to yield an administrative overhead cost.
1. The administrative overhead cost reflects 100% of the costs of the auxiliary funded administrative positions and 50% of the costs of the E&G funded administrative positions.
 2. Each craft shares a percentage of the FM warehouse operations and a percentage of FM administration in its labor rate.
- C. The base rate + the administrative overhead rate = the craft rate, which is rounded upward to the nearest dollar.
- D. Total administrative overhead cost must be calculated as a percentage of the sum of base labor costs plus the overhead costs. This percentage determines how the recovery dollars are reimbursed to the FM budget through the application of the craft rates will be split between reimbursing the FM personnel budget and reimbursing the FM NPS budget. The portion of the craft rate that is fully personnel, whether direct craft labor or craft administrative personnel, reimburses personnel costs. Only the portion of the administrative overhead cost that represents the NPS costs reimburses the NPS Budget. Recovery account codes 119600 and 119900 are used for the personnel portion of the rate and the recovery account codes 129600 and 129900 are used for the NPS portion of the rate.

Explanation/Calculation of Facility Management's Productivity Standard

Productivity Standard is 1,362 annual "wrench" hours

87% of 1,568 is available work hours

| | |
|-------------------------------------|---|
| Annual Paid Hours | 2,080 |
| Holidays | -96 |
| Personal Leave | -296 |
| Sick Leave | -120 |
| | 1,568 or 196 Working Days (Auditor's Base) |
| Daily (paid) breaks, 30 minutes/day | -98 |
| Staff Meetings | -19 |
| Training and Special Events | -28 |
| Administrative Time | -61 |
| Clean Time | -1 |
| | Productivity Standard 1,362 |

Note: Time loss due to Worker's compensation/injury or other reason's for time loss is not included.