

Which comes first, the RC/SSF budget or the RC/SSF rate?

Both are dependent on volume so any model must start with the cost elements for an expected volume level. The fixed costs of an RC don't change with volume levels, or at least don't change over a certain range of volume levels. Variable costs are dependent on volume levels.

Recharge Scenario for Budget and Rate Development

(Remember those word problems you had in school? They really were important! Tell your kids!)

See both the narrative below and the budget/rate calculations [spreadsheet](#) examples.

If our recharge center prepares agar plates, our budget development would begin with identifying the **fixed costs**, say one tech and 5% of a PI or other manager position. Let's say we also have a service agreement on the MilliQ water system, which is also a fixed cost.

Our **variable costs** include the plates, agar, tryptone, yeast and NaCl as well as supplies, such as foil and bleach.

Now let's consider expected activity or units which, in this case, is number of plates prepared. Based on knowledge from the manager's past experience, volumes could be in the range of 125,000 to 250,000 plates annually. This assumption is built from 5 labs needing approximately 500 to 1,000 plates/week over 50 weeks.

To test our rates and determine feasibility, the budget/rate calculations are run using a range of volumes in our [spreadsheet](#). A rate reflecting the most likely volume in relation to the rate customers would be willing to pay would be the basis for your budget.

When reviewing the activity and financial results after an operating year, there will be either a surplus or a deficit since hitting zero is like winning the lottery....it almost never happens ☺.

The first [spreadsheet](#) tab "New Center" is an example for the first year of a new center. The next tabs "Existing Center A" and Existing Center B" are for existing centers which include a line for adjusting for prior period gains/losses per the formula:

$$\text{Rate} = \frac{\text{Operating Costs} \pm \text{Prior Year(s) Surplus/deficit}}{\text{Estimated Level of Activity (units)}}$$

The tab "Existing Center with Subsidy" shows a center that receives a subsidy and how that changes the rates charged to customers assuming all customers qualify for the subsidy.

You might ask, "**Can volume rate reductions be offered?**"

Yes, if there is a real price difference. For example, labor costs may be only twice as much when making 100 units vs. making 10 units, allowing the RC to offer multiple rates based on volume.

(What was the name of that math teacher who helped you with your word problems way back when?)